Poor no more

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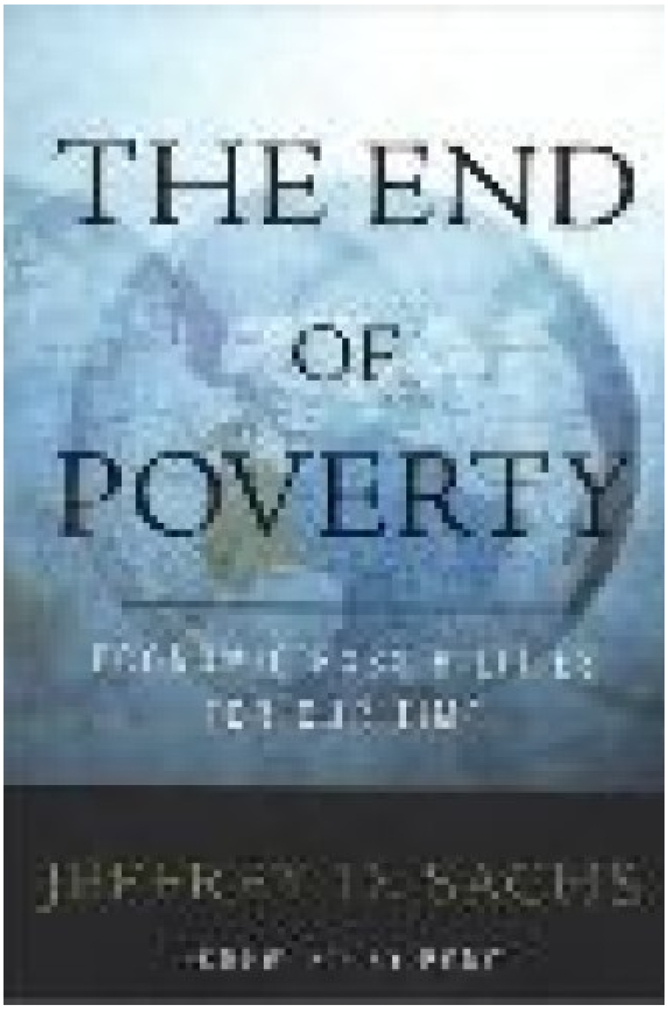
In Review



The End of Poverty: Economic Possibilities for Our Time

Jeffrey D. Sachs
Penguin

Crisis books usually follow a predictable pattern: first a searing depiction of the problem at hand, then some broad and sweeping assessments of how great changes in attitude might begin to address the issue, and then some piddling and timid policy proposals that clearly won't begin to meet the challenge. The authors are then charged with failing to provide solutions, and they in turn take refuge in the idea that at least they have diagnosed the problem.

Jeffrey Sachs does not fall into this rut, and as a result he has written a book of enormous rhetorical power. He convincingly presents world poverty as a manageable problem; indeed, he offers a plausible and very nearly painless plan for dealing with it, and all with an unruffled self-confidence that can't help sweeping a reader up in his optimism. That optimism, as we shall see, may be somewhat misplaced; still, there is no denying that it is a psychological relief to encounter such a hopeful, simple prescription.

Indeed, *prescription* is the right word, for Sachs styles himself an aspiring "clinical economist" with the goal of diagnosing the causes of ailing economies just as his wife, a pediatrician, diagnoses illnesses of ailing infants. The book is presented in standard medical form, with an abstract of the problem at the outset, and then a series of case histories of patients (Bolivia, Poland, Russia and so on) that he and his team have carved up with varying degrees of success. The disease he concentrates on eliminating is "extreme poverty," whose sufferers he estimates at about a billion people concentrated in Africa and South Asia. These are our brothers and sisters subsisting on the equivalent of a dollar a day or less. Sachs's initial goal, "the very hardest part of economic development," is to get this group a "first foothold on the ladder" of the modern economy.

