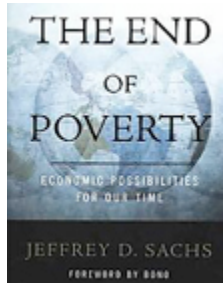




The End of Poverty: Economic Possibilities for Our Time

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- [Introduction](#)
- [Remarks](#)
- [Questions and Answers](#)

Introduction

JOANNE MYERS: Good morning. I am Joanne Myers. On behalf of the Carnegie Council, I would like to thank you for joining us this morning.

Today it is with great pleasure that we welcome once again Jeffrey Sachs to our breakfast program. Our speaker, as many of you know, is legendary for his work around the globe as an economic adviser to governments and for his work with international agencies on poverty reduction.

Yet, for those of you who missed his earlier presentation at the Carnegie Council when he first arrived in New York to become the director of the [Earth Institute at Columbia University](#), let me just preface my remarks by saying that you are in store for a very stimulating morning. Jeffrey Sachs is not your average economist, nor is his thinking about poverty and the way the world should approach its eradication conventional. In addressing some of the world's most challenging problems, some economists are content to simply ask the question, "Why?" But Professor Sachs presents solutions and answers with, "What if?" and, "Why not?"

Today, in discussing his new book, [The End of Poverty: Economic Possibilities for Our Time](#), he will explore the roots of economic prosperity and offer suggestions for finding the path out of extreme poverty for the world's poorest citizens. For more than 25 years, his research has led him to more than 100 countries, representing 90 percent of the world's population. The result is this book, which combines practical experience with acute professional analysis and a belief that ideas, if well thought through and based on sound thinking and historical experience, can play a role in eradicating poverty in our time.

For his vision, vast experience, and leadership capability, Jeffrey Sachs was the one to whom [Kofi Annan](#) turned to address the challenges of our deeply divided world. He is a Special Adviser on the [Millennium Development Goals](#) and Director of the [Millennium Development Project](#). In this latter capacity, he has led a team of over 250 experts in developing a strategy for decreasing extreme poverty, disease, and hunger in the world's poorest countries by the year 2015.

For those of you who say that poverty is a global shame, but there is no way to fix it, I say just listen to our guest today, whose experience and wisdom will tell us something very different. For even if you do not agree with all of Professor Sachs' prescriptions, it is impossible to deny that the needless deaths of so many people every year from extreme poverty does call for action on a global scale.

Please join me in welcoming a man who was cited by *The New York Times Magazine* as probably the most important economist in the world today, and hailed by *Time* magazine as one of the world's 100 most

influential people, our speaker, Jeffrey Sachs.

Remarks

JEFFREY SACHS: Wow. What a lovely and over-generous introduction. How wonderful to see everybody.

I already felt on the walk over here this morning that this was indeed a propitious day. This is, I think, truly our first day of spring; it is magnificent outside and a fitting day for thinking about rebirth of the year and rebirth of many of our hopes.

We had high hopes entering this new millennium, you will remember, which are the hopes that gave birth to the Millennium Development Goals. Those were the brainchild of Kofi Annan, our finest secretary-general in history, I am absolutely convinced. Despite whatever nastiness is said, this is a man of astounding clarity of vision and impeccable integrity. He has helped hold the world together in very difficult times.

At the beginning of the new millennium, he put forward to the world a remarkable document called [We the Peoples](#), where he challenged the world to do better in the new millennium. Out of that document came the [Millennium Declaration](#), which was adopted by the world's leaders in September 2000, at what was at the time the largest gathering in the history of the world of political leaders, and will be surpassed only by the summit that will take place in September of this year to reconsider the state of affairs five years on from that declaration.

That declaration contains some bold ideas—maybe not bold enough, but bold ideas—that we could actually cut by half the extreme poverty, in all its dimensions, in the world by the year 2015.

I am proposing we can do even a little bit better than that: that we can make those targets, and that we can see our way through a decade beyond, and actually end extreme poverty on the planet within the coming 20 years. My proposition is that we are the first generation in history that can honestly make that claim. The fact that we can make it, in my view, also makes it unavoidable that we try. It is one thing for millions of people to be dying every year because they are too poor to stay alive; it is another thing for millions to be dying every year because they are too poor to be staying alive and for us to know it and not to act.

