



Poverty's Prognosis

By Jason R. Koepke

“The Battle of Seattle,” the large and visible anti-globalization protest that occurred in December 1999, led international development economics to become a topic of mainstream debate. Unfortunately, the economists who once dominated the debate have remained relatively silent, at least outside of the specialized arenas they are used to.

Jeffrey Sachs’ *The End of Poverty* (Penguin Press, \$27.95, 2005), however, marks an important statement on the public stage by an established economist.

Much of the book is his account of what happened in the countries he worked during the past twenty years. These case studies, which include Bolivia, Poland, Russia, India, and China, are useful, as it presents readers with the interesting, intellectual path Sachs has taken.

But his simplification of these situations is striking and leaves the reader believing Sachs is a savior whose advice was the only thing that rescued these countries. The Sachs-centricity of the successes also makes one wonder how all of the other countries that have prospered managed to do so without his wisdom.

A NEW APPROACH

Although he doesn’t agree with anti-globalization activists—heck, they don’t even agree with themselves—he recognizes their calls for attention on problems outside the realm of traditional economics as being important.

This manifests itself in the book’s two primary proposals. The first is a new checklist of factors to consider when assessing a given country’s problems and their possible solutions.

The approach, which he calls a differential diagnosis, revolves around the identification of certain characteristics of the target country, includ-

ing extreme poverty, economic policies, fiscal policies, physical geography, governance patterns, cultural barriers and geopolitics.

The result is a well-rounded assessment of the key hurdles facing a country’s development and underlying economic condition. By taking this route, he’s acknowledging that political and social issues do matter to an area’s general economic situation.

The second proposal is his solution for ending extreme poverty by 2025. It urges both rich donor countries and poor aid-recipient countries to concentrate on:

- human capital - improve the health and skills of individuals
- business capital - help build business infrastructure
- infrastructure - improve transportation, power, water and telecommunication systems
- natural capital - protect and more efficiently use the environment
- public institutional capital - develop the rule of law
- knowledge capital - raise the quality of scientific knowledge.

It’s clear why poor countries would want to work on these areas, but why should the rich countries become involved? Sachs spends a significant chunk of the book talking about this and the how the relationship between the two—recipients and donors—should be structured.

Sachs envisions a compact of sorts, whereby the international community assists the poor countries and the poor countries bear the responsibility of using aid appropriately.

Critics have argued that this has been tried before, but Sachs replies that past attempts weren’t genuine efforts to help, but geopolitical plays with ulterior motives. In the new

round, respectful treatment and planning, rather than Cold War tactics, will make the difference.

But why should (taxpayers of) rich countries become involved? Setting aside the moral reasons of wanting to bring millions of people out of poverty, Sachs argues that assistance will bring us geopolitical security (i.e., prospering states don’t become havens for terrorists) and improve global, including here at home, economic conditions (e.g., an economically secure state has citizens who can buy goods from other countries, including the US).

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This last point, the economic benefits for rich countries, is a major thrust of his book, as he realizes that getting them on board is crucial if poverty is to be reduced, let alone eliminated. Sachs takes on the challenge rather well, even if it’s only by clearly and coherently packaging arguments others have (not so clearly or coherently) made before.

But his ability to do exactly this—simplify and write in an eloquent manner the many relevant issues and arguments already out there—is why this book will help move the current public debate from an intellectually shallow shrill to a more sophisticated approach offering real solutions and real results.

If you’re interested in this debate, or interested in the challenges that third-world, and even emerging market economies, face, then *The End of Poverty* is well worth your time.

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