



Tracking Development Falsification Award: € 5000

The Tracking Development project offers a prize of € 5000 (five thousand euros) to anybody who can convincingly show the following hypothesis to be untrue. The closing date for submissions is **1 May 2010**.

Hypothesis

Sustained poverty reduction takes place in any country where the following three preconditions are all simultaneously and consistently met:

- 1) adequate macroeconomic management;
- 2) economic freedom for peasants and small entrepreneurs;
- 3) pro-poor, pro-rural public spending.

By poverty reduction is meant a decline in the proportion of the national population living in poverty.

The content of the three preconditions is as follows:

1) Adequate macroeconomic management

- * government finances are managed such that inflation does not exceed 20 percent;
- * there is no administrative overvaluation of the national currency: that is, no black market exchange rate alongside the official rate.

2) Economic freedom for peasants and small entrepreneurs

The state does not place coercive restrictions on the economic activity of small farmers and small entrepreneurs. For instance:

- * no restrictions on which crop to plant;
- * no state-imposed monopolies or monopsonies;
- * no price controls other than by means of public subsidy.

Economic freedom means that there is no state *regulation*. It does not rule out state *subsidy*: for instance, provision of agricultural inputs (such as fertilizer and credit) at below market prices, and the purchase of farm products at above market prices.

The above criteria apply to the local level; at national level, the import and export of food may in some cases be regulated.

3) Pro-poor, pro-rural public spending

Public spending is directed more to agriculture, the countryside, and the poor than to industry, the cities, and the rich. As a very general rule of thumb, this precondition can be said to be met if:

* at least 10 percent of all public spending, and/or 20 percent of development spending (public investment), goes to the agricultural sector as funding for research, extension services, input subsidies, crop price support, irrigation, drainage, and agricultural settlement schemes;
* government spending on manufacturing and mining is low relative to agriculture.
These, however, are only first indications, subject to further scrutiny. Agricultural spending is not pro-poor, for instance, if it disproportionately benefits large-scale farmers. It may also be counterbalanced by heavy taxation of small farmers.

For some details on the thinking behind the hypothesis sketched here, see the essay '**Tracking development in Southeast Asia and Sub-Saharan Africa: the primacy of policy**', on the TD project website (<http://www.trackingdevelopment.net/home.html>) under the rubric 'Project documents'.

Submissions, of not fewer than 3000 and not more than 7000 words, should be sent to: Tracking Development Project Officer **Ursula Oberst** (oberst@ascleiden.nl) by **1 May 2010**.

Tracking Development reserves the right to judge whether any given submission has succeeded in disproving the hypothesis. In the event that there is more than one winning submission, the prize money will be divided between the winners.