That, I think, is the real existential situation of our planet, that there is no excuse. The deaths are on our watch. The deaths are in our name. The deaths can stop.

So the book and the Millennium Development Goals and the U.N. Millennium Project, which released 2,700 pages in fourteen volumes on January 17—you don't have to read them all at once; there is a nice 74-page overview which summarizes the main thoughts of that compendious output of more than 250 specialists around the world—tells us what we can accomplish.

The reason people die of extreme poverty is that they have nothing. They don't need a lot to stay alive, and they don't even need a lot to start the process of economic development. It would not require heroism on our part in order to help save those lives and help to promote economic development where it is not occurring now on the planet. It would just take having our eyes opened. It would take some attention. It would take a breakthrough in our country from doing nothing to doing something, because we really are, essentially, doing nothing right now. That is the sad, hard fact.

In the last few weeks, the President has spoken a thousand times about freedom without speaking once about poverty. That is what we have to change if we are going to address this challenge. It can be changed. Americans will want to change it. Americans don't know what we aren't doing and don't know what we could be doing. It is not that there is evil or uncaring in the land; it is a lack of understanding of the basic realities.

Why is that? I will speak for myself. There is no way in the world I would have understood anything without the chance to see it, because there is no way in the world I would have read in the news or media, or even in the professional journals that I read, the basic facts and contours of the situation. When one is lucky enough to see it or to have one's eyes opened and directed towards the problems, I think there is a lot of clarity that can result. That clarity can lead to action, and the action can lead to some stupendous results, not only in saving those lives, but, I daresay, in saving our own as well. Until we take up this challenge, the world is going to be awfully insecure and unstable and unhappy. The thought that somehow a half-a-trillion dollars of military spending each year is going to protect us from the unhappiness of the world should have been an idea that was abandoned long ago.

The book tries to describe what I have seen and what I have learned. I have to say that, without seeing it, I guessed none of it, and each step for me has been amazingly eye-opening. Maybe it is sad to say that even after 20 years, every day is still shocking for me—sometimes shocking in the enormity of the crisis, sometimes shocking in the simplicity of the solutions. One has to work at it. What was nice in having more than 250 world-leading scientists—agronomists, hydrologists, food specialists of all sorts, doctors, public health specialists, water and sanitation engineers, and so on—alongside is that they, too, have seen a lot. Even more exciting, whatever poor village you go to, the people know a tremendous amount about what they need and the realities of their lives, contrary to what we think. It is just that they need some help.

So let me describe for a few minutes why this paradoxical situation in the world exists, where, in the 21st century, the United States is a \$40,000 per capita economy, we have a billion people living in a degree of affluence that was unimaginable even a quarter-century ago, we have much of the world achieving development, and yet we have a significant part of the world dying of poverty. That is the first question that needs to be addressed. We need a diagnosis. We need an understanding of what the challenge is. Then we need some practical ways ahead.

The good news is that economic development is a reality. It works. Most of the world has escaped from extreme poverty. When I talk about extreme poverty, I am talking about poverty that is so severe that basic needs cannot be fulfilled.

What are basic needs? Adequate daily nutritional intake, safe drinking water, basic sanitation, a livelihood that can support survival, that can give a chance for a child to make his or her way through school, access to essential health services in a health emergency, a disease spell. When those conditions are not met, that is extreme poverty.

There are about a billion people in the world that don't have their basic needs met, that live in chronic under-nutrition without reliable access to any kind of health care. I am not talking about health insurance and regular preventive care and so forth; I am talking about access to a doctor in the middle of an emergency of malaria, where a \$1.00 dose would cure the person, but where 2 million or 3 million people will die because they don't have access to the pill or to the IV line.

About 1 billion people are in that condition, but about 5 billion people have escaped from it—about five-sixths of the planet, more accurately. Two hundred years ago, everybody was in extreme poverty, aside from the few kings and queens and dukes and princes that we read of in the books and plays and histories. Everybody was in extreme poverty. Life was short. Public health didn't exist. Medicine was putting leeches on patients. Under-nutrition was chronic. Famines were regular. That was true in Europe, as well as anywhere else in the world.

That has all changed over the last two centuries since the Industrial Revolution. We really did figure out a lot in this world about how to grow food more reliably, about how to harness energy, about how to make water and sanitation safe and available and reliable. The result has spread through almost all of the world. In fact, even with the poorest parts of the world, there has been some economic improvement compared to two centuries ago.

