

## Poverty in an Age of Globalization: A Range of Solutions

Mark N. Zion

**Abstract.** Last semester, in the Academic English Program at Tama University's Department of Global Studies, I created exercises on child labor based on the documentary *Stolen Childhoods* (2005). After teaching it last semester, I felt that the course was missing something--especially an overview of possible solutions to poverty. I have redone the course materials, to make them more content-oriented. Now, students will focus on three aspects in the course *Child Labor in an Age of Globalization*: 1) The range of value-based solutions to the issues of poverty; 2) Voices from the poor of the world; and 3) The work of NGOs and government programs. In this article I will focus the value-based solutions to poverty.

**Keywords:** moderate conservative, center/left, moderate liberal, liberal, antiglobalization liberal.

### Introduction

Issues of poverty are a challenge for all of us. I suspect most in education have more liberal views, as I have, and are deeply troubled by the injustices that have come with globalization. Indeed, much of the world has become poorer the past thirty-years as globalization has taken off, particularly in Africa and South and Central Asia. In expanding this course, I began with this question: What important issues regarding poverty and its solutions? I believe it is important to give a range of perspectives of those attempting to address the needs of the poor, from the conservative to the more liberal; students can then approach this great debate from a non-ideological vantage point. Each view offers an important perspective.

I have offered summaries of five authors whom I feel represent the range of approaches, and I will place them below in order, from most conservative to most liberal (I did not include the Right Wing, since those from this perspective usually feel little obligation to engage with these issues):

- (*Moderate Conservative*) William Easterly is a Professor of Economics at New York University and a visiting fellow at the Brookings Institution, a centrist think tank. Easterly was influenced by Milton Friedman's (1912-2006) conservative economic philosophy, which holds that markets work well if governments refrain from interfering. Easterly spent many years in Africa, part of the time with the World Bank, and is critical of aid programs, as he detailed in: *The White Man's Burden: Why the West's Efforts to Aid The Rest Have Done So Much Ill and So Little*

*Good* (2006).

- (*Center/Left*) Paul Collier is a Professor of Economics at Oxford University, where he directs the Center for the Study of Africa. Earlier he was director of development research at the World Bank. He has also been an advisor to the British government's Commission on Africa. Collier is one of the world's foremost experts on African development. Collier's book *Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It* (2007) is a practical approach to addressing the needs of the world's poorest.
- (*Moderate Liberal*) Jeffrey Sachs is now the Director of The Earth Institute of Columbia University and was head of the Millennium Project of the United Nations' advisory council, a project whose goal is to reduce extreme poverty by 2015 (the one billion people living on less than a dollar a day). His book, *The End of Poverty: Economic Possibilities for our Time* (2005) sparked an intense debate about poverty and what can be done about it.
- (*Liberal*) Joseph Stiglitz is a Nobel Prize laureate in Economics and was formerly a Senior Vice President and Chief Economist of the World Bank (1997-2000). Before working for the World Bank, Stiglitz served as Chairman of the Council of Economic Advisers under President Clinton. His book, *Globalization and its Discontents* (2003), is a scathing critique of globalization led by the IMF and affluent governments.
- (*Antiglobalization Liberal*) John Perkins wrote *Confessions of an Economic Hit Man* (2004) to tell of his experience working in "corporate espionage," where he used criminal tactics during the nineteen-seventies and eighties to further American corporate interests overseas. Today Perkins is supporting the rights of indigenous peoples in the Amazon (where he had once worked as a Peace Corp volunteer). His organization is called *Dream Change*.

All but Paul Collier are American. All but John Perkins are Professors of Economics. I admit my presentation is American-centric, with both positive and negative results (Americans tend to be more conservative and ideological). The Americans reflect the internal debate on the role of aid and development within the American political system, so the trade off is that we can delve a bit deeper in this debate. Collier is British and has a different slant, although—perhaps surprisingly—he is more conservative than all but William Easterly. Moreover, all but Perkins worked for the World Bank and have been involved in development most of their lives. I included Perkins, however, to offer students a representation of the antiglobalization movement. Both Sachs and Stiglitz are sympathetic to it (Stiglitz more than Sachs), but only Perkins is a voice from within the movement. Since the antiglobalization movement is a powerful force shaping the direction of globalization, I wanted students to understand its fundamental values and how to recognize those values among various NGOs.

