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Economics

A Modest Proposal

Reviewed by William Easterly
Sunday, March 13, 2005; Page BW03

THE END OF POVERTY

Economic Possibilities for Our Time

By Jeffrey D. Sachs. Penguin Press. 396 pp. \$27.95

Jeffrey D. Sachs's guided tour to the poorest regions of the Earth is enthralling and maddening at the same time -- enthralling, because his eloquence

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and compassion make you care about some very desperate people; maddening, because he offers solutions that range all the way from practical to absurd. It's a shame that Sachs's prescriptions are unconvincing because he is resoundingly right about the tragedy of world poverty. As he puts it, newspapers should (but don't) report every morning, "More than 20,000 people perished yesterday of extreme poverty."

That appalling toll has given Sachs his life's mission. Two themes recur in his long career of advising heads of state in poor nations, which he chronicles in fascinating detail in this book. First is his favored



In the village of Masura in Malawi, where hunger is widespread, a child eats banana leaves as his daily meal. (Obbed Zilwa / Ap)

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approach of "shock therapy" (a term he dislikes but has found impossible to shake): a comprehensive package of economic reforms that attempts to fix all problems simultaneously and quickly. Second is his conviction that the West should always give a lot of money to support these packages. These two themes unify a book that sometimes seems like a disparate collection of Sachs's adventures in Bolivia, Poland, Russia and Africa on issues ranging from stopping high inflation, leaping from communism to capitalism, canceling Third World debt, curing malaria and AIDS, and now eliminating poverty in Africa and everywhere else.

Over the past two decades, Sachs has simply been the world's greatest economic reformer. It's perhaps fitting that he has enlisted Bono, the lead singer of U2 and development activist, to pen an introduction: the rock star as economist meets the economist as rock star. Perhaps someone so gifted and hardworking can be forgiven if his narrative is a little self-serving -- for instance, when he portrays his plans as responsible for early successes in Bolivia and Poland. At the same time, he prefers a more complicated analysis for the failures in which he was involved, like the chaos in Russia, later stagnation in Bolivia and Africa's perpetual crisis

(their geography was bad, they didn't follow his advice, the West didn't give them enough aid, etc.).

The climax of *The End of Poverty* is Sachs's far-reaching plan to end world poverty -- a sort of Great Leap Forward. His characteristically comprehensive approach to eliminating world poverty derives from his conviction that everything depends on everything else -- that, for instance, you cannot cure poverty in Africa without beating AIDS, which requires infrastructure, which requires stable government, and so forth.

Social reformers have found two ways to respond to this complexity; Karl Popper summed them up best a half-century ago as "utopian social engineering" versus "piecemeal democratic reform." Sachs is the intellectual leader of the utopian camp. To end world poverty once and for all, he offers a detailed Big Plan that covers just about everything, in mind-numbing technical jargon, from planting nitrogen-fixing leguminous trees to replenish soil fertility, to antiretroviral therapy for AIDS, to specially programmed cell phones to provide real-time data to health planners, to rainwater harvesting, to battery-charging stations and so on. Sachs proposes that the U.N. secretary general personally run the overall plan,

coordinating the actions of thousands of officials in six U.N. agencies, U.N. country teams, the World Bank and the International Monetary Fund. Sachs's Big Plan would launch poor countries out of a "poverty trap" and end world poverty by 2025, as the book's title advertises. The world's rich countries would pay for a large share of the Big Plan -- somehow doing an exact financial "Needs Assessment," seeing how much poor country governments can pay and then having rich donors pay the rest. The donors will fill what he calls the "financing gap" by doubling donor-nation foreign aid in 2006, then nearly doubling it again by 2015.

What's the alternative? The piecemeal reform approach (which his book opposes) would humbly acknowledge that nobody can fully grasp the complexity of the political, social, technological, ecological and economic systems that underlie poverty. It would eschew the arrogance that "we" know exactly how to fix "them." It would shy away from the hubris of what he labels the "breathtaking opportunity" that "we" have to spread democracy, technology, prosperity and perpetual peace to the entire planet. Large-scale crash programs, especially by outsiders, often produce unintended consequences. The simple dreams at the top run

afoul of insufficient knowledge of the complex realities at the bottom. The Big Plans are impossible to evaluate scientifically afterward. Nor can you hold any specific agency accountable for their success or failure. Piecemeal reform, by contrast, motivates specific actors to take small steps, one at a time, then tests whether that small step made poor people better off, holds accountable the agency that implemented the small step, and considers the next small step.