So economic development is real. About a sixth of the planet came to arrive at our circumstances—not quite the Upper East Side, but the circumstances of the United States—of being in the high-income world. That is the United States, Europe, Japan, Singapore; plus South Korea at this point and a few other places. It is about a billion people. Life expectancy is nearly eighty years. Health spending each year is above \$2,500 per person. Nutrition is, let us say, more than adequate. All basic needs are absolutely reliably met, even for the poor. The poor are not dying of starvation, nor, even in our very peculiar society, of lack of access to emergency health care. There is lack of access to normal health care, to preventive medicine, but the emergency rooms, thank goodness, remain open. Extreme poverty was already ended in the high-income world two generations ago, for all intents and purposes.

Another two-thirds of the planet, 4 billion people, are what is called middle-income—not middle-income by our standards, not American middle class, mind you, but above extreme poverty, some newly arrived out of extreme poverty, like China. But what that large middle of the world's distribution of material condition shows is that development is possible on a broad basis, and not only is it possible, it is possible to see results within a few years that are simply mind-boggling.

That is the lesson of Asia. Almost all of Asia now, except for the places in the middle of the Eurasian continent—the Afghanistans and the other "Stans" of the former Soviet Union, or Mongolia or the landlocked countries, like Laos—most of coastal Asia is booming right now, sometimes from extremely low levels of income. The rate of change is phenomenal, and the hundreds of millions coming out of extreme poverty is certainly the greatest economic development in modern history. China has a doubling of its living standards in less than ten-year intervals. That has been happening for the last quarter-century, and it will continue to happen for quite a while. India is now on the same course.

This is the most heartening and wonderful demonstration that development really can work, that the poor can escape from the condition of extreme deprivation, that a country like India, that was ridden with famine, that was viewed as a hopeless case of suffering, that was synonymous with poverty, is now synonymous with competitive threat in the IT sector. This is a change that has happened before our eyes, in just a few years. Of course, it hasn't really happened in just a few years, but the rate of change is astounding.

But there is that last sixth of the world. That is where, I think, our attention needs to turn. That is the world of extreme poverty that remains. A lot of it is still in Asia, though the numbers will go down given the current course. The epicenter of the challenge is Africa. In Africa, you have several hundred million extremely impoverished people, without the dynamism to lift them out of poverty, but instead, a continuing downward spiral of impoverishment, disease, hunger, and instability.

The intellectual or analytical question, the diagnostic question, is why you have pockets of extreme poverty—indeed, a whole sub-continent, sub-Saharan Africa—caught in a trap of poverty, while other parts of the world have either escaped from extreme poverty or have begun to escape.

Unfortunately, in Washington—and maybe it is our Calvinist roots; I am not sure—we have had a too-ready answer and a wrongheaded answer in the last quarter-century, and that is, "The poor must have themselves to blame. Something is wrong with those societies." Corrupt leadership is number one, two, three, four, five on everybody's list. This became the one-sentence—not merely the one-page, but the one-sentence—explanation that has guided our policy, if you can call it that. It has been a policy of neglect for quite a long time, the resignation or the sense that, "Well, we've done what we can. It's not really our problem. It's their problem," that has led to an almost immovable and unshakable sense of disregard that our country has had now for many years on these issues.

But it is not a good diagnosis. It is not serious, and it is not right. What I have learned in visiting more than 100 countries in the world is, first, take a look from their perspective; second, try to understand, in a comparative way, the relative challenges; and third, don't listen to economists—or, I should say, more precisely, don't listen only to economists. They are, perhaps, the least likely to know. Listen to the entomologists, the hydrologists, the soil scientists, the others who grapple with the ground realities of

staying alive and producing food and fighting disease and helping people to have safe drinking water. Listen to what their message is.

If you take the visit and you bring some clever colleagues along with you who can help to interpret, and you meet the people in the villages of Africa or other impoverished regions, what you find is quite amazing. The first thing that you find—and this won't surprise anyone in this room; I am sorry to say it, but it is important to say first—you find real human beings that are really keen to stay alive and to see their children grow up. You don't find corrupt, listless societies out to grab our bucks. Somehow, we have made the malaria-ridden populations of the world our enemy, the most corrupt people in the world. No. They just happen to get the most malaria-transmitting mosquito bites in the world. They know it, and they are looking for help and solutions.

