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Shopping for a Nobel

John Tierney

I don't want to begrudge the Nobel Peace Prize won last week by the Grameen Bank and its founder, Muhammad Yunus. They deserve it. The Grameen Bank has done more than the World Bank to help the poor, and Yunus has done more than Jimmy Carter or Bono or any philanthropist.

But has he done more good than someone who never got the prize: Sam Walton? Has any organization in the world lifted more people out of poverty than Wal-Mart?

The Grameen Bank is both an inspiration and a lesson in limits. Compared with other development programs, it's remarkable for its large scale. Since it was started three decades ago in Bangladesh, it has expanded to more than 2,000 branches. Its micro-loans, typically less than \$150, have helped millions of villagers start small businesses, like peddling incense or handicrafts at the local market, or selling milk and eggs.

The economist William Easterly, who was afraid Bono was going to get this year's Nobel, calls the bank's prize "a victory for the one-step-at-a-time homegrown bottom-up approach" to development. That approach is a welcome contrast to the grandiose foreign-aid schemes that do more harm than good, as Easterly documents in his book, "The White Man's Burden."

But there's a limit to how much money villagers can make selling eggs to one another -- a thatched ceiling, as Michael Strong calls it. Strong, the head of Flow, a nonprofit group promoting entrepreneurship abroad, is a fan of the Grameen Bank, but he figures that villagers can lift themselves out of poverty much faster by getting a job in a factory.

The best way for third world villagers to tap "the vast pipeline of wealth from the developed world," he argued in a recent TCSDaily.com article, is to sell their products to the world's largest retailer, Wal-Mart. Strong challenged anyone to name an organization that is doing more to alleviate third world poverty than Wal-Mart.

So far he's gotten a lot of angry responses from Wal-Mart's critics, but nobody has come up with a convincing nomination for a more effective antipoverty organization. And certainly none that saves money for Americans at the same time it's helping foreigners. Making toys or shoes for Wal-Mart in a Chinese or Latin American factory may sound like hell to American college students -- and some factories should treat their workers much better, as Strong readily concedes. But there are good reasons that villagers will move hundreds of miles for a job.

Most "sweatshop" jobs -- even ones paying just \$2 per day -- provide enough to lift a worker above the poverty level, and often far above it, according to a study of 10 Asian and Latin American countries by Benjamin Powell and David Skarbek. In Honduras, the economists note, the average apparel worker makes \$13 a day, while nearly half the population makes less than \$2 a day.

In America, the economic debate on Wal-Mart mostly concerns its effect on American workers. The best evidence is that, while Wal-Mart's competition might (or might not) depress the wages of some workers, on balance Americans come out well ahead because they save so much money by shopping there.

Some critics, particularly ones allied with American labor unions, argue that the consumer savings don't justify the social dislocations caused by Wal-Mart's relentless cost-cutting. They'd rather see Wal-Mart and other retailers paying higher wages to their employees, and selling more products made by Americans instead of foreigners.

But this argument makes moral sense only if your overriding concern is saving the jobs and protecting the salaries of American workers who are already far better off than most of the planet's population. If you're committed to Bono's vision of "making poverty history," shouldn't you take a less parochial view? Shouldn't you be more worried about villagers overseas subsisting on a dollar a day?

Some of them prefer to keep farming or to run small local businesses, and they're lucky to get loans from the Grameen Bank and its many emulators. But other villagers would prefer to make more money by working in a factory. If you want to help them, remember the new social justice slogan proposed by Strong: "Act locally, think globally: Shop Wal-Mart."