FAITH & ECONOMICS

NUMBER 46 ■ FALL 2005

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Book Reviews

The End of Poverty: Economic Possibilities for Our Time

Jeffrey D. Sachs, with Foreword by Bono. 2005. New York: Penguin Press. 397 + xviii pages. ISBN 1-59420-045-9. $27.95.

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Jeff Sachs is probably the most globally visible development economist alive today. This book summarizes Sachs' current message and mission on poverty reduction and the path that brought him to this point. Sachs not only has made seminal contributions to the theoretical and empirical literatures in economics, but also has been on the front lines in scores of countries as a high-level adviser to Presidents, Prime Ministers, and various Ministers. He has probably done more to put African poverty at the center of the highest-level global discussions than anyone, save perhaps the rock star Bono, who penned the foreword to this volume. The combination of Sachs' impeccable academic pedigree, his remarkable practical experience putting economic ideas into play within the complex world of policymaking, and the eloquence and passion he brings to the topic of poverty reduction make this a "must read" book for any serious student of the global economy. "Must read" does not imply "must believe," however.

The volume begins with a lucid chapter that lays out the challenge facing the one-sixth of humanity that, in Sachs' words, "is not even on the development ladder" (p. 19), much less climbing that ladder. Chapter two then provides an insightful historical overview of how a few countries began historically unprecedented growth just two or so centuries ago and how and why other countries have come more belatedly to growth, achieving standards of living unimaginable in the 16th century. Sachs' is an ultimately hopeful message, that the previous two centuries, and especially the 20th century, brought unprecedented improvement in quality of life for a large minority of the planet, that most people are now securely on the path towards reasonable standards of living, and that we face merely an unfinished but manageable agenda to attend to the last 15 percent or so currently trapped in long-term, deep poverty.

After these two introductory chapters, Sachs' mastery wanes. Chapter three offers a rather superficial treatment of why some economies grow and others do not. Here the reader gets the first real sense of Sachs' overly macro view of the problem of persistent, deep poverty and the Achilles heel of this important book: nations, not people, are the units of observation.

Chapter four presents an unnecessarily preachy treatise on "clinical economics," Sachs' term for his self-described "new method for development economics" (p. 75). Sachs' emphasis on the economy as a complex system, on the need for differential diagnosis, and on the centrality of monitoring and evaluation to good praxis are born of his keen insights and tremendous experience. But the checklist of macro-scale questions he then offers miss central issues. By way of example, the words "markets" and "prices" quite incredibly never appear in the 56-topic checklist Sachs offers to guide development economists' work!

Chapters five through nine offer a series of engaging, if self-congratulatory, chapters on Sachs' astounding experiences advising the governments of Bolivia, China, India, Poland and Russia. The chapters on Bolivia, Poland and Russia focus primarily on problems of macroeconomic stabilization and conversion from socialist central planning to a market-based economy.

Sachs' "shock therapy" approach to these crises—advancing a broad range of reforms at once—carries over into his more recent mission: poverty reduction, the focus of the book's second nine chapters. Here too he advocates for a big push across many sectors and with substantial cash assistance from the wealthy countries. This harkens back to Gunnar Myrdal's *Asian Drama*—which Sachs carried while traveling in India as a graduate student—and to Rosenstein-Rodan (1943), Hirschman (1958) and others writing before an earlier era of enthusiastic, top-down development planning. Sachs is of course correct in emphasizing the interconnectedness of various sectors—health, education, agriculture, infrastructure, finance—and in pushing a systems approach to the challenge of poverty reduction and for "differential diagnosis" of the particular problems besetting a given economy. The systems nature of the problems facing the poor motivates Sachs' emphasis on a broad-based, big push.

Yet the history of economic growth and poverty reduction in the OECD countries and the rapidly growing middle-income countries is one of gradualism, not of shock therapy. These countries used a steady stream of well-targeted, carefully monitored reforms alongside steady investment in education and early childhood nutrition to build the human capital necessary to take advantage of emerging opportunities over the ensuing decades. The stories of China and India, which Sachs relates in chapters eight and nine, are perhaps the most inspiring of all, given the depth and incomparable extent of poverty in those two countries as they began their current ascent.

Moreover, while Sachs makes a strong case—and is surely right—

when he claims that successful macroeconomic stabilization depends fundamentally on bridge financing and grants from the wealthy economies, he is on weaker ground in insisting that substantially more generous aid is a precondition for poverty reduction. His chapters on China and India offer the counterpoint to his own argument, as would chapters on Vietnam, Mauritius or Botswana, were they to be included. In each of these cases, rapid poverty reduction has occurred without any significant inflow of foreign aid. The real engine was a sharp, new commitment to homegrown reforms to get institutions, infrastructure and incentives for private investment right. These countries have made key, strategic investments in public goods and services to "crowd in" private investment that ultimately dwarf any conceivable bilateral or multilateral aid flows. And many started out as desperately poor as many of the least developed countries today. Even deeply impoverished countries can work at building the underlying institutions necessary to make interventions sustainable, so that sharply scaled-up aid flows over a period of a decade can reasonably be expected to yield results.