So the first thing you find is that, anywhere in the world, people are thinking about their children. They are wondering if their children can get enough food, can go to school, and can become productive members of their society.

The second thing you learn is that people are grappling with practical, tough problems. The poorest people in the world, to a very large extent, are farmers and their families. They are smallholder farmers working on small plots of land, whether in Africa or in Asia or in the Andes Mountains, not producing enough food to feed themselves, much less to bring the food to market. This is the dominant condition of the world's poor: rural, agrarian, poverty, smallholder farmers that lack the basic productivity to earn a livelihood and even to feed their families.

When you look at why that is in the 21st century, you see that there is a difference between the Iowa farms or the farmers along the Yangtze and the farmers in the highlands of Ethiopia or in the lowlands of western Kenya. What you find are some biophysical realities, to use a term of jargon. There are three biophysical realities that, for me, help us to understand some pretty fundamental and basic points, such as why Asia developed and Africa did not.

First, Asia had a [Green Revolution](#) about forty years ago. It is in the past, but it was the great event of the 1960s and 1970s, the thing that allowed India and China to escape from poverty, doubling or tripling crop yields. Why? Because you had irrigated agriculture, improved seeds, and fertilizer. That combination was championed by [The Rockefeller Foundation](#), by the technologies that we helped to produce, that [Norman Borlaug](#) and others helped to bring to Asia forty years ago. That helped to set in motion food security and self-sufficiency, and subsequent industrialization and massive education and service-sector development.

Africa did not have a Green Revolution. Ninety-six percent of Africa's food production is rain-fed rather than irrigated, in highly unstable climates. There is not enough nitrogen in the soil right now and African farmers can't afford fertilizer. They used to do rotation of crops when the population density was low, but now they farm soils year after year, without fertilizer, on soils that are so depleted that it is biologically impossible to grow a proper crop. With no fertilizer and no water management, you can't afford to use improved seed.

So the result is that Africans are farming on soils depleted of nutrients, suffering from chronic drought, without the benefit of improved seed varieties, and getting yields that are a third or fourth of the yields that farmers in other parts of the world get. And we think this is somehow normal. This is not corruption. This is extreme poverty. With no Green Revolution, the result is an economy of subsistence or sub-subsistence results: challenge number one.

Challenge number two: Those farmers and their children are suffering and dying of malaria and other tropical diseases, and chronic helminthic infections. The water that they drink is not safe. The children don't sleep under insecticide-treated bed nets. There aren't clinics to treat a case of malaria, even though it is a 100 percent treatable disease. Two or three million African children will die this year of malaria—a 100 percent treatable disease. This ought to count for something. That is not corruption. That is the

Anopheles gambiae mosquito, the most intense transmitter of malaria in the world, unique to Africa, with an ecology that has made Africa the home of falciparum malaria from time immemorial, but with such poverty that there is no way to fight the disease, even though the technologies now exist to fight the disease.

That is even before AIDS. Now add on the AIDS pandemic and the interaction of AIDS with all the other diseases—because there are biological interactions as well—and the result is a health catastrophe, which we have essentially ignored until very, very recently.

The third is that these communities are living far from the ports. African impoverished households, Andean impoverished farmers, Laotian and Cambodian impoverished fisher people and farmers, Mongolian herdsman—they are all living very far from international trade.

Africans moved a long time ago up into the highlands, away from the coasts, because the coasts are dry and hot, and the highlands are cooler and wetter and a better place to grow food. So the highest population densities in Africa are the Ethiopian highlands, Rwanda, and Burundi—1,000 miles to the interior of the continent. It is a place to survive, barely—not so much anymore—but it is a lousy place to do international trade, I will tell you, because the next time Lord & Taylor or J.C. Penney wants to do some outsourcing, they will not go 1,000 miles to the interior of the African continent to place their apparel factories. They will go to a port or they will go to Monterrey, Mexico, or San Pedro Sula, Honduras, or Tunis or Mauritius, where they can load the ship, unload the ship, and get the goods moving.

So Africans and other poor people face geographical isolation as well. It is not necessarily killing if you actually have a road, if you have a telephone, or if you have the Internet. There are all sorts of things that can be done. But if you start so poor that you don't have those things, the market is not going to come to rescue you. The market is trained to ignore you. We could do some rescuing, but not the market.

