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The End of Poverty: Economic Possibilities for Our Time, by Jeffrey D Sachs, Penguin, New York, 2005.

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Had this book been published just 50 years ago, a careless librarian might well have shelved it in the fairy tale section. Indeed, Sachs' title appears odd for a serious work in economics, let alone a guide. *End of Poverty*. Wishful thinking, to say the least; it would have elicited audible laughs from many old-school economists. But Jeffrey Sachs knows what he's talking about. His work credentials include serving as Special Advisor to the United Nations Secretary General, Director of the Earth Institute at Columbia University, Quetelet Professor of Sustainable Development, Professor of Health Policy and Management at Columbia, and a range of economic advisory services to Governments in Latin America, Eastern Europe, the former Soviet Union, Asia, and Africa. In addition, Sachs has been named by TIME Magazine as the most internationally well-known economist.

To quote from page 3 of the book:

Eighty-five years ago the great British economist John Maynard Keynes pondered the dire circumstances of the Great Depression. From the depths of despair around him, he wrote in 1930 of the Economic Possibilities for Our Grandchildren. *He envisioned the end of poverty in Great Britain and other industrialised countries in his grandchildren's day, toward the end of the twentieth century.[…]Keynes got it just right, of course: extreme poverty no longer exists in today's rich countries, and is disappearing in most of the world's middle income countries.*

Today we can invoke the same logic to declare that extreme poverty can be ended not in the time of our grandchildren, but in our *time. The wealth of the rich world, the power of today's vast storehouses of knowledge, and the declining faction of the world that needs help to escape from poverty all make the end of poverty a realistic possibility by the year 2025.*

By the year 2025? You can just imagine the smiles on the faces of the cynics. But Sachs is serious. And poverty is no joke. It is the single most important global challenge to be faced if humankind is to move ahead. We will not head anywhere unless we find a way for a significant percentage of the world's population to be able to live without wondering how or when they will get their next meal.

On the other hand, there is some good news. Thus far we have done extremely well in our struggle against poverty. As recently as 1820, the average *per capita* income of industrialised

Western Europe was in the range of US$ 1 500 and for the United States (US) and Canada it was even lower. Nearly two centuries later, we live in a different world. The *per capita* income in Western Europe has jumped to US$ 18 000 and in the US and Canada it is well over US$ 26 000. At least the West has successfully resolved the issue of poverty. Now it is the turn of Asia, Latin America and, of course, Africa. Still, the situation is not as hopeless as we might think.

Sachs illustrates this point by taking some real-life examples, not something a classical economics professor would usually do. Not every poor person is equal – some are more equal than others. There are people on different rungs of the poverty ladder. If the world population is estimated at 6.5 billion, roughly one-sixth of it lives in extreme poverty.

One example is from Malawi, where villages are devastated by a single cause: AIDS. Here, unemployed, single grandmothers look after their grandchildren because the children's parents have fallen victim to the deadly disease. There are no nearby healthcare facilities, no crops in the fields and no safe water – and hospitals are overcrowded with a patient-to-bed ratio of three-to-one. Such people are the poorest of the poor – the "extreme poor" – of the planet. Invariably, they all live in the developing world; while poverty does exist in rich countries, it is not this kind of extreme poverty.

A few rungs up the poverty ladder, we find the next group: the upper end of the low-income world. Things are bad here too, but not as bad as in the case of extreme poverty. Take the case of Bangladeshi women who work twelve-hour shifts in garment factories for a meagre income they use to support their families. Their daily survival is pretty much assured, but – whether city or rural dwellers – they struggle to make ends meet. While death is not at their doors, chronic financial hardship and a lack of basic amenities such as safe drinking water and functioning latrines are part of their daily lives. Such poor amount to 1.5 billion, or one-quarter of the global population.

The recently recruited call centre employees in Bangalore, India, are a few rungs further up the ladder. Such people belong to middle income households but, with their incomes of perhaps a few thousand dollars a year, they would certainly not be recognised as middle class by the standards of the rich countries. A population of 2.5 billion in this category live in either the middle-income countries or in the industrialised world.

It is important to distinguish these individual groups to fathom Sachs' mantra of ending the million-headed monster of poverty. He does not advocate treating all the groups equally. Yet he does promote rich countries taking the bull by the horns when it comes to addressing extreme poverty – the first one billion poor (including the dying Malawians). The second and third groups mentioned above may be able to take care of themselves, but definitely not the first group. Someone who earns less than one dollar a day is not in a position to save anything for a rainy day. The population increases and inflation eats up

the value of capital. The poor begin with a very low level of capital per person, and then find themselves trapped in poverty because the ratio of capital per person actually falls from generation to generation. The trick to ending poverty is to break this vicious circle. But who has the key? The rich countries.

