

Common Wealth: Economics for a Crowded Planet

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Jeffrey Sachs has been dispensing economic advice since the early 1980s. Back then, he was an expert on Latin American debt problems. In the early 1990s he became renowned for advising transition economies on their leaps from socialism to capitalism. Still later he tackled the larger and more important, though not unrelated, topic indicated by the title of his 2006 bestseller, *The End of Poverty*. Now, in this most recent book, we see what must surely be the culmination of his ever-widening circle of interests (if not competence). He addresses the planet with a plan not simply to end poverty but to fix the environment and heal the earth. He offers what can only be described as the economics equivalent of a theory of everything.

Does he succeed? In a word, no. But more on that later.

Sachs's core messages can be stated succinctly. Economic growth is good for both rich and poor countries, and is essential for poverty alleviation. Achieving environmental sustainability is possible within one or two generations, with sufficient will and the implementation of new means of global cooperation, though such cooperation is likely to be difficult (pp. 13, 339). Environmental degradation and global warming have proceeded to such an extent in recent decades that the earth really is poised at a "dangerous threshold," beyond which irreversible damage to the biosphere will occur (p. 309). But much present environmental damage can be rolled back by adopting aggressive biodiversity conservation measures through global conventions. Likewise, the effects of global warming can be mitigated by a mix of existing and new technologies, and by implementing a carbon tax, the preferred option over cap-and-trade approaches (pp. 107, 310). There may be a large role for nuclear energy in reducing global greenhouse gas emissions over the very long term, but such reductions should, in the short term, come from dramatically stepped up efficiency in using renewable fuels and carbon fuels, and, especially, in using carbon capture and sequestration technology (pp. 100-105).

Continuing: The "bottom billion" in the global economy (he uses the phrase made famous as the title of Paul Collier's book) are stuck in a poverty trap (p. 18). They require massive official development assistance (ODA), aid that at a minimum should equal the 0.7 percent of national

income long-promised by most OECD members but achieved by few. Voluntary population stabilization in those poorest countries will be an essential element of poverty reduction and environmental sustainability (p. 160), and this is best attained by direct government policies funded, again, by wealthy countries (p. 182).

Finally, the best blueprints for global cooperation can be found in the United Nation's (UN) "Millennium Promises"—the three Rio treaties, the Plan of Action on Population and Development (the Cairo Plan), and the Millennium Development Goals. These offer "a unique and vital compass" for building global cooperation (p. 294); they provide "scaffolding that is impressive" and "inspiring" (p. 13). Ending the global warming threat, ending poverty, and healing the environment can all be had, Sachs calculates, for approximately 2.4 percent of rich donor country incomes and 0.5 percent of poor country incomes (p. 310).

In offering this short synthesis of Sachs's main points, I am not doing justice to the book's sprawl and ambitions. The work assaults the reader with lists. It leaves few topics untreated, and considers many questions that are far afield from global sustainability. For instance, Sachs finds time along the way to argue that Scandinavian social welfare states are superior to the United States' free market economy, going so far as to suggest that the former's real per capita GDP exceeds that of the United States (though widely available PPP data indicate that US average income exceeds Sweden's by 30 percent). On all these matters, one must ask: where was his editor?

But, altogether, whether one agrees or disagrees, in whole or in part, Sachs's ideas have a certain coherence and merit. It is helpful to read an economist so passionately committed to environmental sustainability and who also offers cost estimates—however rough—for various policy options. Sachs's insistence on the merits of economic growth for human development and long-term environmental sustainability are dead on the mark, in my view. His sounding this theme is a helpful contribution to an environmental sustainability literature that sometimes regards growth as an unalloyed evil. The rise in global atmospheric carbon levels manifestly requires a global solution which in turn really does require a new form of global cooperation.

Furthermore, Sachs is absolutely correct to excoriate rich nations for so consistently not living up to their promise of providing ODA at the 0.7 percent level, a point he makes repeatedly with evident frustration. States really should not promise things they do not intend to deliver.

But that states frequently say one thing and do another should be instructive. Sachs, who has an exquisite sense of market failure, seems

to have virtually no sense of government failure. He seems unwilling to explore the lessons to be learned from public choice theory, the economics of collective action, and other sustained analyses of the conditions under which governments will or should cooperate with one another to attain global public goods. This is the book's central flaw, and it is a big one. Sachs offers his diagnoses and prescriptions in magisterial fashion, rather than engaging the many possible economic, institutional, political and cultural constraints on, and objections to, his proposals. As a consequence, the book falls far short of its potential.