So there are three biophysical realities of impoverishment: insufficient food production, insufficient disease control, and economic isolation.

The beauty is, this is the opposite of determinism. How easy to address those—not to turn Burundi into the Upper East Side overnight, not even to imagine a middle-income country in this 25-year horizon, that's probably not possible—but it's also not the goal, not even the goal of the people living in Burundi. They want to stay alive. They want their children to have a chance. They want their children to get an education. They want their children not to be stunted, not to be permanently disabled by a bout of cerebral malaria, too late in treatment. They want their children not to drop out after one year of school. They just want to have a chance.

When you start thinking about the chance, then you find how amazingly modest the needs are to make that chance possible. Malaria could be decisively controlled if each person in the rich world would give \$3.00 per year. There are 1 billion people in the rich world. The cost of malaria control is reliably estimated at \$3 billion a year in sub-Saharan Africa. That is for bed nets, effective medicines, community health workers, and village-based diagnostics—\$3 billion a year.

The cost of helping farmers to grow enough food rather than shipping American food aid in the midst of famine is another basic point. We preach the fishing rod instead of giving the fish, but we invariably give the fish and deny the fishing rod. Helping African farmers grow enough food—I have seen it now with my own eyes all over Africa, what individual extension projects can accomplish. Some fertilizer input, some rainwater harvesting, some farm ponds, some check dams, some treadle pumps, some drip irrigation—it is absolutely phenomenal. You can double or triple crops within a season. The farmers can't afford this. We can afford it. It is a tiny cost.

Then there is [VSAT](#) [satellite communications systems], and there are roads, and there are fiber-optic cables that could easily carry the Internet needs of Africa for generations to come. It is not expensive,

and it gets rid of isolation of a kind—because, remember, the isolation I am talking about is not true isolation from the world. Afghanistan was isolated, but, boy, it sure found its way to Manhattan. So no place is truly isolated. But in terms of economic development, you can be isolated. That kind of isolation can be overcome.

I have spent many years trying to understand what the costs of actually doing this would be and how it could be organized. The fact of the matter is, the villages, for example, are wonderful organizing principles. A village has 1,000 people. They meet regularly. About three weeks ago I was in about the poorest place in the world, in an impoverished, drought-ridden village in Ethiopia. When I got to the village, I was presented with an organogram of the village governing structure. The committees were there, and we met with the board. We talked to them about some of their resource needs. Within two weeks, they had gotten 50 hectares cleared for drip-irrigated orchards, because we have offered to help them put in some of the basic equipment. They knew what to do. They knew how to get organized. They knew how to move. They just couldn't afford it. It is very basic. It is called poverty.

These needs can not only be met financially, but actually put in place on the ground. In a village in western Kenya where the Earth Institute is working, we said to the villagers, "We want to help you. We'll hire a doctor for you." Fifteen thousand dollars a year for the doctor, in a village that has no money. They couldn't do it, but for 5,000 villagers that is \$3.00 per person—a pretty cost-effective investment for a disease-ridden village that needs help in treating malaria, AIDS, and other diseases. So we offered to do it.

I said to the villagers and their health committee, "Can you find a building?" There was an old clinic there. They said, "No, no, that doesn't work. We'll build a clinic." I said, "Oh, no, here we go. This is going to be years." They said, "Please, help us with the following few things. We'll build a clinic."

I was against it, but I have learned over time to listen. In five weeks, they put up a building. We provided the wiring. We provided the brick. They did the design, the labor, got the district ministry of health design. There is a waiting room; there is a diagnostics room; there is the examination room; there is the dispensary. In five weeks, the whole village pitched in, the women carrying water on their heads from the waterhole for mixing with the cement. The building went up.

These are people that want to stay alive. They are not fooling around. Our image is that they are just out for our money—you know, those grubby, corrupt, malaria-ridden communities. It is the most bizarre thing in the world, what has happened in our society, that we have come to view the poorest of the poor as our enemy, so that we need to be constantly on guard lest they take away our money. They just want a little bit of help.

So you add up the bill, ladies and gentlemen, which is what the Millennium Project did in the greatest detail that has ever been carried out, and we found, in a nutshell, that if we just did what we said we would do, this could be afforded on a massive scale.