The heart of Sachs' argument in the last half of the book is that the poor, especially urban slum dwellers and rural Africans, are caught in a poverty trap, that their poverty is itself the primary cause of their inability to achieve sustainable economic growth. If only the world would provide necessary transfers, the poverty trap could be overcome. As Sachs emphasizes, "foreign assistance is not a welfare handout, but is actually an investment that breaks the poverty trap once and for all" (p. 246).

In building his case, Sachs credibly debunks claims that aid has failed in the past. Aid made possible historically unprecedented achievements in expanding food supply, in eradicating diseases such as smallpox and, soon, polio, in reducing infant mortality through a suite of simple childhood interventions (growth monitoring, oral rehydration therapy to address diarrheal diseases, breastfeeding and immunization), etc. He also tallies up estimates of what it would cost to undertake important interventions and demonstrates that the costs are manageable within present commitments of 0.7 percent of rich countries' GNP, albeit not within present outlays. The United States accounts for most of the aid shortfall. And Sachs pulls no punches in laying bare the unseemly truth that much of what is currently provided is actually self-serving expenditure on costly expatriate technical assistance, inefficient food aid, etc.: "In 2002, the United States gave $3 per sub-Saharan African. Taking out the parts for U.S. consultants, food and other emergency aid, administrative costs, and debt relief, the aid per African came to the grand total of six cents" (p. 310). The hijacking of aid flows by donor country profiteers is one of the true abominations of the current system. Unfortunately, nothing Sachs proposes is directed towards reducing the routine diversion of scarce development resources.

While deeply appreciative of the passion and brilliance Sachs brings to the issues and the attention he has drawn to the moral imperative of combating deep, persistent poverty, and despite agreement with much of his analysis, I have four fundamental concerns.

First, the concept of a "poverty trap" is much more nuanced and the empirical evidence for the existence of true poverty traps is much more tenuous than Sachs lets on. His is a clarion call for nonspecialists. One can admire this while nonetheless worrying that he has gotten out ahead of the evidence, a curiously incautious approach for someone who advocates development economists behaving more like clinical physicians.

Second, Sachs' grand-scale vision perhaps inevitably loses track of crucial detail in its consistently top-down approach. While in chapter 12 he identifies five key areas where development interventions are essential to help rural Africans escape poverty traps—agricultural inputs; basic health; education; power, transport and communications services; and safe drinking water and sanitation—nowhere does Sachs acknowledge that there are an uncountable number of candidate approaches to addressing these thematic areas and not all work equally well, much less under all conditions. How does one identify the best approach? The devil is in the details of the design, monitoring and evaluation of specific interventions and then scaling them up to larger populations.

The question then becomes whether the data suggest one should have more faith in bottom-up approaches based on communities, firms, individuals and widespread experimentation or on top-down approaches run by the United Nations agencies, especially the United Nations Development Program (UNDP) in which Sachs places his faith. While there are some beacons of hope amid the general mess of the bilateral and multilateral aid agencies, most have become hopeless bureaucracies with low performance standards and minimal creativity, more focused on organizational politics than on the welfare of the poor they are chartered to serve. By contrast, remarkable achievements in poverty reduction have resulted from the innovativeness of bench scientists in international agricultural and disease research centers, and of business and nonprofit managers devising better organizational designs and incentive systems, among others. Not sharing Sachs' faith in bureaucracies, and seeing little empirical evidence to support that faith, I find the top-down thread to his prescriptions troubling.

This leads naturally to my third fundamental concern: human agency. If ever there was a clear story of the importance of human agency in economic policy, chapters five through nine tell it in chronicling Sachs' adventures advising governments on macroeconomic stabilization. How disappointing, then, that Sachs largely ignores the importance of human agency more generally, other than that of his friends and collaborators in centers of power.

Precisely because we are dealing with complex systems, one needs to beware of the fatal conceit that we fully grasp how entire systems of complex feedback effects function and how they will likely respond to massive simultaneous interventions in multiple subsystems. Sachs may be brilliant enough to grasp all of this but one doubts that most of the officials who would be tasked with designing and executing specific plans—or those of us who might try to evaluate the efficacy of such ventures—enjoy that same brilliance. As Michael Kremer's (1993) O-ring theory of development emphasizes, it is the weakest link that determines the course of development. While it is surely true that technical, managerial and financial absorptive capacities are endogenous, it is equally clear that these are limiting in most extremely poor communities and nations today. This poses a special challenge to those of us in universities in the wealthy world, whose mission is to build such capacity. That too is a topic that Sachs largely ignores.

