



The winning poor and the 'other' poor

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Most people on earth are poor. This week the World Bank released a report titled “Global Economic Prospects 2007: Managing the Next Wave of Globalization.” The report says governments must make “pro-poor investments” in order to benefit from a world economy on the verge of being run by poor countries. But traditional investments -- money trying to make more of itself -- will flow naturally to the productive poor, not to the destitute poor. Poverty-fighters such as those at the U.N. Millennium Project say aid is needed first or the “other” poor will be left behind.

Some 1.2 billion people, mostly Africans, live on less than \$1 per day. “This is poverty that kills,” says U.N. Millennium Project Associate Director Guido Schimdt-Traub in an interview with the Turkish Daily News. “These people don't have access to life-saving drugs and are chronically malnourished for many months of each year.”

These people can't afford survival.

To give a sense of magnitude, Turkey and Mali are both “developing” countries, and Turkey is a relatively poor country. But less than 2 percent of Turks live in lethal poverty, compared to 70 percent of Malians.

An analogy in “*The End of Poverty*” by Jeffrey Sachs, also of the U.N. Millennium Project and a close associate of Schimdt-Traub, makes wealth and welfare a ladder; the 1.2 billion people dying of extreme poverty are not even on the bottom rung. In other words, it is impossible for the very poor to climb.

Still, most indicators show worldwide poverty is decreasing. So who is climbing? The Chinese and Indians, as most people know, are leading. According to the World Bank report “developing countries, once at the periphery of the global economy, are moving to center stage.” The Economist, in a recent survey of the world economy, argues this move to center stage “will provide the biggest boost to the world economy since the industrial revolution.” So, developing countries like Turkey, it is argued, benefit from markets, and the world will benefit from developing countries. Chinese exporters and Indian computer engineers are

doing well because they can put their products and services on the planet's markets. Productivity and access to markets are both key.

But the poorest people can't produce -- they don't have the means -- and so they can't benefit from global markets; they are, in a sense, barred from traditional investments. People, other than celebrities, can't make much money off the destitute poor. "Most of the world's poor live in Asia. Asia is making significant progress at reducing poverty. In Africa, the same potential does not exist," said Schimdt-Traub. "Without aid it is inconceivable how countries could make the public investments necessary. They don't have what allows them to participate [in the world economy]. Much of the things required are public goods." Public goods are those things that no one wants to produce or sell but that everyone needs in order to produce and sell what they *do* want. For example, truckers make their money on roads; they don't want to provide their own roads. Businessmen like to open shops in safe neighborhoods. Educated and healthy people can find productive jobs.

In Africa the roads, free basic health care, free primary education, and information technology networks are so inadequate that people can't make money no matter how much they invest on their own a "poverty trap" writes Sachs. Aid is required, says Schimdt-Traub, to pay for public goods that governments can't afford (often because of things like debt payments, insufficient tax-revenue, and corruption).

Schimdt-Traub is hoping for a breakthrough in the coming year. Despite being a fraction of military expenditures, rich governments have given only rhetorical nods to the funds canvassed by the U.N. Millennium Project (European governments have promised on paper). But aid isn't moving. "It's a bit of a catch-22," says Schimdt-Traub. If a country doesn't have a good, practical plan for the aid, donor countries won't donate. If a country doesn't think it's going to get money, it won't bother putting together a serious plan. Poor governments need to be pushed and supported. The campaign to pressure rich governments isn't enough.

Pressure on the rich has helped. Poverty is popular with celebrities and politicians. And no doubt this has contributed to new bureaucratic rhetoric about making the global economy "pro-poor"; it is environmentalism redux. Does cynicism threaten? Schimdt-Traub agrees that to make the issue real it must not only be reduced to academic abstraction, political rhetoric, or celebrity romance. "We have to get beyond the national averages," Schimdt-Traub says. "We have to find a way to portray day-to-day struggles, that these people lack the basic needs to be productive."

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