

LECTURE: PROFESSOR JEFFREY D. SACHS  
16<sup>TH</sup> ANNUAL PANGLAYKIM MEMORIAL LECTURE

## Economic Possibilities for Our Time

**P**rofessor Jeffrey D. Sachs, Director of the Earth Institute at Columbia University in New York, visited Jakarta in August. The visit coincided with the Asia-Pacific Ministerial Meeting on Millennium Development Goals (MDGs), held in Jakarta from August 3-5. Professor Sachs is a Special Advisor to UN Secretary-General Kofi Annan on the MDGs and is also the Director of the UN Millennium Project. Sachs was named one of the 100 most influential leaders in the world by Time magazine. The below lecture was given at the Centre for Strategic and International Studies (CSIS) in Jakarta.

I think we still are faced with one challenge, and that is, in our very globalised world and our very crowded world indeed, how can we make globalisation work effectively? How can we ensure that the benefits of economic development reach the entire world? How do we understand the fact that in a world of such wealth and such scientific and technological prowess, there are still places in the world that, day to day, are fighting for their very survival because they don't have enough food to eat, they don't have water to drink, they lack the most basic means for survival, much less development? In recent weeks, I've been travelling on behalf of the (United Nations) Secretary General to many of those places, starting in Asia; in very poor areas...Tajikistan and Yemen. More recently, in even more impoverished regions of Africa: Mali, Ghana, Nigeria, Ethiopia and recently, coming here from Malawi, where we've seen thousands of people ourselves, and we know they represent hundreds of millions of people who are literally fighting for their daily survival right now.

It is of course very moving and very sobering to be in communities where there is no food and where, when you ask a mother of five, what will do you today, her answer is, well god will provide, because they don't know. There is no income; drought, or locusts, or other calamities have taken populations already at the margin of survival and pushed them even closer toward the edge. We know the result is not just suffering and deprivation, but actually a remarkable amount of premature loss of life on the planet. I think that it is accurate to say that about 8 million, possibly as many 10 or 11 million people every year, mainly children, but also their young fathers or mothers, die because they are too poor to stay alive. They are dying of chronic under-nutrition, they are dying of lack of access to safe drinking water, and they are dying of lack of access to the most basic infrastructure, even some kind of motor transport to carry them to a clinic.

The result is a massive amount of death that never gets recorded, of course, in the news. That's just the background of the planet where the poor, and especially the poor that are dying, are so voiceless that their lives are lost without anybody taking notice. Even those who are in positions of power to do something about it don't necessarily realise that there is something to be done. The losses are phenomenal.

I have come to believe that the losses are not only huge in number, but also

*THE CHALLENGE IS TO MAKE GLOBALISATION WORK IN A WORLD WHERE LITERALLY HUNDREDS OF MILLIONS OF PEOPLE ARE LIVING IN EXTREME POVERTY.*

*THOSE LIVING IN EXTREME POVERTY HAVE NO VOICE; THEY SUFFER FROM MALNUTRITION, DISEASE AND LACK OF ACCESS TO BASIC NECESSITIES.*

*ONE OF THE GOALS THAT WE SEEK TO ACHIEVE BY 2015 IS THE ALLEVIATION OF THAT LEVEL OF POVERTY IN THE WORLD.*

solvable. They are the goals that were adopted at the beginning of our new millennium in September 2000 that call for reaching quantitatively significant reductions of extreme poverty and its various dimensions; not only income poverty, but hunger, death from disease such as AIDS, malaria, TB, lack of access to central medicines, lack of access to basic needs such as safe drinking water and sanitation, and sustainability of the physical environment on which we all depend, to achieve those goals by the year 2015. The Sec. Gen, when he asked me to head this effort three years ago, was very much aware of how easy it is to state goals and how hard it is to achieve them.

*IT IS POSSIBLE TO CUT POVERTY IN HALF BY 2015 AND TO ERADICATE IT BY 2025.*

The purpose of this project, the UN Millennium Project, was to see what could be done practically to make headway. I should add that as soon as I was given that assignment one of the very first people I talked to was [current Indonesian Minister of Trade] Mari Pangestu. I asked her to co-chair one of the crucial panels with me, which she did brilliantly until she gave me that excuse that, “by the way, the President has asked me to join the cabinet; I may miss the next meeting”. I thought that was a little bit outrageous but we allowed her to join the cabinet, we missed her on the task force, but she had already done a great bulk of the effort.