"The end of poverty, in this sense, is not only the end of extreme suffering but also the beginning of economic progress and of the hope and security that accompany economic development." Once these people have reached "moderate poverty"—average income between one and two dollars a day—then the worst is over; as long as the rich countries do not "advertently or inadvertently set snares along the lower rungs" with protectionist trade barriers and the like, these people should make steady progress, "even if it is uneven and sometimes painfully slow." In any event, he points out (just like a pediatrician with a height-and-weight chart), we have a set of targets already in hand: the UN, with the rare approval of the United States, agreed in 2002 to the Millennium Development Goals, which call for the elimination of extreme poverty by 2025. It is to this task that Sachs sets himself not only in this book but also in his work as a special adviser to Kofi Annan and as director of Columbia University's Earth Institute.

Sachs offers a short overview of development economics, explaining why some countries have grown rich in the past few centuries while others have barely grown at all. It was technological change, above all the discovery of how to use the energy concentrated in coal and oil, that led to the Industrial Revolution and subsequent boom. “The steam engine unlocked the mass production of goods and services on a scale beyond the wildest dreams of the preindustrial era.” Some nations were better poised than others to take advantage of innovation—England in particular, because it had a relatively open society with more scope for entrepreneurship; strong institutions of political liberty; a commitment to the scientific method exemplified by Newton; lots of seaports and colonies; a relative isolation that reduced the risk of invasion; and lots and lots of coal.

It is just such advantages, Sachs argues, that many of the world’s poorest countries do not enjoy. Many are hindered because they are mountainous or landlocked so their transportation costs are high; their corrupt or weak governments can’t maintain necessary infrastructure; and innovators lack patent protection and the capital necessary to bring their inventions to market. And so nations languish, even decline—vulnerable in their poverty to scourges like AIDS that further hinder economic prospects.

It is not enough, Sachs argues, to preach “free markets” as the solution to such woes. Free markets are necessary but not sufficient. These countries need help in achieving what he considers the crucial first step: raising grain yields enough that farmers can move beyond subsistence to providing cheap food to support a growing urban economy, which is the real wellspring of prosperity. He offers Bangladesh as a case in point. The T-shirt factories that American activists have decried as sweatshops may be grim, he says, but they are preferable to the poor rural villages their employees have left behind. “For these young women, these factories offer not only opportunities for personal freedom, but also the first rung on the ladder of rising skills and income for themselves and, within a few years, for their children.”

For Sachs, Bangladeshi workers are akin to the immigrants who once worked on New York’s Lower East Side, “where their migration to toil in garment factories was a step on the path to a future of urban affluence in succeeding generations.” Their fertility rate will drop as their condition and education improve; all in all, Bangladesh has a chance “in the next few years to put itself on a secure path of long-term economic growth” such as that now enjoyed by China and India.

The same transition could happen, Sachs insists, in the continent-sized poverty trap we know as Africa—if only the rich world would help with a few essential ingredients. He identifies the “Big Five” development interventions that would spell the difference between a country characterized mostly by hunger, disease and death, and one characterized by health and economic development.

The Big Five are: agricultural inputs such as more fertilizer and better seed; investments in basic health to prevent malaria and treat AIDS; investments in education, such as providing meals at school to improve health and attendance; power, transport and communications services, including electricity for lights and computers at schools and for milling grain, as well as trucks and roads to provide transport to market; and safe drinking water and sanitation to save women the endless toil of fetching water. His calculations—doubtless spuriously specific, but still indicative—reveal that such basic needs could be met by transferring about 31 cents a day per extremely poor person from the rich nations—a total of $124 billion, or 0.6 percent of the total income of the rich world. That’s not 6 percent—that’s *six-tenths* of 1 percent.

This is obviously a trivial amount to us. As Sachs points out, “if the United States were on track to reach a $40,000 disposable annual income by, say, January 1, 2010, it would instead reach the same income on May 1, 2010, one-third of a year later. This four-month lag in attaining a higher level of consumption would mean that a billion people would be given an economic future of hope, health and improvement.” Indeed you could pay for the U.S. share simply by repealing the Bush tax cuts for people making over $500,000 a year.

