Poverty

Making poverty history
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2005 could be a big year in the fight against poverty

"WE HAVE the cash, we have the drugs, we have the science—but do we have the will? Do we have the will to make poverty history?" That is quite a question: big, crucial and—so long as "we" is defined broadly—entirely valid. And it is a question to which—according to Bono, the rock star and modern-day prophet who posed it—the coming year will go a long way towards providing an answer.

In 2005, poverty reduction is scheduled to dominate the global policymaking agenda as never before. First will come some visionary reports, led by Jeffrey Sachs's study for the United Nations (in January) and Tony Blair's Commission for Africa (probably in March). In July, if Mr Blair does not unexpectedly lose a British general election in the meantime, he will host a G8 summit of rich-country leaders which will focus on tackling poverty, especially in Africa. In September, the UN will hold a special General Assembly Summit to review progress towards the Millennium Development Goals agreed in 2000, which include a commitment to halve the proportion of the world's population living in poverty by 2015. As progress has been slow, there are likely to be plenty of new initiatives and promises of fresh action. In December, it is hoped, the World Trade Organisation (WTO) meeting in Hong Kong will bring the year to a triumphant close with the announcement of a deal to further liberalise global trade in ways that should give a big boost to the economies of poor countries.

The case for optimism

For so much high-level attention to be paid to the needs of the poor is unambiguously welcome. So, too, is the spirit of optimism with which policymakers and campaigners view next year. Yet it does not take a cynic to wonder whether so much international summitry might, in the end, generate far more hot air than action. There is a genuine danger of this. So before giddy rhetoric gives way to disappointment, it is worth asking what battles, realistically, might be won in the war on poverty in 2005.

Some optimism is certainly justified. In economic terms, the human race
has never been richer, or better armed with the medical knowledge, technological prowess and intellectual firepower needed to beat poverty. In rich countries, it has been possible to shift the focus of domestic policy from absolute poverty (now a rarity) to the relative sort—a giant step forward. In poorer countries, too, the past couple of decades have seen an unprecedented rise in the income and standard of living of hundreds of millions of people, mainly in Asia, who no longer struggle just to survive from one day to the next. The continuation of recent rapid rates of economic growth in India and China alone promises to free hundreds of millions more from poverty during the coming decade.

Yet while the examples of China and India are inspiring, they also show why the coming year of summitry may not be able—even with the best of intentions and maximum will-power—to achieve all that the likes of Bono say it can. The reductions in poverty in both countries are primarily the result not of the policies of the global great and good, or of the charity of rich countries, but of better domestic government—including the provision of basic education and health care and, crucially, the freeing up of markets. In both countries, even better government would reduce poverty further. For instance, corruption remains rife in both countries, and has a particularly severe impact on the poor by depriving them of needed services and raising their cost of access to markets and to finance. Likewise, in those parts of the world where little progress has been made in reducing poverty—notably much of Africa—abysmal government deserves much of the blame. Finding ways to get badly governed countries to raise their game is, to say the least, notoriously hard (and hugely controversial) for outsiders to do.

**Aid is not just for Christmas**

But enough gloom. There is still plenty that can be achieved in the coming year of fighting poverty, especially if the world’s leaders are willing to set clear priorities, and to be big enough not to push their own pet schemes at the expense of necessary compromise and consensus. Everyone from Kofi Annan and George Bush to Jacques Chirac and Mr Blair would like to be known as the politician who broke the back of global poverty, and each has slightly different ideas for doing so. A particular worry, given the pivotal role that the British government is expected to play throughout the year, is the rivalry between Mr Blair and his chancellor of the exchequer, Gordon Brown—a duo that Bono has dubbed the John Lennon and Paul McCartney of global development. (Both men are said to fancy themselves as Lennon.)

Three main policy ideas are likely to top next year's agenda: a big increase in aid from rich countries to poor; a massive write-off of poor-country debts; and trade liberalisation, especially for the agricultural products that are crucial to many poor economies, whose exports are now treated harshly by America, Japan and the European Union.

On aid, it would be a big step forward for politicians to adopt a policy of “first do no harm”. There have been countless examples of aid with strings attached that ensure that most of its benefits go to firms from the donor country, or which has largely ended up in the offshore bank accounts of corrupt local politicians. And even in circumstances where aid has been shown to work—basic health, education and water supply
projects—the sudden policy changes of donor countries have often undermined worthy efforts. International aid is the most volatile element of developing-country budgets, which is one reason why some of the more hopeful-looking African countries are keener on debt relief than aid, as the former is a one-off contribution to their resources that is not vulnerable to abrupt changes in donor-country policies.

In this respect, there is much to commend the International Financing Facility proposed by Mr Brown—which is now being taken seriously again. Although it is essentially a clever wheeze for circumventing national government borrowing rules, this scheme would both let donors increase their total aid (by borrowing against future aid budgets) and allow it to be spent in a more predictable way: off-balance-sheet financing in a good cause.

As to what to spend the money on, there will be no shortage of candidates. Ominously, the once-discredited idea of splashing out on big infrastructure projects has recently been revived. World leaders would do better to consider the Copenhagen Consensus, a series of studies and a plan of action produced earlier this year by some of the world's top economists. They concluded that the best way to spend, say, $50 billion (which is peanuts for rich countries) to help the poor would be on programmes to limit the spread of AIDS, to combat malaria and to reduce malnutrition.

Trade liberalisation, by contrast, ought to be a simple choice for poverty-fighting politicians. Oxfam, a campaigning group, estimates, for example, that a 1% increase in Africa's share of world exports would be worth five times as much as the continent's share of aid and debt relief. Yet trade liberalisation requires politicians in rich countries to confront vocal protectionist interests at home. That can be painful and politically costly, and so takes courage. Thus, what deal, if any, is struck at the WTO meeting next December may provide the truest test of whether the will really exists to make poverty history.