

## U.N. REPORT BACKTRACKS ON LINK BETWEEN FREEDOM AND DEVELOPMENT

(Updating *Backgrounder Update* No. 164, "U.N. Report Links World Poverty to World Freedom," July 9, 1991; and *Backgrounder* No. 384, "The U.N.'s Economic Credo: The Way the World Doesn't Work," October 3, 1984.)

The United Nations Development Program (UNDP) took a giant step backward with the April 23 release of its third annual "Human Development Report."<sup>1</sup> The UNDP coordinates much of the development activity undertaken by the U.N. and is funded by voluntary contributions from U.N. members, including the United States. The report measures economic and social conditions throughout the world and recommends steps to alleviate poverty.

Unlike last year's report, this year's waters down a key section—the Human Freedom Index—linking political repression to poverty. And it fails to point out that such basic economic freedoms as the protection of property rights are a necessary prerequisite to economic development. The report also contains a number of potentially damaging recommendations. It proposes, for example, an international development tax to be levied on countries by the U.N. or some other world body. In sum, the recommendations in the Human Development Report reflect the political interests of Third World elites more than the real needs of the world's poor.

The U.S. is the UNDP's largest donor, giving \$108 million in 1990. The U.S. should demand that the UNDP change its approach to recognize that human freedom and free markets are the only legitimate route to economic development. Otherwise, Washington should withhold funds from the UNDP.

**Failure to Understand What Works.** The UNDP Human Development Report includes a host of statistical tables comparing the underdeveloped countries of the world on such items as urban crowding, food scarcity, safe drinking water, and employment. For example, it compares the percentage of people in each underdeveloped country with access to safe water and gives the "daily per capita calorie supply" for each country. It also compares, among other items, the number of television sets per thousand people and the percentage of single-parent homes in the industrialized nations. And the report includes what its authors call the Human Development Index (HDI), which rates nations according to income, life expectancy, and education. The index combines these ratings and ranks countries from 1 to 160. This year Canada ranked first in development, Guinea, on the west coast of Africa, ranked last, and the United States sixth.

Missing from the report's myriad charts and statistics, however, is a measurement of such economic freedoms as the protection of property rights. Because economic freedom is not a U.N. criterion for measuring

1 *The Human Development Report 1992* is available from Oxford University Press, New York City.

progress on economic development, the UNDP wastes money sending much of its \$800 million annual aid budget to tyrannical regimes while shortchanging those that struggle to develop free societies and market economies. This is not to say that UNDP projects themselves are effective, but merely that the UNDP fails to consider that freer countries would be more likely than less free countries to make good use of appropriate aid projects.

**The Korean Paradigm.** The Korean example demonstrates how the UNDP ignores economic and political freedoms as conditions for aid. In last year's Human Freedom Index, North Korea scored a lowly 5 out of a possible 40, the same as Cuba and Vietnam, which were near the bottom of the list. South Korea, at a moderate 14, ranked alongside such countries as Mexico and Thailand. If the UNDP measured economic freedom as well, it would have found that North Korea has none, whereas South Korea encourages business, protects private property, allows access to a reasonably fair judicial system, and pursues sound monetary policies. The result: South Korea in 1990 had a per capita gross national product of \$5,569, a real growth rate of 9 percent, and foreign trade worth \$134.9 billion. By comparison, North Korea's per capita GNP in 1990 was less than one-fifth South Korea's: \$1,064. Its GNP shrank by 3.7 percent, and its foreign trade totalled only \$4.6 billion.<sup>2</sup>

Democracy and a free market economy now are firmly entrenched in South Korea and full political freedom is in sight; certainly it will arrive long before it does in the North. A rational development policy, therefore, would encourage South Korea, and punish the rulers of North Korea. Instead, the UNDP plans to spend almost \$22 million in North Korea from 1992 to 1996 and only \$1.8 million in South Korea over the same period.

The examples of North and South Korea are not aberrations. The UNDP continually overlooks economic and political freedom as criteria for aid. From 1992 to 1996, for example, the UNDP will send \$177 million in aid to the dictators in China and \$10.6 million to Fidel Castro in Cuba. The emerging democracies of Eastern Europe by contrast will receive next to nothing: Czechoslovakia will receive a paltry \$1.6 million and Hungary only \$1.8 million in UNDP aid.