This raises some interesting questions. Can the rich countries afford to help the poor? Is it not imprudent to expect the rich world to take responsibility for helping the poorest of the poor to escape from the poverty trap? Isn't that a thankless and endless task? Finally, even if the rich countries can afford to assist why should they do so?

Well, let's do the maths. The World Bank estimates that meeting basic needs requires only US$ 1.08 per person per day. It also estimates that (as of 2001) 1.1 billion people lived below this level, with an average income of US$ 0.77 per day. Deduct this from the US$ 1.08 and you get, on average, what would be necessary to raise this one billion plus people to above the extreme poverty level. It is US$ 0.31 per day or US$ 113 per year per individual! Multiply this by 1.1 billion and you end up with US$ 124 billion. This is the magic figure necessary to raise the 1.1 billion people from the lowest level of the poverty ladder to the next rung, so that death does not wait at their doorsteps and, though they might still face other development issues, they can earn an adequate living to continue a hand-to-mouth existence. The question is: Can the rich countries afford US$ 124 billion for the less privileged on the other side of the globe? Surprisingly, they can, without any difficulty. Using the same accounting units, the aggregate income of the 22 donor countries in 2002 was US$ 20.2 trillion. Thus, it is simply a matter of transferring 0.6% – less than one cent per every dollar earned – to prevent a six year old Ethiopian child from dying of hunger.

It is interesting that we still have such a huge percentage of the population under the extreme poverty line, if the price of resolving the problem is in fact so low. Again, to maths. Resolving the problem was simply not possible earlier. In 1980, the number of extreme poor was larger (1.5 billion) and the incomes of the rich countries were considerably smaller. For instance, in 1981 the rich countries had an aggregate Gross National Product of US$ 13.2 trillion and would have had to allocate 1.6% of their income to raise that 1.5 billion above the poverty line. Today it is a more feasible figure.

Still, why should the rich get into this? Should they do so out of sheer altruism? Definitely not. Sachs asserts a few strong arguments here. The US spent thirty times more on the military than on foreign assistance in 2004 – US$ 450 billion compared with US$ 15 billion. This is often explained in terms of it being essential to spend such amounts on the US military because one of the key objectives of the US Government is to provide security to its people. Right? Wrong. Whether terrorists are rich or poor or middle class, their staging areas – their bases of operation – are unstable societies beset by poverty, unemployment, rapid population

growth, hunger and lack of hope. Without addressing the root causes of this instability, little will be accomplished in staunching terrorism. Thus poverty, as clearly demonstrated by incidents such as the bombing of the World Trade Centre in the US, is no longer a problem of the poor only. Consequently, eradication of poverty should be a global compact.

Sachs does not, however, promote a blind pumping in of funds to bring poor economies up. He painstakingly explains his work in Bolivia, Poland, Russia, China and India to prove this point. Five full chapters are dedicated to this task. The first three chapters do not appear as relevant, but the last two case studies are exceptionally interesting. In the wake of India and China emerging as the new economic giants, a careful analysis of their economic reform processes will be of immense importance to the rest of the developing world.

Based on his own experience in Africa, Sachs also speaks about good governance. His views are no less than radical. By almost any standard Africa's quality of governance is low. But the point is not to curtail assistance or to stand in the way of debt cancellation. Africa's governance is poor because Africa is poor, not *vice versa*. Governance and higher incomes go hand in hand not only because good governance raises incomes but also, and perhaps more importantly, because higher incomes lead to improved governance. If we continue with our pessimism about Africans' ability, or rather lack thereof, to utilise aid, not only will we fail to end extreme poverty for that crucial one billion or so, but we will also never create conditions that ensure good governance in those economies. The problem, according to Sachs, is not that badly governed countries are getting too much, but rather that comparatively well-governed (but still poor) countries are getting less.

Still, is poverty the only issue? It is not just that countries are poor because they don't have money – some of their particular endowments (geographic, political-historical, climate) are difficult to transcend, even with money. Take the example of debt cancellation. Will debt cancellation help a Government that is badly governed and has no strategies to exit the poverty trap? Will further aid to such Governments bring them above the poverty line? Shouldn't the democratisation and strengthening of institutions precede the supply of more aid? Shouldn't a large percentage of aid be directed towards institutional reforms? These are some of the questions for which Sachs does not provide clear-cut answers.

