

The End of Poverty?

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The just published book by Prof. Jeffrey Sachs, *The End of Poverty*, rightly insists on the shared responsibilities of rich and poor countries alike to bring about global poverty reduction. Prof. Sachs, who is also an advisor to U.N. Secretary General Kofi Annan, prescribes a set of interventions -- specific investments in health, education and infrastructure -- through which substantially to reduce poverty in developing countries. He calls on developing countries to implement these interventions and calls on developed countries to triple aid from its current level of around 65 billion dollars per year. Aid flows are now relatively unimportant to India, but are still greatly important to many developing countries which have limited internal resources, especially smaller countries and those in sub-Saharan Africa. Prof. Sachs emphasizes the role that aid can play in improving conditions in these countries. These recommendations carry great weight as they are likely to play a prominent role in this year's gathering of head of state to assess how best to achieve the U.N.'s "millennium development goals".

Prof. Sachs presents a clear and forceful message but it is questionable whether his recommendations will really help to achieve a lastingly better world. There are two central problems with Prof. Sachs's prescriptions. The first problem is that he fails adequately to question the questionable orthodox prescription for economic development, centered on liberalization and privatization, although he favours supplementing it through more and better direct government investments in public health, education and infrastructure. In this respect, the doctrine that Prof. Sachs supports may be referred to as "Washington Consensus Plus": it includes all the elements of policy that have been promoted for the last two decades by the U.S. treasury, the IMF and the World Bank, but adds some other elements besides. Prof. Sachs' view departs sharply from that of prominent critics of elements of the Washington Consensus, such as the Nobel Prize winner Prof. Joseph Stiglitz or Prof. Jagdish Bhagwati (who has emphasized the potential dangers of free capital mobility). Prof. Sachs's prescriptions may ultimately create some problems as well as solve others.

The second problem is that Prof. Sachs relies heavily on the idea that today's development problems have a technical fix. In reality, it is impossible to know in advance exactly how to achieve any end -- as is evinced by the dismal record of past attempts at comprehensive central planning. As Prof. Sachs emphasises, we do know that *some* interventions (such as, in his view, the use of insecticide dipped mosquito nets to combat malaria) are likely to be very effective at enhancing human well-being. However, the solutions to a great many other problems are simply unknown, and it would be best to recognize this. Technical fixes

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do not exist for the most important problems we face. For these, institutional and political reforms -- largely ignored in Prof. Sachs's recommendations -- are as important.

A national development strategy must be open to revision. A country, like a person, does best by revising its plans in light of new information. National and international plans for poverty reduction must incorporate flexibility, so that they can reflect the different conditions prevailing in different countries. However, allowing for flexibility is not enough. A practical approach to reducing human deprivations must actively foster *learning* about the best strategies, rather than presuming that these strategies are known in advance. It is likely that new information will emerge over time about the best strategies. Human beings learn from the results of their own and others' practical experiments. A sound strategy for reducing global poverty must enable and encourage countries to undertake experiments and to learn from one another. A telling example of the importance of arriving at sound policies through learning is provided by the mid-day school meals introduced in southern Indian states in the early 1980s. This measure was initially criticized as populist and ineffective. Many Indian economists feared that the program would add little to child nutrition, as poor parents would react to the availability of school meals by spending less on child nutrition themselves. Few analysts foresaw the real reason that these schemes would be an effective developmental tool: they encouraged parents to send their children to school in larger numbers than ever before. Learning from this success, the central government introduced subsidies for all states to implement such schemes, and the Supreme Court has mandated them in every state. The Supreme Court has rightly recognized that India's states are laboratories for experimentation which should be encouraged to learn from one another. India's experience has given rise to many successful experiments from which other developing countries have learnt. Every development intervention and institutional reform that is now the focus of attention around the world - from educating mothers about the use of "oral rehydration therapy" to reduce child mortality from diarrhea, to creating a right to public information so as to increase state and local government accountability - is ultimately the product of such learning from experiment.

How can the world best reduce poverty? A practical approach to reducing poverty must guarantee to countries the resources they need and it must allow for experimentation and learning. A system called "peer and partner review" offers a practical solution. Countries would at a regular interval (perhaps three years) voluntarily submit their plans to reduce poverty to scrutiny by their peers -- other countries in similar circumstances -- and their partners -- those from whom they receive or to whom they give development assistance. Each review committee would consist of representatives of governments, independent experts, and civil society organizations and would be empowered to collect and analyze information and hold hearings. The review committee would assess a nation's plan in light of what has worked in the past and based on an examination of the country's present opportunities and constraints. The analysis and recommendations of a peer and partner review committee would be broadly distributed within and outside the country, thereby encouraging public education and debate. A poor country's "needs and gaps" -- the resources it requires in order to achieve poverty reduction goals and any shortfall that

remains after taking account of the country's own capacity to raise resources - would be identified. Genuine "gaps" would then be filled through international assistance.

Peer and partner review would be voluntary. Large countries like India with unique circumstances and little need or desire for external resources are unlikely to wish to participate. Other smaller and poorer countries would find participation attractive. The approach would foster experiment and learning, avoid laying down conditions heavy-handedly and enhance mutual respect and accountability. It would not lay down one-size fits all prescriptions but rather would look for solutions that work in local conditions. Prof. Sachs is right: rich countries should show their commitment to reducing world poverty by increasing their aid. However, he is wrong to suggest that there is a single way to do so that is already known. As India's example shows, empowering countries to find their *own* solutions offers the best hope of real progress.