What I’ve learned, as well as indeed the kind of optimism that pervaded my 1996 lecture on global economic integration, was that when you combine what I do believe are very powerful and positive forces of economic development as the underpinning, and use the very powerful, indeed remarkable, forces of science and technology to direct attention to specific challenges that remain. The combination of general development and targeted investments in my view, makes it possible not only to achieve the MDGs which call for a cutting by half of extreme poverty by the year 2015 and even greater proportionate progress against disease, but actually to envision realistically what I claim in this book “The End of Poverty” to be within our reach; that is the end of extreme poverty by the year 2025.

*IT IS POSSIBLE TO REACH THOSE GOALS, BUT IT WON’T HAPPEN WITHOUT COMMITMENT ON THE PART OF THOSE WITH THE SKILLS, MONEY AND WILL TO DO SO.*

What I want to do is share with you why I think this is realistic, not just a crazy idealistic illusion, but actually something practical and something that we can accomplish. But, I have to say right at the beginning that this book is about ending poverty in our time. It is not a forecast; I am not predicting what will happen, only explaining what can happen. My point is not to say that poverty will end in the year 2025, but that it *could*. By “could,” what I mean is, it could, if we are able to organise ourselves politically in appropriate ways.

Mainly the politics of cooperation at the local scale, within communities and at the national scale, which means across communities, within a country, and at an international scale, which means proper global governance in our very complicated planet. That’s a big if. I am arguing as an economist, and one who has the privilege of close collaboration with natural scientists, public health specialists, medical doctors, and other kinds of practitioners across the relevant range of disciplines that, with relatively low-cost investments, low cost relative to the wealth of the world, we could see the end of extreme poverty.

But, in order to mobilise the investments, I am also arguing that market

forces won't be sufficient; this is not the invisible hand that is willy-nilly going to lead us to the end of poverty, but, rather a quite visible amount of cooperative effort where the rich, as well as the poor, deem it to be within their interests to take on this effort. My claim, also within this book, is that it would be reckless not to, because I believe that we will not have peace on our planet and we will not have security unless we both seem to be caring, in the true way, and actually achieving results and ending the suffering, this unnecessary suffering, which I believe is very much at the root of a tremendous amount of instability on the planet.

*THE ERADICATION OF EXTREME POVERTY  
WAS NOT POSSIBLE UNTIL RECENTLY.*

If it's true that our generation could end extreme poverty, we are the first ones that could plausibly make that case. Up until now, up until the last 15 to 20 years, and really up until now, the early years of this millennium, there were simply too many poor to view that as a realistic proposition. So, the end of poverty is something that, in my view, has come within reach because of the overarching success of economic development.

I am a big fan of economic development. I believe in it, I think it's real, and I think that it's pretty pervasive around the planet, though the point is that it is far from universal and it is far from automatic, and there are big parts in the world that are not experiencing economic development right now.

*IF EXTREME POVERTY CAN BE DEFINED AS A  
LEVEL OF POVERTY THAT THREATENS THE  
EXISTENCE OF ITS VICTIMS, THERE ARE  
FROM 1 TO 1.5 BILLION PEOPLE, OR ONE  
FIFTH OF THE EARTH'S POPULATION  
SUFFERING FROM IT.*

I should define my terms with a little bit of care; I am not talking about the end of poverty as most of us would recognize poverty. There will still be poor people in the year 2025 living in conditions that we would not choose to live in, that we would not want our children to live in, that we would not want anyone to live in. I am talking about the end of *extreme* poverty; by extreme poverty I mean poverty that is so severe that it threatens survival and that it is constituted by a deprivation of basic needs on a chronic basis.

There are, by most estimates, around one billion people that live in those conditions and depending on exactly how one measures those things, somewhere between 900 million people and up to 2 billion people that could plausibly be defined as living in extreme poverty.

The fact of the matter is that we don't even know how to measure poverty exactly, because it is so multidimensional. People that have a US\$1 a day income, if there are no clinics available, no roads available, but even if they can earn a US\$1 a day from a crop that they are growing, they may still die if a rather routine infectious disease strikes them, I would say they live in extreme poverty. Best guess, I would say, over a billion people and under 1.5 billion people, so, I think that we are talking about roughly one fifth of the planet with 6.5 billion people as of mid-2005.