### **Conservative and liberal categories**

Some will ask how I categorized the five authors above. I think most of us dislike categorizing and being categorized. Since categories are often subjective, they are often mistaken. Admittedly, no universal standards for conservatism and liberalism exist--both are tied to definitions within a nation's own political system, which invariably differ somewhat from nation to nation. I think economics professors in particular resent labels, since they pride themselves on being true to the facts or the results of their research, and so claim a higher ground than politics. Yet as they leave their offices to offer real-world solutions, based on their facts, they become political and are therefore "branded." Alas, everyone is somewhere on the political scale and we all know that a person's fundamental values determine how the facts will be used. Therefore, for the sake of helping students gain a sense of various values' orientations, I had to make a stab at categorizing these authors, albeit unwillingly. What was my criterion?

We can gain a sense of a writer's value orientation by looking closely at his or her attitude toward the following five aspects of the poverty reduction debate:

- 1) Child labor
- 2) Sweatshops
- 3) The International Monetary Fund
- 4) Multinational Corporations
- 5) Aid and development projects

Views of the IMF offer not only a window on the debate regarding poverty but also a means to gauge political orientation. Joseph Stiglitz is unrelenting in his criticism of the IMF, as are those in antiglobalization movement. Stiglitz advocates for "structural adjustments" (what the IMF imposes on poor countries) within the IMF itself--in order for the poor to be involved in decisions that affect them. Stiglitz calls IMF policy neocolonial imperialism, "global governance without global government" (Stiglitz, 2003: 15). William Easterly, as the moderate conservative voice, is generally positive toward the IMF, but typically does not believe it should be lending money to poor countries in the first place. Easterly says that the IMF is preferable to the West's ways of collecting debt of the past: to send in the gunboats to seize assets (Easterly, 2006: 213). One is conservative to the degree one accepts the IMF in its current form. One is liberal to the degree one calls for reforming the IMF. Each of the five areas I mentioned above is a pivot point in the clashes of values. How one views each of these reveals his or her value system.

I should be a bit more specific, though, in how to determine a political orientation. Generally, if one believes in or supports what developed naturally in human life

(economic life, the family, traditions rooted in history or practice, folk or religious values, etc.), one has a conservative orientation. Of course, most would agree with the above points, yet it is in the *degree* to which one believes it. How free should the free market be? To what degree should cultural traditions (like child labor) be allowed to continue? It therefore becomes complicated quickly. Furthermore, individual responsibility for solving one's own problems weighs heavily for conservatives: the people themselves must lift themselves out of poverty. American conservatives are less accepting of government programs (spending on health care, education, etc.), and the IMF, under America's conservative influence, has reflected this in its policies of structural adjustments.

Conversely, if one argues for preventing "free-market forces" from hurting people or that practices such as children working—though an accepted cultural norm throughout a nation's history—are unjust and should be abolished, one has a liberal orientation. Liberals also emphasize "world community" responsibility or "global citizenship," in contrast to individual responsibility. Since globalization has made life worse for many of the poor—while the wealthy have prospered from it, the wealthy have a responsibility for what they have done. Liberals, moreover, tend to look at income distribution, the gap between the rich and the poor. They are furious, therefore, that the gap has increased between the poorest and richest from 30 to 1 in 1960 to 74 to 1 in 1995 (United Nations: Human Development Report, 1999, quoted in Perkins, 2004: 242-43). These studies show the degree of exploitation by rich countries.

Today, though many mixes to these political identifications exist, fundamentally the categories hold. Western conservatives may not like child labor, but for some conservatives children working have always been a part of economic life and have helped to raise the income levels of their families and countries. Liberals see child labor as cruel and inhumane, as they do free market forces, particularly when it comes to the policies and practices of huge multinational corporations. The deck is stacked against the poor, they claim, who are exploited for pennies for corporate profits. Yet, moderates also understand that market forces really do improve the quality of life for the poor—only the poor need the protection of universally accepted labor standards. Here again, where one draws the line determines the extent of a liberal orientation. Many in the antiglobalization believe all sweatshops everywhere should be closed, on humanistic grounds. Moderates accept sweatshops, but call for accountability, transparency, age requirements, and decent wage and working conditions, with governments, multinationals, and the workers themselves collaborating.