What have we said we would do? The rich world has said for 35 years that it would provide 0.7 percent of its gross national product as official development assistance. Zero point seven percent means \$0.70 out of every \$100 of income. That would be, in the United States, about \$80 billion a year. To give you a metric, we spend \$500 billion a year on the military right now. We spend \$80 billion a year in Iraq.

I always thought that the development assistance goal was first set in the [Pearson Commission report in 1969](#) and then in a vote of the General Assembly in 1970, but it was actually set in 1961, with the launching of the [UN Decade of Development](#). It called for 1 percent of GNP in income transfer, which got defined as 0.7 from government and 0.3 from the public sector.

The United States right now is giving 0.15 percent—that is, 0.15 out of every \$100—in development assistance, one-thirtieth of what we spend on the military—one thirtieth. The private sector is giving about \$5 billion right now, for a combined contribution of about 0.20 percent. We are actually the lowest

givers in the world—though, happily, we feel that we are the highest givers in the world, according to all the opinion surveys. Americans think we give several percent of GNP, and think that about 20 percent of our budget is foreign aid, when much less than 1 percent of our federal budget is foreign aid.

The other thing that the government says is, "We never signed on to anything." In fact, the government says, "The only thing we ever signed on to was the [Monterrey Consensus](#)," which U.S. officials refer to often and think is a call for private sector-led development. President Bush was there in 2002, to sign the Monterrey Consensus. If you read the Monterrey Consensus, it is quite a wonderful document. I hope President Bush read it. He signed it in our name.

It says, in paragraph 42, "We [the signatories] urge developed countries that have not done so to make concrete efforts towards the target of 0.7 percent of gross national product as official development assistance." That is us. We promised. You have never heard of it again.

Finally, ladies and gentlemen, here we are on this glorious spring day, 2005. I believe our country has a great choice in front of it, but first it has to understand the choice. We have an opportunity unique in history. We can end extreme suffering on a massive scale, at such a low cost, it is almost unimaginable. By doing so, we can secure the future for our own children as well. It is an opportunity that is breathtaking in its implications. It is an opportunity so wondrous that I am confident that we are going to choose it.

Thanks very much.

JOANNE MYERS: I would like to say that your discussion was on global poverty, but it was very rich in ideas. With that, I would like to invite you to ask questions.

Questions and Answers

QUESTION: I'm from Australia, which, in addition to Singapore, is a successful economy, too.

JEFFREY SACHS: Absolutely. Good point.

QUESTION: Thank you for truly inspiring words, as always, Professor Sachs. I, by comparison, am a miserable civil servant, and in my miserable bureaucratic way, my focus at the moment is on the outcomes document from the summit in September of this year. You have given us a very rich description of the Millennium Project, for outcomes from that on the development side. They are four, in short: better governance in developing countries; greater ODA [Official Development Assistance]; something on debt; and and something on trade—far too little, if I may say, on trade, just in passing.

But that is another story. I wonder if you can say to us today how you would rank those. You are going to say, I am sure, immediately, that significant progress on all four is going to be necessary. But in the world in which I am living, the miserable bureaucratic life that I have to inhabit, what should we most be seeking to achieve this year, and what is most important?

JEFFREY SACHS: Thank you. Sorry for that geographical slip. I love Australia and have visited many times, and I am coming back this fall. I can verify that it is part of that high-income world, and has a very high quality of life.

What the rich countries should do is say, we will not let finance stand in the way of fighting and eliminating extreme poverty. We are good all the way to 0.7 percent. Professor Sachs has told us that that is enough; we don't have to go beyond that. But we are good up to that point. We are not writing any blank checks. We are not giving it to thuggish regimes. We are only giving it against plans that are real, "monitorable," subject to audit, quantified.

I want to explain, I am the last to say, "Just hand over the money." It is the opposite. I am not even

interested in handing over money. I am interested in handing over bed nets. Bed nets don't end up in Swiss bank accounts.

So I think there are ways to do this that can really keep the corruption way down. What we ought to say is that we are good for that 0.7. Australia, like the United States, hasn't reached the pledge. It signed up to it, but hasn't honored it, in the sense of saying, "Here is our timetable." As the secretary-general said last week, every rich country should honor that commitment. That, to me, is really the number one thing.