*UNTIL ABOUT 1800, EVERYONE IN THE  
WORLD CAN BE SAID TO HAVE BEEN LIVING  
UNDER CONDITIONS THAT COULD BE  
DESCRIBED AS LIFE-THREATENING OR  
EXTREME POVERTY.*

That's only a fifth; it's down probably from a third of the planet in 1990, maybe 25 percent, and it's down from about 100 percent of the planet since 1800. That's really the most important point. The world throughout all of history up until very, very recently was living in extreme poverty, with the tiny exceptions of a few landed gentry and kings and queens who didn't live much better than the poor today, after all. Very few benefits except perhaps a lot of retainers around, but still great vulnerability to disease, unsafe water,

*KARL MARX DESCRIBED THE EFFECTS OF THE INDUSTRIAL REVOLUTION WITH A GREAT DEAL OF ACCURACY.*

*ONE FIFTH OF THE WORLD HAS NOT TRULY SHARED IN THE BENEFITS OF THE INDUSTRIAL REVOLUTION.*

*HISTORICALLY, SOCIETIES THAT WERE UNDERDEVELOPED WERE BLAMED FOR THEIR PLIGHT.*

lack of access to survival technologies. The world lived throughout almost all of its history with almost all of the planet in extreme poverty.

Economic development is a new phenomenon; the whole idea of sustained development is something that we date to the Industrial Revolution to take off around 1750 or 1800. What we have on the planet in a basic sense, in my opinion, when we think about extreme poverty, are the places on the planet, arithmetically it's obviously a tautology, but also in meaningful historical terms, it's the places on the planet where economic development has not yet reached.

So what we have is, the residual economic development has spread to most of the world since the Industrial Revolution. It has not been an easy process; it has been an utterly tumultuous process. In a perverse kind of way Karl Marx, who got most big things wrong, got one big thing right. The one big thing right is, he said "this is gonna be really rocky," because when he looked out at the new world of capitalism at the time of writing the Communist Manifesto in 1848, he said that the capitalists were going to batter down the walls of the rest of the world with their cheap commodities and that they were going to basically destroy a lot of society in the rest of the world, and we know that was the case. This was a painful, violent, and tumultuous transition. It was also a transition that raised life expectancy dramatically from perhaps 25 years to the average now of roughly 70 years on the planet. It was the age that ushered in unimaginable amounts of wealth and technologies that could not have been dreamt up except by a few utterly remarkable geniuses in the Enlightenment.

I am not going to summarise 200 years except to say that that process of industrialisation, was led fundamentally by technology and, starting appropriately with the most fundamental of all technology, which is the mobilisation of energy, it started with the steam engine. That eventually did diffuse in a complicated process and a tumultuous process to all parts of the world, with about a fifth of the population of which we could say is still today not part of that generalised process.

Why do we have the kind of experience that we have? That's a very complicated question and my views on this generally are not those shared by my colleagues, so I am going to give you a very idiosyncratic view of that question and I am giving time for my colleagues in academia to catch up because I think they have the wrong model in general.

The general idea for 200 years has been that the reason that places took off or experienced modern economic growth and subsequent economic development is that there was something good about their societies and the reason that other places did not experience economic growth and development is that there was something bad about their societies. What was good and what was bad has changed over time depending on taste, knowledge, political correctness and many other things. At the beginning it might have been religion that was seen to be the defining element, then it became pseudo-scientific racism, it became culturalism, it became in the last 20 years the dogma of good governance as being the central question; those with good governance did well and those with bad governance have done badly. I call it a dogma because it is all a grotesque simplification of a much more complicated picture.

Now, by the way, we are back to religion in our fundamentalist world. So we have recycled to probably somewhere around the times of the Crusades and afterwards in the way that different parts of the world view each other. But, I view this notion that economic take-off is basically defined by whether the society is good or bad along one of these dimensions as being wholly oversimplified and an often outrageously wrong point of view.

*ADAM SMITH ACCURATELY PLACED MUCH OF THE BLAME FOR THE UNDERDEVELOPMENT OF SOME SOCIETIES ON GEOGRAPHY.*

I start some place else with geography. I believe that geography was one of the great definers of diffusion of technological change and am happy to have on my side Adam Smith in that, because he really did get a lot of things right, back in 1776—without even having a laptop computer and a cross-country data set. One of the things that he did say, and I think it is a more accurate way to put it, he said “well of course governance does matter, you have to have good economic policies,” and that’s true, and a lot of the “Wealth of Nations” was about economic policies. But, it actually says right in the first chapter of Book One of the “Wealth of Nations,” that “it sure helps to be at a port.” He says if you’re landlocked, you’re in trouble, because what is the essence, said Smith, of a rise in productivity? The essence is the division of labour, and one could add now, the division of labour made possible by science-based technological advance. The division, said Smith, depends on the scope of the market. And he was very right about one thing: if a country is protectionist and closes its market, it won’t have much of a division of labour, and that is the point we remember Smith for today with regards to international trade policy, and he got it right.