Readers who remain unsatisfied as to why Sachs advocates aid to Governments without first attacking the issue of corruption can consult the transcripts of his interview with Mother Jones. This is what he has to say when asked whether poverty can be eradicated while corrupt officers are still in office:

My experience is that there's corruption everywhere: in the US, in Europe, in Asia, and in Africa. It's a bit like infectious disease - you can control it, but it's very hard to eradicate it. And yes, there are some cases where the corruption is so massive that unless

you are really, really clever and come up with some radically new approach to the issue, you're going to have a hard time accomplishing many development goals. But, let me note that the world successfully eradicated smallpox, and not just in countries that scored high on a governance index but in all parts of the world. This was an international effort, which targeted a specific outcome undertaken by professionals using a proven technology and a very extensive monitoring system. And that's the general model for our aid proposals. There are a lot of tricks, a lot of ways, that if one is practical about this, one can get results. But what happens is that everyone's wringing their hands about corruption without trying to solve practical problems. And right now, we're not even helping the well-governed places, the places where we are capable of finding absolutely practical and effective approaches to turning help into real success on the ground.[1]

Back to the original question: Can we end global poverty? If you are still unconvinced, hear again: we already have victories in our struggle against poverty. The Green Revolution has transformed agriculture in the third world countries. Wheat production in India has increased from just 11 million metric tons in 1960, to 24 million in 1970, to 36 million in 1980, and 55 million in 1990, far outstripping the increase in population and thus disproving Malthus. We have fully eradicated smallpox; dramatically increased child survival rates with effective immunisation programmes; successfully controlled the spread of malaria; made African river blindness a thing of the past; eradicated polio; brought the population growth under control through family planning programmes and reduced the number of children per woman from five for the period of 1950-55 to 2.8 for 1995-2000. The Export Processing Zones in East Asia could spring the region into global producers of garments, footwear, toys, automotive components, electronics and semiconductors. These are all victories. Be optimistic! There is no reason to think we cannot achieve the next one.

Still, to a large extent, Sachs is mum about the exact strategies to be used for poverty alleviation. Perhaps this is because it falls out of the range of the intended scope of the book. Perhaps it is because he has already, along with his team, analysed the subject in detail under the Millennium Project.[2] There are interesting recommendations made by this project. This is not the place to cite them all, but hopefully one in particular – recommendation 9 – will provide a taste:

International donors should mobilise support for global scientific research and development to address special needs of the poor in areas of health, agriculture, natural resource and environmental management, energy, and climate. We estimate the total needs to rise to approximately US$7 billion a year by 2015.

1 Mother Jones (2005) *The end of poverty: An interview with Jeffrey Sachs*, interviewed by Onnesha Roychoudhuri, 06 May 2005, www.motherjones.com/news/qa/2005/05/jeffrey_sachs.html.

2 See www.unmillenniumproject.org.

Coming back to the book, there are a few weaknesses. One is that Sachs talks very little about the potential of information and communication technologies (ICTs) – the dynamic tool upon which most development professionals have placed their bets. The ICT for development revolution today, when measured by its impact, can be no less crucial than the agriculture revolution of the 1960s. ICTs will play a key role in the institutional reforms not only by making them more accessible, efficient and transparent, but also by creating new information economy workers, which would have not been possible just ten years ago.

Take the example of the Bangladeshi women who daily strive for their hand-to-mouth existence. How can they escape this trap? The answer will probably lie with ICTs. The current model will be of no help to them because they continue to be physical workers – and consequently paid less. The vicious circle can be broken by their becoming knowledge workers – like the call centre staff in Bangalore who earn a better income. This will be possible only if affordable telecom facilities are available. The Malawians, in the first example (extreme poverty), might not be able to make this quantum leap. It would have been useful for Sachs to have spent some time on this crucial theme, making his theories more convincing even to readers who are not necessarily economists.

Also, Sachs does not provide an analysis of the impact on poverty eradication of easy accessibility to (not to mention affordability of) telecom facilities. How important are telecom reforms in alleviating the poverty trap? Have telecom reforms created more job opportunities for the poor? Have telecom reforms created an environment in which even farmers, carpenters and fisher folk can afford telecom facilities and thereby increase opportunities for work? The book is silent on these questions. The isolated case study offered is that of the Grameen phone, but that example too is used in service of a different point.

Despite these comments, allow me to emphasise once again that this book is no fairy tale. It is a serious work. We may even term it a text in economics – although written in lucid language, which makes it extremely accessible. It is a work worth reading. It is sure to change your views about poverty eradication. ❑