In this course I have followed the basic themes of the documentary *Stolen Childhoods* (2005) of child labor in various parts of the world (I have a teacher's copyright for the documentary). During the semester students have ten internet report assignments—in addition to reading my summaries of the books above, on the following topics: (1) *India/Bonded Labor*; (2) *India/Carpet Kids/Rugmark/GoodWeave*; (3)

*Brazil/Bolsa Escola; (4) Kenya/Coffee Kids; (5) Kenya/Fairtrade Certification; (6) Brazil/Scavenging/Recycling; (7) Mexico/Human Trafficking; (8) Mexico/Casa Alianza; (9) Mexico/Nayarit Poisonous Tobacco Fields; (10) USA/Texas Onion Fields.* The filmmakers, as they stress where child labor exists and who is to blame, are also careful to show solutions both governments and NGOs have attempted—some of which have proven remarkably successful. Students, therefore, are exposed to real-world conditions in poor parts of the world as they consider the more lofty, yet vital, debates of policy makers.

### What is poverty?

At the outset, students usually ask: What is poverty, who is poor, and where do they live? I begin with an overview of poverty today by summarizing Jeffery Sachs (Sachs, 2005: 18-19):

- 1) **The Extreme Poor:** One billion people, mainly in Africa and Central and South Asia, who struggle to get by on less than a dollar a day. Their lives are often short, brutal, and disease ridden. Many of the extreme poor do not live to their fifth birthday. Every day is a fight for survival. Death is always near.
- 2) **The Poor:** One and a half billion people, from Asia to Africa to Latin America, live on less than two dollars a day. They are better off than the extreme poor, but they often do not have clean drinking water, medical care, a decent place to live, and at times enough to eat.  
 Together, the extreme poor and the poor make up forty-three percent of the world's population. This is startling. Nearly one out of every two people on earth lives in desperate or near desperate conditions. It is difficult for those of us in affluent countries to understand the experience of the extreme poor and poor.
- 3) **The Middle-Income:** Two and a half billion people who earn about three thousand dollars a year. These make up the other forty-percent of the world's population. They would NOT be considered middle-income in the affluent countries, but their lives are better off than the poor. Their children go to school. They may own motorcycles and have televisions in their small homes, huts, or apartments. They have enough to eat and are above survival. They are hopeful, with prospects that their children will have better lives; these live in China, India, Latin America, Russia, and parts of East and South Asia.
- 4) **The Affluent:** One billion people in the wealthy countries of North America, Europe, parts of Asia, but also in some of larger cities of Latin America, and elsewhere. They earn more than \$25,000 a year. The people of affluent countries can live their entire lives without ever meeting anyone who is poor or extremely poor.

Below I will give an overview only of the books by Jeffrey Sachs and Paul Collier for a sense of the great debate regarding world poverty and what to do about it. Again, my purpose is to summarize and to highlight important points by quoting the material at length, as they relate to the five aspects mentioned above: 1) Child labor; 2) Sweatshops; 3) The International Monetary Fund; 4) Multinational Corporations; 5) Aid and development projects. Though students are usually more interested in the antiglobalization movement (Greenpeace, National Labor Committee, etc.), I want to make sure the voices of moderates are heard.

### **The end of poverty**

Jeffrey Sachs' *The End of Poverty* (2005) has a prominent place in any discussion of addressing poverty by the world community. William Easterly wrote *The White Man's Burden* (2006) to critique it. The sheer idealism of the Project—its commitment to reducing extreme poverty by one-half by 2015—has inspired many. Affluent nations have committed a yearly 0.7% of their GNP (Gross National Product) to the Project (some, however, have not been keeping their commitments).

Sachs represents the moderate liberal position. He favors free market solutions and looks favorably on sweatshops, as I quote below, but he is less accepting of the IMF. Unlike conservatives such as Easterly, Sachs also favors debt forgiveness, aid programs, workers' unions, and government programs. While the IMF and Market Fundamentalists (from the University of Chicago) are ideological in seeing the "market" as perfect, Sachs is not. Markets are not perfect—they do not correct themselves—and as a follower of John Maynard Keynes (1883-1946), Sachs believes governments can do a great deal to make life better for citizens.