*BEING LANDLOCKED AND FAR FROM SEA ROUTES IS A MAJOR CONTRIBUTING FACTOR TO UNDERDEVELOPMENT AND, HENCE, POVERTY.*

He also said that there is another thing that can limit the scope of the market and that is, if you are far in the interior of a continent, away from trade possibilities, facing very high transport costs, in the extreme case, a farmer living by himself at subsistence in isolation, then there also can’t be much of a scope of the market. Smith said therefore, economic development would start at the coast and move inward, and he said it would be a long time before the benefits would be felt in the hinterlands of countries or in the mountains. He made wonderful observations about landlocked states, because he said, for landlocked states, it’s not only the extra cost of transport but also the political boundaries, and he noted that the coastal state might not be so well disposed to the economic development of its interior neighbour. So, there’s a lot of politics that can also impede the development of the interior state as well, and history has fully borne him out on that.

*THE INTERIORS OF AFRICA AND ASIA REMAIN THE LEAST DEVELOPED REGIONS OF THE WORLD; THEIR POVERTY IS MORE A RESULT OF GEOGRAPHICAL REALITIES THAN OF BAD GOVERNANCE.*

It’s absolutely striking to me that, in the end of that first chapter, Smith has a paragraph which is utterly prescient and remarkable where he says, and this is writing as of 1776, that from time immemorial, the most difficult places for development have been in the interior of Africa and in the centre of Asia. He also said that the region north of the Black Sea and in the frozen seas, meaning Central Asia and into Siberia, were also from time immemorial in an undeveloped state. I have to thank Smith; I’ve spent the last 15 years knocking my head against the wall in Africa, Siberia, and in Central Asia trying to help see how to make economic development there. They remain, after 225 years, still the toughest parts of the planet for economic development. So, from my view, it’s not simply a morality tale, it really does matter where you are on the planet and the specific kinds of challenges that you face. I think that we know

*THE ABILITY TO PRODUCE FOOD IS ANOTHER GEOGRAPHICAL ELEMENT THAT AFFECTS A COUNTRY'S DEVELOPMENT.*

*THE THIRD CRUCIAL GEOGRAPHICAL FACTOR IS THE DISEASE BURDEN.*

*AFRICA IS THE POOREST OF THE UNDERDEVELOPED REGION, LARGELY BECAUSE OF THE MALARIA PROBLEM, WHICH IS MORE CHALLENGING EVEN THAN IN ASIA.*

a lot more than Smith, although he knew just about everything there was to know at the time, it sometime seems, and a lot more, but we know a lot more than Smith about the burdens of geography and what it can mean.

I think with the modern view that understands the deeper basis of equal-system services, and the difficulties of economic development, we could identify at least three geographical dimensions that have counted in history as either spurs or adverse conditions for being part of this generalised global development. One is transport, surely; mountain states, landlocked states, interior regions, have all done less well than coastal states, than cities and city-states on the great sea routes of the world. That has been at least true since Vasco de Gama and Christopher Columbus united the various parts of the world through sea-based trade. Until then there were great interior cities of Bukhara and Samarkand along the inland routes, and Timbuktu. These were great interior cities when you had to go by camel rather than by sail, but that ended 500 years ago and those have been cities in decline since 500 years, once the vastly cheaper sea-based trade took hold.

Two other dimensions are crucial; one is the ability to grow food effectively. Places that cannot generate a surplus of food production have not been able to take off, because at the start of all economic development, there has been a surplus of food, which allows part of the population to enter non-agricultural and mainly urban-based activities that support a very rich division of labour. What it takes to grow food, is pretty clear; you need sunlight, you need good soils, you need water, and you need effective seeds. The combination of those is what produces a Green Revolution, whether the first Green Revolution in 1750 that allowed England and Holland to raise agricultural productivity above subsistence or the Green Revolution that this country and its neighbours experienced in the 1960s and 1970s. There are parts of the planet that have not had a Green Revolution because they lack one of those critical inputs. Places that are very far north that have a very short growing season, like northern latitudes in Siberia, have been peasant societies that weren't able to urbanize early on because the yields were so low. Places with rain-fed agriculture have fared much more poorly than places with irrigation-based agriculture all over the world, especially places with drought-prone rain-fed agriculture.