**Freedom Leads to Development.** The Human Development Index needs to be read in conjunction with other parts of the UNDP report. While economic and political freedoms do not figure into HDI, findings in this and last year's reports prove that human freedom indeed precedes economic development. Last year's UNDP report included a Human Freedom Index, which measured countries according to how they respect a long list of rights. These include the right to travel and to associate and assemble peacefully; freedom from forced and child labor, torture, arbitrary seizure of property, and censorship; the legal right to an open trial and a presumption of innocence until proven guilty; and the right to freedom of religion. The index in this year's UNDP report, however, listed new criteria, such as whether a country recently has had democratic elections, or how long democracy has existed in the country. These criteria are used to formulate what the UNDP now calls the Political Freedom Index.

The fact that such an index exists at all is a tacit admission that freedom is a necessary prerequisite for economic development. But the UNDP report makes no effort at all to use the Political Freedom Index to measure the relative economic and social progress of individual countries. In fact, the report tries to cover up the positive link between freedom and development by listing the Political Freedom Index scores of countries in aggregate categories of "low," "medium," and "high" human development, as measured by HDI. An individual listing that compared such high-scoring countries as Australia, France, and Sweden with such low-scoring countries as Haiti, Uganda, and Vietnam would more plainly have made the point that by restricting freedom, dictators cause poverty in their own countries. It would have allowed the reader

---

2 See *Human Development Report 1992*, pp. 128 and 174; *The Economist*, "The Great and the Dear," April 18, 1992, p. 32, citing Economist Intelligence Unit data.

directly to compare the degree of relative freedom with the level of economic and social development in individual countries.

Although it seems to have no impact on the UNDP's overall aid policies, its new Political Freedom Index does allow general comparisons which show that freer countries, as a group, have higher levels of development. The group of such high-income countries as the U.S., Britain, and Japan has a Political Freedom Index of 83.7. The middle-income group, including Brazil, Hungary, and Thailand, scores 60.8, while the low-income group, including China, India, and Zaire, tallies only 42.8.

**More Dollars for Dictators.** The report's recommendations promise to promote development in the Third World, but they will not succeed. One idea that is sure to fail is a proposed international tax to be levied on income, fossil fuel consumption, pollution, greenhouse gases, international trade, weapons production, and consumer items. This proposal makes little sense for Americans, who are already overtaxed by federal, state, and local governments. Worse yet, this new tax would give dictators in China, Cuba, Vietnam, Zaire, and elsewhere the power to decide how Americans' hard-earned tax dollars were spent. Ostensibly, the tax will pay for "sustainable development" in the Third World.

A second recommendation calls on the U.N. to create a new Security Council for Development that would "design a global policy framework in all key economic areas." This assumes, as stated in the report, that "the United Nations offers the world community a potentially effective system of global governance"—hardly an obvious conclusion from the U.N.'s dismal record. The last thing the U.N. needs is a new council with a mandate to interfere in the economic affairs of its member states, particularly as long as the U.N. fails to recognize that political and economic freedoms are a prerequisite for economic development.

While most of the UNDP report's economic advice is unsound, a few good proposals surface. The report suggests, for example, that the countries involved in the General Agreement on Tariffs and Trade (GATT) negotiations agree to lower such trade barriers as restrictive quotas and high tariffs on textiles and agricultural products. This is important because industrial countries tend to protect domestic makers of these products, thus closing an avenue to Third World development by eliminating profitable Third World exports. The report also calls on industrialized countries to allow unrestricted migration of foreign workers. This, too, is a good idea because it would create a free market in labor, and help guarantee the most productive use of the world's work force.

In too many Third World countries, wealth remains in the hands of political elites, whether they be communists or some other form of dictator or oligarch. What these elites fear most are the very measures needed for true economic development: tax cuts, reduced government spending, deregulation, elimination of wage and price controls, free trade, and protection of private property rights. Such measures empower individuals throughout a society by allowing them to accumulate wealth. Traditional development programs, such as those sponsored by the UNDP, simply transfer wealth from the developed world to the Third World governments that prevent economic empowerment in the first place. This strengthens the power of oppressive elites and ultimately impedes economic development.

**Making Progress at the U.N.** With the end of the Cold War and the ascension of reform-minded Secretary General Boutros Boutros-Ghali, the U.N. may regain credibility, and even usefulness, as an international institution. If the U.N. is to fulfill its new promise, it must abandon the outdated notions of state economic control and "global governance" reflected in the UNDP Human Development Report. Instead, it should embrace the ideas of individual liberty and free markets now accepted as the only legitimate routes to economic development. Until that happens, the United States should withhold development funds to the UNDP.

Andrew J. Cowin  
Jay Kingham Fellow in  
International Regulatory Affairs