In the face of such compelling figures, the last few chapters of the book, which are devoted to proving in earnest but painful detail why we should make these investments, are almost superfluous. Certainly for Christians anyhow: I was hungry and you gave me 0.6 percent of your income. We should be very grateful for getting off so lightly.

Sachs’s plan should cheer not just soft-hearted liberals, but also every conservative with a conscience and a calculator: if this is the price for bringing the entire world into the ambit of the modern economic system, what argument could there be against it? None, really—only a churl could read this book and say no.

Still, that endorsement doesn’t end the discussion. Yes, we should try much of what Sachs envisions; there is no doubt we must do something about extreme poverty, and his plan qualifies as something. But there are reasons to suspect that it won’t be as straightforward as he suggests—and that some parts of his preferred path may even prove to be counterproductive.

Even if you accept Sachs’s basic premise—that the developing world should, indeed must, develop along the same lines and with the same strategies as the West—the process is never so easy in the real world as on paper. To his credit, Sachs is careful to explain that every situation is different; the clinician must scope out the conditions his patient presents instead of using the one-size-fits-all approach of the International Monetary Fund and the World Bank, which is an approach that has failed at least as many times as it has worked. But Sachs has lost his own share of patients, though he stubbornly refuses to admit more than a few small miscues. He oversaw the early stages of the Russian transition to a market economy, for instance, and though he blames American stinginess for much of Russia’s trouble, and repeats with a little too much vehemence that he had stopped offering his counsel when the looting of that nation’s economy began in 1994, there’s little question that his advocacy of a lightning transition away from a static economy helped pave the way for the many abuses (and deep poverty) that have eroded hopes for the emergence of a relatively prosperous democracy.

Equally important, the neoclassical framework within which Sachs works leaves some things out. For instance, he pays next to no attention to the distribution of incomes within nations; the orthodox fixation on a country’s total GNP makes less and less sense in a world where disparities grow ever sharper. (Take a look at our own country.) The export-led economies he advocates exacerbate this division; the gamble is that it’s worth the cost, that a rising tide really will lift all boats high enough that they won’t be swamped by the wake from the giant yachts.

There’s another gamble too, which is that the planet can actually absorb, along Western lines, the continued development of its entire population. Lay aside for the moment conventional pollution—the smog above Chinese cities—which may well subside as these cities become more prosperous. Consider instead the ever-growing cloud of carbon dioxide pouring from China’s utilities as they power the nation’s industrial and consumer boom; all the computer modeling suggests that this is joining with America’s profligate overconsumption to quickly undermine the earth’s climatic stability.

One way of saying this is: Sachs understands pretty clearly what made America rich. But it's not clear any more that the same set of steps will bring prosperity around the globe. Let's take his example of a nation that is climbing out of poverty—Bangladesh. Its economy has been growing at 5 percent a year because it became a production center for cheap textiles to export to the U.S. T-shirt sweatshops line the outskirts of Dhaka, and as Sachs says, they have to some degree emancipated some young women from a rural life of "chronic hunger and hardship in a domineering, patriarchal society." Eventually, he says, the country's economy will move up a notch, concentrating on, say, fabric design, even as the sweatshop labor moves to poorer areas. This is the basic prescription for poor countries that Sachs and others envision—get most people out of rural areas and into the cities "because modern economic growth is accompanied first and foremost by urbanization."

And the key to this development, in turn, is to increase agricultural production—mostly through Green Revolution–style technologies—so that "as food production per farmer rises, an economy needs fewer and fewer farmers to feed the overall population," a situation which ends up "inducing farmers and especially their children to seek employment in nonfarm activities." I recall that on one visit a government official handed me the World Bank's Bangladesh 2020 report, which called for the country to convert more and more of its tiny farms to large, efficient, export-minded agribusinesses. In particular, it recommended pursuing the cut-flower industry—growing bouquets for the Japanese market. Colombia was cited as the fortunate precedent.