The third dimension of geography that I take to be extremely important is disease burden. Disease burden is, to an important though certainly not to a complete extent, an ecologically centred phenomenon. The number one case of ecologically determined disease is, what I think is one of the two or three great shapers of human history, and that's malaria. It's only the tropics that have endemic malaria.

I will just give you a quick one-minute tour of African malaria. Africa has the kind of mosquito that has the bad habit of only biting people, whereas Asia has the kind of *falciparum* transmitter of malaria that likes to bite cattle. It's absolutely fascinating, but also devastating for Africa, because in Africa every two mosquito bites in a row is two humans, whereas in Indonesia or India, it might be that only one out of every ten bites is two humans in a row. That means that the rate of transmission of the disease is much less, even in tropical Indonesia, than it is tropical Africa.

One of the interesting things that this meant was that Asia was colonised before Africa. Even though Asia was more militarily powerful and had many more people, it was actually taken over by European power a hundred years before Africa. The reason was that every time Europeans went into the interior of Africa before 1870, they died, they died of malaria. So malaria was a great protector. Then finally in 1870 with improved breech loading rifles and with gin and tonic at their side and quinine as a cure, Africa was taken over in about 15 years and it was in the 1880s that all of Africa was divided.

*CLOSED SOCIETIES ALSO TEND TO BE UNDERDEVELOPED.*

So I start with geography: transport conditions, ability to grow food, and ability to stay alive from infectious disease, and from other burdens, as critical shapers of where development did and didn't spread. Are you on a trade route? Can malaria be controlled? Can food surpluses be developed? Can you have three crops per year through irrigation-based growth? Are you subject to drought or to other killer conditions or to economic isolation? I believe that these are the most important factors in understanding the contours of modern economic history.

They are of course not the only factors; let me bring governance back in three ways. Three kinds of governance failures have been most important for blocking development: first, closed societies. Openness, in my view, is absolutely the *sine qua non*, in terms of policy for development, because openness means openness to technology, and technology is at the essence of development. So I think that Adam Smith got it exactly right; he had geography and openness.

*DIVIDED SOCIETIES ARE NOT INCLINED TO TAKE CARE OF THEIR WEAK; THIS LEADS TO POVERTY, AS WELL.*

Second, divided societies have been the bane of development. Societies deeply divided between ethnicities and, often more fatally, societies divided between the conquerors and the conquered, have really been the bane of a lot of development. Divided societies don't prosper mainly because the powerful don't take care of the weak; they exploit the weak, and most importantly, they don't educate the weak. The lack of education means that you have a large part of society without the skills to participate in the modern economy. This, I think, has been the fatal flaw for a lot of Latin America, for a long time. It's only now that it's being overcome.

The third kind of society where governance fails, are abused societies, societies abused by the outside world. One of the things that happens when rich or powerful countries define what they mean by governance, is that they always blame the weak for their problems. However, a lot of the problems actually come from how the rich behave. I do believe that the abuse of the conquered did play an important role in setting back development in a lot of ways. Again, partly like the conquest societies of Latin America, large parts of the population in the imperial-ruled countries were not educated by design.

*SOCIETIES THAT ARE ABUSED BY OTHER, MORE ADVANCED OR PROSPEROUS NATIONS DO NOT THRIVE, EITHER.*

That was a huge, huge failure to take advantage of technologies that were already available and could have led to development much earlier on. So governance matters a lot, it matters in a richer kind of way than we sometimes talk about, but geography really does play a very important role. So what does this mean about the topic of extreme poverty?

Asia was the leading part of the world economy until 1500 or 1600. There

*THROUGH A CONCERTED EFFORT AND A WILL TO DO SO, JAPAN WAS SUCCESSFUL AT ECONOMIC REFORM BEFORE THE REST OF ASIA.*

*ONCE THE POLITICS WERE RIGHT, THE GREEN REVOLUTION OF THE 1950S AND 60S SPARKED ECONOMIC REFORM IN MOST COUNTRIES IN THE ASIAN REGION.*

*THE INTERIOR AND LANDLOCKED COUNTRIES WERE STILL UNABLE TO BENEFIT FROM THE REFORM, FOR LARGELY GEOGRAPHICAL REASONS.*

*THE GEOGRAPHICAL FACTORS CAN BE SEEN AT WORK WITHIN THE INDONESIAN ARCHIPELAGO.*

are a lot of complicated stories—which I’m not going to say anything about, unless we have a discussion—that led to its loss of sovereignty and its loss of income and eventually imperial domination. When the 19<sup>th</sup> century came, the colonial rule definitely, in my opinion, delayed economic development.