This defect shows up clearly in his discussion of ODA. Sachs's 2006 proposals to dramatically increase annual ODA into the hundreds of billions of dollars drew considerable interest and criticism, most notably perhaps from William Easterly (2006) and Paul Collier (2007), but also from many other quarters. Critics pointed to the manifest difficulty of using aid effectively, the mixed evidence of its effectiveness, and a host of other potential practical problems that could be expected if ODA was to be ramped up and administered by the UN. Collier, in particular, in *The Bottom Billion* offers a nuanced analysis of the political economy of aid-receiving economies that suggests that something far more complex than a "big push" is needed. Sachs in this present volume repeats his call for increased ODA, but for the most part does not engage his critics. He casts Easterly's critique as simply an assertion that aid does not work—and attempts to rebut it with examples of cases where aid does work—which does not do justice to the deeper political economy concerns about how best to structure and institutionalize a potential large increase in aid. He does not address Collier at all. Sachs writes that successful aid combines "a clear objective, an effective and scalable technology, a clear implementation strategy, and a source of financing." By contrast, "Failures of development aid have come when one or more of these four elements is lacking" (p. 296). He also suggests that "our recent failures to make faster progress to achieve the Millennium Development Goals ... are largely attributable to the inability of international leaders to put key pieces into place" (p. 297). That is basically it. And it is just not enough.

This shortcoming crops up repeatedly. In Sachs's global warming discussion, there's no treatment of the debate over the Stern Review (2006) and discount rates. None of Bjorn Lomborg's work (such as *Cool It*, 2007) is cited, which is not a problem *per se* but reflects the fact that Sachs does not address the costs and benefits of policies for *adapting* to climate change as opposed to policies for *controlling* greenhouse gas emission. Even on this latter point questions abound. What kinds of global

institutional arrangements are most likely to get developing countries on board with carbon emission restrictions? What would be the most efficient ways of structuring such global agreements? Should the United States bind itself to costly greenhouse gas reductions at Copenhagen if China does not? Should the United States pay for India's participation in a climate agreement, and if so, how much? Sachs is silent. Instead, he offers generalities, such as that "the world will have to agree on shared targets and a division of responsibilities among individual countries" (p. 110). Incisive he is not.

When it comes to water use policies, and the truly difficult problems faced by some nations in managing water as a common pool resource, Sachs blithely recommends that farmers be charged a "water tariff that reflects the true social costs of drawing unsustainably on groundwater" (p. 133). I concur—but the devil truly is in the details. China has not been able to solve the overuse problem in the north China aquifer; what is it about the economics and political economy of water regulation that make this so difficult even for an autocratic government? That is the nut to crack, and mere exhortation to do the right thing does not get us very far.

Sachs's inability to engage critics is on particularly sharp display in his treatment of population control. He rates global population control efforts very highly—"one of the great success stories of modern times" (p. 185)—and takes it as axiomatic that legalized abortion is essential to reproductive health. To his credit, he insists that population control efforts be limited to voluntary measures. But he has no sympathy for those who might argue that the track record of coercion in population control is substantial enough that maybe, just maybe, the US government should decline to fund some nations' population control efforts. Further, he argues that "it is hard to think of a single more misguided policy" (p. 183) than the George W. Bush administration's suspension of US funding for NGOs that promote abortion abroad. He never addresses the important question of why, when abortion is such an incandescent "hot button" issue in US domestic politics that the federal government is barred from paying for abortions in the United States, the government should nonetheless pay for and promote abortions overseas. More problematically for his own argument, he never considers the potential cost to the United States and to population control efforts of having the United States so publically tied to abortion promotion in poor countries, presumably even Muslim countries.

In fact, Sachs's treatment of US population policies veers from mere adamancy into harsh invective. Noting Iran's success in lowering its total fertility rate in the decades following its 1979 revolution, he opines that "the Bush administration's attitudes toward family planning are in many

ways more fundamentalist than Iran's" (p. 191). The Bush administration opposed federal funding of groups that promote abortion, to be sure; but such groups are and were of course totally free to raise and spend any amount of private funding for that task. Is Sachs suggesting that Iran's mullahs would allow the same for private Iranian groups? Or that the Iranian government would fund a Persian version of Planned Parenthood? Sachs's conflation of principled concerns about abortion funding with the most extreme forms of Islamic fundamentalism is troubling, but not uncommon in the present polarized Western discussion of abortion. Such conflation poses important challenges to Christian intellectuals, who will need to defend the basic legitimacy of pro-life points of view with grace and clarity.

Finally, Sachs's trust in the UN and the UN system is astonishing. Potential or real problems of systemic corruption and malfeasance in the existing system, or even garden-variety free-rider problems, do not appear to exist. One does not have to hate aid to wonder if it is wise to vest the UN with responsibility for spending hundreds of billions of dollars of ODA, or to have qualms about the UN's supervision of other global initiatives.

In sum, Sachs's expansive tome is hamstrung by asserting rather than properly weighing and arguing its main points. By not engaging most of the real barriers to the provision of global public goods, and the real political and economic concerns that—rightly in some cases, and wrongly in others—are arrayed against international collective action, the book is neither compelling nor persuasive. Christian economists, who of course share Sachs's hopes for a humane, prosperous, and sustainable global future, will be as disappointed as any other economists will be in it.

In fairness to Sachs, most economists would probably also get lost if they attempted to write so ambitious a book as he attempts here. And I recognize the importance, at this particular juncture in history, of multi-disciplinary books and studies that harness political science, biology and environmental science, and economics to the service of sustainability. Those analyses, to the extent that they exist, do not include this book in their company.

References

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