Trade is very important. It is very important for Australia. If we liberalize agriculture, Australia is a great winner, Brazil is a great winner, Argentina is a great winner. But the impoverished households in Africa are not great winners or losers, necessarily. They are disconnected from the market. So from the point of view of extreme poverty, we have to address the real situation that they face—help them achieve higher productivity by enabling them to grow more food. That is a supply-side problem. I don't want to diminish trade. Trade is hugely important for the world economy. But we need to address the physical realities of the poorest people in the world if we are going to help them escape from poverty.

QUESTION: Thank you for a great speech. I wish you had made this speech two weeks ago to the [Economic and Social Council](#). You were appealing to their compassion only, but today you talked about solid ways to implement matters. You talked about trade, and not aid. But it has to go together. At Rotary International we believe in ODA and FDI [Foreign Direct Investment], but we also believe in trickle-up. We believe in small doses at the village level. You know about what we are doing on border resources around the world. I just hope that you could emphasize that aid is the way to trade. It is in the self-interest of the developed countries to create new markets by doing exactly that, by helping them become viable.

JEFFREY SACHS: Amen. And thanks to Rotary International for not waiting around for governments to do these things, but for just doing them and actually provoking action, as with the polio eradication campaign. The governments do follow afterwards, once private individuals show the way. Rotary has proven that.

QUESTION: I am from Nairobi, in Kenya. I have followed you since the 1980s, and I admire you a lot. I would like to put myself amongst the echelon of upper-income people, but I think I am not, because everything I earn goes back into lending money to people in Africa, who can't get a head start because they can't access credit. They may want to buy a car or do up their car to run a taxi service. They may want to buy seeds. They may want to buy fertilizer—all sorts of things. This is something that you didn't mention—that is, agricultural credit and other credit. Would you like to comment on that?

JEFFREY SACHS: Microfinance is a very important tool. That is, I think, what you are referring to. I don't think it is a sufficient tool, though. In the communities where I am working, microfinance schemes have been tried and broken down, because the first rain fails and then you can't repay the loan, because farmers are so afraid of going into endless debt that they don't even join the scheme.

So microfinance for me should be for those a step above the poorest of the poor. This isn't always true. It depends on the conditions. In Bangladesh, it has worked in extremely impoverished places. But in a lot of African settings, it is a little bit above mere survival. I want to make sure that we have, of course, the microfinance available, but I don't want to start by lending money to the poorest people. I want to start by giving them some tools and giving them a few years to get to a level where they are healthy enough and their soils are replenished with nitrogen and there is some water harvesting available. Then some credit can start, as they diversify into cash crops, as they start growing a mango grove rather than only maize, and so forth.

So a lot of what I am saying to the World Bank also is, don't push too hard on credit for the poorest of the poor, because they need some help even to get up to the point where credit is advisable.

QUESTION: A recent [German Marshall Fund survey on trade and poverty reduction](#) [PDF] noted that 21

percent—no more—of Americans would strongly support greater development assistance. Given your diagnosis, how do we get larger support from the United States, or do you think it is just a matter of changing the administration's mind?

JEFFREY SACHS: What Americans actually say is, "Let's cut aid from being 25 percent of the budget to being only 10 percent."

It is all a matter of how you frame the question. When you tell Americans, "By the way, it is not 25 percent, it is less than 1 percent," they say, "oh, no, no, no, that's not true." There is a tremendous resistance to the real numbers. They don't believe it. There is the sense that we are giving this money away. What do they think of aid right now? They think you give aid to Iraq. Half of it goes unaccounted for and the rest gets blown up. That is why aid has a bad name, because that is what aid has been for a long time. Aid has been to our Cold War thug allies or aid has been for anything but development. That is almost the point.

What they don't really know is that when it goes to immunizing children or fighting African river blindness and other specific purposes, aid actually works.

So I think what we need is some calm education: Here is what we are really doing. It ain't very much. For Africa, it is \$.03 out of every \$100 of our income. They won't believe it, but it is true. Is that enough? That is not enough. It is not even a high-quality \$.03, but that is another matter.

Then we should go on to say, here are the things that we should do—tough-minded, tough in delivery, no-nonsense. But let's really do it. Americans won't fight against meals for children using locally produced foods. They won't fight malaria bed nets. They will like this, if it is explained.