One place made the breakthrough, and that, of course, was Japan. Japan had many advantages; it could easily use a lot of technology, it had enough coal domestically, it had a temperate climate, it didn’t have the malaria burden, it had ports galore, it could engage in international trade, it had brilliant governance after the (Meiji) Restoration. The world’s best single economic reform program in history, as far as I’m concerned, was the economic reform of Japan after 1868 when the Japanese leadership said, “if we don’t want to fall under European domination, we better get moving,” and they did get moving. They made a brilliant reform and Japan was the first to industrialise.

For a lot of political reasons, more than intrinsic economic reasons, the rest of Asia was delayed in industrialising until after World War II. But, after WWII, it seems to me, two very big things happened in this region, both of which are important. First was the Green Revolution, which I think was absolutely fundamental, because without that, subsistence agriculture was so pervasive, and the levels of living standards of rural communities were so low, that it was really hard to get a head above mere survival levels, in a large part of Asia. The Green Revolution came; what had been cycles of famine and despair became surpluses of food. That allowed the second great development, and that was the urban-based manufacturing takeoff, which really began in the late 50s and early 60s with Korea and Taiwan, and then spread, of course, to Southeast Asia in the 60s and 1970s. The disadvantages in this region, intrinsically, were not so many; transport was okay, health conditions adequate, and food growing conditions more than adequate. That allowed the diffusion once the politics was right and once the governance was right.

The parts of Asia that have not developed really do, in my view, abide by the geographic principle to an important extent. For example, western China remains far poorer than eastern China; western China is the landlocked part of China, if you will. Transport costs are too high for the western provinces to be part of China’s boom. Instead of growth there, you have mass migration from the west to the coast. Though, farther across the Pamirs where you can’t migrate so easily, and look at central Asia, Tajikistan, Kyrgyzstan, Uzbekistan, Kazakhstan, Turkmenistan, Afghanistan. These places are a mess, all of them, because they are all facing such horrendously high transport costs that they can’t develop. The only things that you can take out of there are high-value per-unit-weight commodities, and they have two of them: oil and heroin. Other than that, you can’t ship goods, so they are poppy exporters and oil exporters, if they are lucky enough to have oil, other than that you can’t beat the transport costs. So, you have a whole part of central Asia that is stuck in difficulty.

The geographic analysis of Indonesia needs to be written in full, there has been a lot of brilliant analysis, but if you look at the difference in soils, the difference of agronomic conditions, the difference of mountains and plains, and accessibility, one learns a lot about the difference between eastern Indonesia and Java, for example. This is really an important part, even within

the country, of the differences of economic development conditions that have taken hold; this is a story of big geographic diversity within the archipelago that I think can prove a lot of the points about the role of transport, access, population densities, farm conditions, and how that intersects with the industrialisation process.

My view is the following: that we can kind of understand, not perfectly, but rather well, why it is that, as of 2005, some places in the world have not yet, even 200 years later, been part of this process. It turns out, pretty systematically, that virtually every landlocked country in the developing world is in trouble; landlockedness, then, is a pretty strong predictor of trouble. Mountain societies are a very strong predictor of economic isolation and extreme poverty, whether it is Papua or whether it's Kyrgyzstan or Tajikistan. Huge transport barriers, lots of isolation, disease burden, food growing. Now the thing I like about that approach is that it actually points you toward solutions as well.

It's a little different from saying, "well they're a bunch of bums, they're also corrupt, there's nothing you can do," which is the prevailing discourse about poverty in the world. Poverty is the fault of the poor; it's always been explained that way. I think it's wrong. I see a lot of corrupt places that get quite far, starting with the US by the way.