What's the evidence on how well the two approaches work? Sachs pays surprisingly little attention to the history of aid approaches and results. He seems unaware that his Big Plan is strikingly similar to the early ideas that inspired foreign aid in the 1950s and '60s. Just like Sachs, development planners then identified countries caught in a "poverty trap," did an assessment of how much they would need to make a "big push" out of poverty and into growth, and called upon foreign aid to fill the "financing gap" between countries' own resources and needs. This legacy has influenced the bureaucratic approach to economic development that's been followed ever since -- albeit with some lip service to free markets -- by the World Bank, regional development banks,

national aid agencies like USAID and the U.N. development agencies. Spending \$2.3 trillion (measured in today's dollars) in aid over the past five decades has left the most aid-intensive regions, like Africa, wallowing in continued stagnation; it's fair to say this approach has not been a great success. (By the way, utopian social engineering does not just fail for the left; in Iraq, it's not working too well now for the right either.)

Meanwhile, some piecemeal interventions have brought success. Vaccination campaigns, oral rehydration therapy to prevent diarrhea and other aid-financed health programs have likely contributed to a fall in infant mortality in every region, including Africa. Aid projects have probably helped increase access to primary and secondary education, clean water and sanitation. Perhaps it is also easier to hold aid agencies accountable for results in these tangible areas. (Many of Sachs's specific recommendations might make sense as piecemeal reforms -- i.e., if done one at a time in small steps, with subsequent evaluation and accountability.)

Indeed, the broader development successes of recent decades, most of them in Asia, happened without the Big Plan -- and without significant

foreign aid as a proportion of the recipient country's income. Gradual free market reforms in China and India in the 1980s and '90s (which Sachs implausibly argues were shock therapy in disguise) have brought rapid growth. Moreover, the West itself achieved gradual success through piecemeal democratic and market reforms over many centuries, not through top-down Big Plans offered by outsiders. Do we try out shock therapy only on the powerless poor?

"Success in ending the poverty trap," Sachs writes, "will be much easier than it appears." Really? If it's so easy, why haven't five decades of effort gotten the job done? Sachs should redirect some of his outrage at the question of why the previous \$2.3 trillion didn't reach the poor so that the next \$2.3 trillion does. In fact, ending poverty is not easy at all. In those five decades, poverty researchers have learned a great deal about the complexity of toxic politics, bad history (including exploitative or inept colonialism), ethnic and regional conflicts, elites' manipulation of politics and institutions, official corruption, dysfunctional public services, malevolent police forces and armies, the difficulty of honoring contracts and property rights, unaccountable and excessively bureaucratic donors

and many other issues. Sachs, however, sees these factors as relatively unimportant. Indeed, he seems deaf to the babble and bungling of the U.N. agencies he calls upon to run the Big Plan, not to mention other unaccountable and ineffectual aid agencies.

So, in Sachs's eyes, what does matter in producing poverty? His book blames the perception of bad government in Africa on racial prejudice in the West, an insult to the many courageous Africans who have protested against their often appalling rulers. To Sachs, poverty reduction is mostly a scientific and technological issue (hence the technical jargon above), in which aid dollars can buy cheap interventions to fix development problems.

But that's too neat. What about the World Bank studies in Guinea, Cameroon, Uganda and Tanzania, which estimated that 30 to 70 percent of government drugs disappeared into the black market rather than reaching the patients? Sachs calls for huge increases in aid to his favorite countries, like Malawi and Ethiopia, overlooking inconvenient factors such as the worsening of Malawi's famine because corrupt officials sold off its strategic grain reserves and because autocratic

Ethiopian rulers have favored their own minority Tigrean ethnic group. Sachs is right that bad government is not disproportionately an African problem; democracy has been making progress in Africa, while rulers in Azerbaijan, Cambodia and Turkmenistan make some African autocrats look like Thomas Jefferson. But Sachs's anti-poverty prescriptions rest heavily on the kindness of some pretty dysfunctional regimes, not to mention the famously inefficient international aid bureaucracy.

Perhaps we can excuse these allegedly easy-to-achieve dreams as the tactics of a fundraiser for the poor -- someone who's out to galvanize public opinion to back dramatically higher aid abroad. Sachs was born to play the role of fundraiser. And it's easier to feel good about his sometimes simplistic sales pitch for foreign aid if it leads to spending more dollars on desperately poor people, as opposed to, say, wasteful weapons systems.

The danger is that when the utopian dreams fail (as they will again), the rich-country public will get even more disillusioned about foreign aid. Sachs rightly notes that we need not worry whether the pathetic amount of current U.S. foreign aid -- little more than a 10th of a penny for every dollar of U.S. income -- is wasted. Foreign aid's prospects will

brighten only if aid agencies become more accountable for results, and demonstrate to the public that some piecemeal interventions improve the lives of desperate people. So yes, do read Sachs's eloquent descriptions of poverty and his compelling ethical case for the rich to help the poor. Just say no to the Big Plan. •

William Easterly, a professor of economics at New York University, is the author of "The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics."

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