The central shortcoming of Sachs' argument is his overemphasis on things material. He places uncommon importance on the role unfavorable physical geography plays in driving development patterns. This surely matters, but Sachs overemphasizes these phenomena, which likewise characterize large parts of Brazil, Australia, Taiwan, North America, and other places that have achieved far more progress than has most of sub-Saharan Africa. While appropriately challenging the myth that African leaders are invariably corrupt and incompetent, and rightly noting that, at least in part, "Africa's governance is poor because Africa is poor" (p. 312), Sachs does not allow adequately for the nonmaterial factors that influence human behavior (Barrett 2005). Incentives toward social conformity commonly discourage small farmers from adopting promising new technologies and ordinary people from taking preventive measures with respect to health practices, such as condom use to prevent HIV/AIDS transmission. Social exclusion on the basis of markers of identity such as gender, race and religion that are intrinsically irrelevant to productivity remains a distressingly routine feature of most contemporary societies. In a fallen world, grand designs such as Sachs' become hard to execute because they turn fundamentally on the performance of fallible individuals.

Fourth, Sachs' celebration of the material reasons for growth and development and his minimization of the role of human agency lead him to give primacy of place to capital accumulation as the engine of growth. This inevitably spawns a heavy emphasis on top-down planning and picking of winners, which smacks a bit too much of 1960s style social engineering for my taste. This is an outdated model of growth and development. Sachs seriously underplays the role of technological change arising spontaneously and creatively from within poor economies through innovation and adaptation. Although Sachs acknowledges early on that "the single most important reason why prosperity spread, and why it continues to spread, is the transmission of technologies and the ideas underlying them" (p. 41), the primacy of technological change as engineered by individual creativity and industry, rather than by bureaucratic planning, is lost thereafter. Indeed, his poverty trap examples are completely devoid of technological change mechanisms and his emphasis falls squarely on capital accumulation.

Of particular concern to me, although Sachs notes that "the most important determinant [of growth success], it seems, is food productivity" (p. 69), and despite vivid (albeit simplistic) descriptions of the challenges facing poor farmers in Africa, agriculture is ultimately utterly absent from Sachs' list of priority expenditures. None of the chapter 15 tables offering sectoral breakdowns of development assistance or Sachs' estimates of the costs of meeting the Millennium Development Goals include a line for, or even the word, "agriculture." Although he believes that "the poverty trap is mainly a rural phenomenon of peasant farmers caught in a spiral of rising populations and stagnant or falling food production per person" (p. 70), Sachs' prescription for addressing the poverty trap largely ignores the livelihoods of those he aims to help.

The depth of Sachs' compassion is inspiring. His injunction to beware judging the leaders of poor countries and his spirited rebuttal to subtly racist suggestions that certain peoples are simply inferior warrant reinforcement. They echo central Gospel messages. Sachs makes a strong case for the need to invest heavily in international public goods such as new medicines, vaccines, agricultural and natural resource management technologies, information and communications systems, etc. and for the affordability and wisdom of increased overseas development assistance for such initiatives more generally. Sachs' *The End Of Poverty* is an eloquent and welcome reminder of what can be achieved with relatively modest investments and of our moral obligation to continue the progress achieved to date in conquering the scourge of grinding poverty.

But it glosses over innumerable critical details, overreaches—and in some place contradicts—the empirical evidence, oversimplifying too much to be taken seriously by scholars looking for a guide to the latest frontiers in development economics thinking because it was intended for a lay audience only. In particular, while the case for the necessity and feasibility of more generous and long-term aid is compelling, it is not at all clear that a "big push" through UN agencies and governments is feasible in many of the places Sachs seeks to help. Ultimately, Sachs' prescription hints of hubris. Perhaps he truly understands it all. But even as tireless and brilliant an advocate for the poor as Jeff Sachs is, he cannot oversee it all. He needs to give due credit to the centrality of human agency and to recognize the fallibility most of us suffer.

In the end, Sachs' diagnosis seems right, but the prescription wrong. One needs a systems approach, focused on the long haul, emphasizing technological advance, the creation and protection of human capital through education and health systems, and the expansion and maintenance of the institutional and physical infrastructure on which private investment in job creation and increased labor productivity depend. Quality of governance is as much a consequence as a cause of poverty and can improve endogenously. But rather than a UN-mediated big push based on top-down government investment programs unduly dependent on technocratic excellence, the more appropriate approach seems to marshal the resources Sachs calls for to ignite instead a "bottom-up" approach based on fully flexible donations in response to the ingenuity and innovation of individuals, communities, firms, research institutes and nongovernmental organizations.

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