So I don't believe that those kinds of morality rankings are really the essence; I think that looking at the underlying conditions is the key. Of course, when governance is terrible, that can be a very potent barrier by itself. There is no geographic explanation for North Korea's crisis. That's a tyranny that leads to a disaster; that is a closed society in the extreme form. So I don't want to be misunderstood, I'd say Mr. Mugabe in Zimbabwe is pretty much single-handedly destroying a country, he and his cronies. So that exists, but it is not the norm for what is happening on the planet. It's also true that impoverished places are more likely to fall prey to such abuse than developed economies. So, the causation of governance and performance runs in both directions and it is often confused as being only from governance to poverty, not also from poverty to miserable governance, whereas, the most primordial factors are these geographical and historical factors that have played a role.

Two things are happening in China. First, western Chinese are moving to the east, and richer eastern Chinese are investing in the west through public transfers, not private market, but public transfers. The largest development project in the world, I think, is western China right now, led by eastern China. Malawi, in contrast, can't do that, it is a sliver of a landlocked country all by itself and nobody cares, that's where the Millennium Development Goals come in.

The idea of the MDGs, is that we are supposed to care, we are supposed to ask for all parts of the world to fight extreme poverty. Goal eight of the eight goals says that the rich countries are to help the poor countries in partnership. It turns out that US\$100 per capita for the people of Malawi is not a lot of money for the US and for other rich countries. Why don't we make a proper diagnosis, take landlockedness, drought, disease, and other specific identifiable burdens seriously, prepare the investments that could overcome those and then pay for them. That is the approach that the UN Millennium Project

*SIGNIFICANTLY, THIS OBSERVATION  
ELIMINATES SOME OF THE MORAL BAGGAGE  
THAT IS OFTEN ASSOCIATED WITH SYSTEMIC  
POVERTY.*

*THIS GEOGRAPHICAL CONTRIBUTOR IS SEEN  
IN THE DISPARITY OF GROWTH IN CHINA  
BETWEEN THE COASTAL REGIONS AND  
WESTERN INTERIOR.*

*TO REACH THE MILLENNIUM  
DEVELOPMENT GOALS REQUIRES  
RELATIVELY SMALL INVESTMENTS FROM THE  
DEVELOPED NATIONS.*

*PROMISES HAVE BEEN MADE, BUT FEW  
HAVE BEEN KEPT.*

*AS FAR BACK AS THE 1960S, CANADIAN PRIME MINISTER LESTER B. PEARSON DEvised A SCHEME THAT WOULD HAVE ADDRESSED THE ISSUE OF WORLD POVERTY, WITH A REQUIRED COMMITMENT OF ONLY 1% OF THE BUDGET OF RICH COUNTRIES.*

*THE LATE 60S AND EARLY 70S WAS A PERIOD OF RETROGRADE PROGRESS IN FOREIGN HUMANITARIAN AID, WITH A LEVEL OF HOSTILITY TOWARDS DEVELOPING NATIONS BECOMING APPARENT.*

*INDONESIA IS A COUNTRY IN THE PROCESS OF DEVELOPMENT; THAT PROCESS IS SHOWING SOME SIGNS OF SUCCESS.*

*THE 1980S AND 90S WAS A PERIOD IN WHICH IT WAS COMMON TO BLAME THE POOR COUNTRIES FOR THEIR CONDITIONS.*

and the Commission on Macroeconomics and Health, both of which I chaired, have propounded. We have an advantage, politically, in propounding that, and that is that the rich world has promised to do exactly that. That's the good news. The bad news is that they've failed to meet their promises for 30 years, but they've promised to do exactly that.

Way back in 1970, actually in 1969, another book that made a very big impression on me, was the second book I was assigned in economics. It was called "Partners in Development." It was a commission headed by Lester Pearson, the Nobel Laureate prime minister of Canada, which said: Why don't we partner between rich and poor countries? It was based on the idea that the rich countries should give 1 percent of their income to the poor countries for development. It was refined at that moment to be 0.7 percent from budgets of the rich countries, what's called official development assistance, and 0.3 percent of private giving through NGOs, church groups and so forth; that's where 0.7 percent comes from if you ever wonder, 'where do we get 0.7 percent as a goal?' It started as 1 percent and then it was divided between official and private giving. However it came, it's never been lived up to. The recommendation was made in 1969, it was voted by the General Assembly in 1970. Then the poor countries in the world had the bad manners to say that we do need a new international economic order and the rich countries said, "You want a new international economic order, we'll show you one."