Here's a list of possible problems with that scenario. One, a ruthless global competition keeps factories cutting ever more corners in an effort to compete with labor pools like that of China. Indeed, this is what seems to be happening around the planet—garment workers in places like Mexico or Guatemala or Honduras find themselves having somehow to match the wages of Chinese or Vietnamese or Laotian employees, not to mention the demand of Wal-Mart executives for ever-cheaper prices. That the race is more to the bottom than the top was perhaps illustrated a few weeks ago when a garment factory in Bangladesh collapsed, killing dozens of workers. Officials interviewed later said that even basic safety inspections were skirted because they ran up the price of production at a time when profits were already falling.

Two, the precise path of endless industrial expansion that Sachs sees as salvation carries with it great ecological cost that will fall most heavily on those least able to deal with it. Bangladesh is a river delta, low to the ocean like many of the most densely inhabited parts of the tropics. As the planet warms, driven by Western excess and cascading Asian growth (China adds the equivalent of southern California's electric grid annually), life may become increasingly untenable. The Ganges and the Brahmaputra will find themselves crashing into a rising Bay of Bengal, and the resulting floods will swamp any effort at economic expansion. Already the country falls prey to new threats—when I was last there a plague of mosquitoes was spreading dengue fever, relatively new to the country but estimated by the World Health Organization to be the great emergent disease of this century as growing warmth and moisture expand the range of *Aedes egyptii*, the mosquito in question. Having come down with dengue fever myself, I can say with some conviction that this does not augur well for the future of Bangladeshi development. If Western industrialization is destabilizing the planet's ecosystems, adding Eastern and Southern industrialization may not be the wisest plan.

If there were no other way out of the brutish conditions that Sachs describes, the gamble might be morally mandatory. There may, however, be other options—options that Sachs pretty much ignores by patronizing antiglobalization activists as people with "the right moral fervor and ethical viewpoint" but "a knee-jerk antipathy to capitalism."

In fact, if he'd cast his net of acquaintances a bit wider than the officials he concurs with, he'd meet some interesting people. Bangladesh's leading feminist, for instance—a woman named Farida Akhter—ran the nation's antisterilization campaign. She spends much of her time working on stabilizing rural areas so that agribusiness doesn't push waves of people to settle in the slums on the edge of Dhaka.

I asked her what the most important improvement for women's lives in Bengal would be, and she said, "If we got away from the Green Revolution hybrid seeds, and went back to seed-saving." That, it turns out, had always been women's work. The advent of hybridized rice varieties has eliminated women's economic role in village life and opened the door to the domineering paternalism that Sachs believes is ancient and rooted in religion. I've seen villages in Bangladesh that have reverted to what we could call organic growing—they have taken over zones the size of American counties. People there report being healthier, and credit the nutrients of vegetables and greens planted in land reserved for rice. They also report that their villages are working culturally; people want to stay on the land, sell food to local and regional markets, and maintain the structure of their lives.

You can find the same thing on a larger scale in India. Sachs spends plenty of pages saluting the emerging software industry. But if you want to see the most interesting development story on the subcontinent, head for the heavily rural southern state of Kerala, a state as populous as California. In terms of per capita income—Sachs's favorite measurement—it's no richer than the rest of India. But in terms of life expectancy, literacy (including female literacy) and fertility, it compares favorably with parts of the U.S. The key there has been not export-driven agriculture but the opposite: the most thorough land reform in the world, reform that has given immense numbers of people the security of a small plot of land.

Increasingly agronomists like the UK's Jules Pretty are demonstrating that yields are highest not on industrial-scale farms, but on five-acre and ten-acre spreads where intense concentration can be brought to bear on each square meter of cropland. Here human skill and attention compensate for the lack of high-priced and ecologically disruptive petroleum-based inputs. But development of the kind that Sachs foresees is often the clearest enemy of such projects; when nations decide to drain their countrysides and join the global economic system without reservation, communities are washed away in the flood.

Sachs's confidence is his most appealing asset—and it may well be what is needed to convince stingy Americans to make the incredibly modest contributions that really would wipe out the useless misery of malaria, of the two-mile trudge for water and firewood, of illiteracy. But his brashness also blinds him to the work that others are doing closer to the ground, where things are more complicated. I imagine there will be a sequel to this book in a decade, and I imagine it will be a little humbler.