The President is extremely proud of his AIDS initiative. That tends, in my view, to mean that not only is it a good thing—which it is—but also that the White House sees it as good politics, which it is.

I think these other things are good politics as well. They don't. I have argued with both the Clinton Administration and with this administration about what is good politics. The Clinton Administration said, "No, we don't want to cancel aid." The religious right took up the cause, and it turned out to be very good politics.

I went to the Bush Administration in its first weeks in 2001, and said, how about a \$3 billion per year program to fight AIDS? I also said some other things. They laughed me out of the White House—well, not quite. They asked me to come back a few times, we talked about it, and then they laughed me out of the White House. Then, two years later, they adopted a program of that scale, and found out that it was good politics.

So I think there is a misunderstanding about what American politicians think. I think the American people absolutely do not know what we are not doing and what we could be doing.

QUESTION: I am from Portugal. I couldn't agree more with your diagnosis and analysis on what is happening, mostly in Africa. I can tell that out of experience. Out of 36 years of service, I have lived 18 of them in different parts of Africa. I recognize the symptoms and remedies that you suggested. They have been suggested for a number of decades, as has the equation between peace and development: I recognize the value of having regular, periodic benchmarks on good governance and performance of the governments, as well as practices of ODA directed to teaching—giving people the fishing rod, as you said. It is not only giving the fishing rod, but teaching them how to use the fishing rod, and directly assisting them in the basic needs of health, education, agriculture, and communications, very important nowadays. And of course, as you have in your study, it is important to deregulate trade and alleviate debt.

But there is one subject prior to that or at the same time as development, which is conflict. We must tackle both at the same time. That is not such an inexpensive item. To contain conflict at the moment

under the UN system is going to cost us \$4.5 billion a year. In Africa alone, we have roughly 58,000 U.S. troops in Sierra Leone, Liberia, Cote d'Ivoire, and now that includes 10,000 in Sudan—and I am just talking about the major ones. That is roughly \$4.5 billion a year. So conflict is simultaneous with development, or even reciprocal in a vicious circle. It has proven very difficult to cut that vicious circle between conflict and development. We still have not found a clue for that.

JEFFREY SACHS: It is a good point, but let me offer a suggestion. The conflicts you refer to are conflicts of poverty. They are not just causes of poverty; they are caused by poverty. It is a big mistake, I think, that a lot of these conflicts are viewed mainly, and sometimes only, in peacekeeping terms, not in development terms.

You take Darfur, the worst crisis right now on the planet. Darfur, at its core, is a conflict of insufficient rainfall. It is fundamentally an ecological conflict. As you know, it is pitting against each other pastoralists (camel herders) of one ethnicity against sedentary farmers of another ethnicity. This is a human ecology that used to get along, but doesn't get along anymore because the shared space doesn't provide for their mutual survival. There is what is called transhumance, movement of the pastoralists between Chad and Sudan, depending on rainfall. There used to be shared space in Sudan, in this region, Darfur, between that transhumant population and the sedentary population.

Two things have happened. First, the population has doubled in the last generation, and second, the rainfall has gone down sharply. These are very hungry, crowded people, and now they are killing each other.

Sudan actually needs a development strategy. I don't think that we talk enough about that, actually, as part of the peacekeeping. We view this as a case for sanctions, and the International Criminal Court, for understandable reasons to some extent. But I would never go to Darfur without a development agenda in the other hand.

I have tried to make this point to lots of people within the UN system, without result, I have to say. There is not a practical development plan in hand for the negotiators, for the UN itself, for the positions put to el-Bashir [Refugee Camp] and others. I think this is a mistake, because we end up spending a lot of money, and peacekeepers can't keep peace among hungry people.

So my answer is that we spend these billions because we don't do development in the first place. The statistics are very clear. Poor people are vastly more likely to go to war than people that have enough to eat. This is the most predictable thing. In fact, Africa is living so much on the edge that a recent paper, published last year, proved statistically that when the rains fail, the probability of war soars.

This is the 21st century. Can you imagine going to war because the rains have failed? But that is how fragile society is right now. So my answer would be, if we did more development, we would save a lot of the \$4.5 billion. But even to make the \$4.5 billion work properly, we should have a development plan always in the other pocket.

JOANNE MYERS: Thank you very, very much for telling us about the possibilities.

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