My view is that partly in retaliation for the demands for the new international economic order, things got tough. I actually think there was a backlash in the rich countries, an outrageous one, so that by the time 1975 came along, when 0.7 percent was supposed to be reached, aid was falling, not rising, as a share of GNP. It started at 0.5 percent of GNP in 1970, was supposed to reach 0.7 percent in 1975, but it was its way down in 1975 to perhaps 0.45 percent. The US was also getting out of Vietnam and saying, 'To hell with all of this development stuff,' so the US was cutting its aid budget at the same time. Then came the oil shocks and all of that. Then came President Reagan and Mrs. Thatcher; they didn't believe any of it—the last thing they believed in was foreign assistance. So we went into an era called the Structural Adjustment era, which you could paraphrase as being "I'll show you 0.7 percent. You'll never see it; you owe it to us...pay back the debts, don't talk to us about aid." That was the world of development for the 1980s and 1990s.

Development is so powerful that if you are not stuck in poverty it works. Mind you, I am not saying that development doesn't work, remember, I am saying that it worked for 80 percent of the world including Indonesia, where I believe that the development process is working. I believed in 1997 that there would be a rebound, and I believe that there has been a rebound. There are a lot of problems, but I don't think that this is a country of a failed development process; it's just got a ways to go because it started with a tremendously large rural impoverished population, so it is a long process, but it's a process under way.

Those countries not part of that process, found no help during the 1980s and 1990s. In fact, that was the maximum period of blame the poor; if the poor aren't developing, it must be that their governance is wrong, their institutions are wrong, you have to be like us, whatever us means. Most of the advice about

being “like us” is to do things we don’t do; one of the trends of development advising. I actually see lots of Europeans working for the World Bank, telling countries to privatise their health care, coming from countries where they have 100 percent state-provided healthcare, so there is a lot of that going on.

That process lasted for 20 years, roughly, and development in those tough places did not take off. Africa was poorer 20 years on than it was at the beginning of the Structural Adjustment period and it also had an unfaced AIDS pandemic as well. So, the Structural Adjustment era, in my view, was a failure, but a special failure for those places where the normal forces of economic development were not working.

*BY THE END OF THAT PERIOD, AFRICA WAS POORER THAN 20 YEARS EARLIER.*

Starting around 2000, the rhetoric has been a lot better; we are actually talking about shared goals and partnerships in the new millennium. September 2000 was, rhetorically, a glorious declaration for the world in the Millennium Declaration; it really, in my view, did get the world off to a hopeful start of the new millennium. Then came September 11<sup>th</sup> and, as usual, war pushed away peace. And, war pushed away a lot of focus on issues of poverty and we’ve been struggling to get the war on poverty back to its pre-imminent position...especially since the war on terror can never be won unless the war on poverty is won; it’s impossible.

*IN THE NEW MILLENNIUM, THE RHETORIC, AT LEAST, IS MOVING TOWARD A MORE COMPASSIONATE PARADIGM.*

Today is the meeting of ministers from the Asia-Pacific region about the MDGs and they’re meeting in anticipation of the World Summit, which will take place September 14<sup>th</sup> to 16<sup>th</sup> at the United Nations. That is the five-year scheduled review of the Millennium Declaration; it will be probably the largest gathering of leaders in the history of the world. I think that the world is going to have, at least with respect to these development goals, its last chance, because 2015 is a date that means something.

*POVERTY CAN BE ERADICATED IF WE HAVE THE WILL TO DO IT.*

I don’t think the world can very blithely say, “Well, alright, we kind of wasted a few years, we really meant 2017.” Either we work to achieve these goals in a serious way, or we will not have a world of goals. I fear if we don’t have a world of goals, we will not have a world of shared aspirations; we are awfully close to having a world where we’re much more prone to fight each other than we are to cooperate with each other. This is a very crowded planet now, 6.5 billion people; we are going up to 9 billion people if we don’t achieve some utterly disastrous wonder. I believe either we are going to cooperate or we are going to face disaster.

We could end poverty if we choose to do it. I have to confess that even if we choose to do it and we succeed in doing it, we are not past the fundamental economic question even then, because, we have actually one more mountain beyond. That is, we can end poverty, but we still haven’t figured out how to keep all of this environmentally sustained through the twenty-first century. Ending poverty will not add to the environmental burden; it will ease it, but it will not solve the environmental burden question. So, we face another mountain beyond this one; this one we can climb and in this one we can succeed. We’ll face another challenge beyond that, which I also have some optimism about its ability to be solved. □

*THE NEXT HURDLE IS TO ERADICATE POVERTY IN AN ENVIRONMENTALLY SUSTAINABLE FASHION.*