### **View of sweatshops**

Sweatshops are a sore point in this debate about poverty solutions. Yet it is true that since 1990, sweatshops have helped raise hundreds of millions out of extreme poverty. As Sachs clearly admits, there is wholesale abuse of people in this process: long tedious hours, low pay, under abusive bosses, with no health care, pensions, or sick leave. Often children work in these places, too. Liberals do ask an important question: Is this really the only way the poor can rise, under these conditions, exploited by companies from affluent countries, paid extremely low wages making products for affluent markets? They advocate for international inspections and certifications of companies following international labor standards exporting to affluent markets (no doubt this will become more important in the future). Conservatives accept sweatshops, generally with few conditions. Sweatshops, according to Sachs, can be a stepping-stone to a better life for the poor. As history has shown, this happened earlier

in Europe, America, and Asia (Sachs, 2005: 12):

Over the years, I have visited garment factories all over the developing world. I have grown familiar with the cavernous halls where hundreds of young women sit at sewing machines, and men at cutting tables, where the fabrics move along production lines and the familiar labels of GAP, Polo, Yves Saint Laurent, Wal-Mart, J.C. Penny, and others are attached as the clothing reaches the final stages of production.... The women often walk two hours each morning in long quiet files to get to work. Arriving at seven or seven-thirty, they may be in their seats for most of the following twelve hours. They often work with almost no break at all or perhaps a very short lunch break, with little chance to go to the lavatory. Leering bosses lean over them, posing a threat of sexual harassment. After a long, difficult, tedious day, the young women trudge back home....

For these young women, these factories offer not only the opportunities for personal freedom, but also the first rung on the ladder of rising skills and income for themselves and, within a few years, for their children. Virtually every poor country that has developed successfully has gone through these first stages of industrialization. These Bangladeshi women share the experience of many generations of immigrants to New York City's garment district and a hundred other places where their migration to toil in garment factories was a step on the path to a future urban affluence in succeeding generations.

Admittedly, most liberals cringe when they read these words, as I do. Yet Sachs is confronting this divisive issue directly, with his broader view of what is required to start climbing the economic ladder. While liberals see "Free Trade" agreements as destructive of communities and abusive of workers, moderates and conservatives stress that the poor, by exporting the things they make and grow, improve their standard of living. It is virtually the only way for the poor to help themselves, given the nature of globalized trade today. With this improvement of living standards, human rights, democracy, better health and education often appear spontaneously, according to Sachs (Sachs, 2005: 14):

[In]...[t]he jobs for women in the cities and in rural off-farm microenterprises [there is] a new spirit of women's rights and independence and empowerment; dramatically reduced rates of child mortality; rising literacy of girls and young women; and crucially, the availability of family planning and contraception have made all the difference for these women. There is no single explanation for the dramatic, indeed historic, reduction in desired rates of fertility; it is the combination of new ideas, better public health for mothers and children, and improved economic opportunities

for women.

### **View of IMF**

Jeffrey Sachs became famous in 1985 when he was asked by the newly elected Bolivian government for advice on how to end the country's hyper-inflation; it was fourteen-thousand-percent. As a young Harvard professor, Sachs had boasted he could end hyperinflation in one day. Bolivia had its first elected president in almost twenty-years, Victor Paz Estenssoro. The new government was liberal, elected for land reform, trade protections, food and fuel subsidies, work cooperatives, and the nationalization of resources.

Sachs advised the Bolivian government to implement severe austerity measures, which it did, with military force. The Paz government had turned its back on nearly every promise it had made in the election. Sachs' advice was not as harsh as the IMF's had been and would continue to be, but it called for cuts in subsidies on fuel (which rose ten times overnight) and a freeze on wages. People took to the streets to protest. The Bolivian government arrested over a thousand protesters and kidnapped two hundred union leaders, flying them to a remote area of the Amazon. They were released only after they promised not to strike.

Sachs' advice did end hyperinflation. Two years later inflation was at ten-percent, but unemployment had risen to thirty-percent. Needless to say, liberals around the world were shocked by the brutal suppression of human rights and critical of Sachs who had advised such measures. The experience of Bolivia, Sachs admits in his book, was an eye-opener for him. He had left his university office and books about economics for the first time to deal with a real-world catastrophe. Though he did get results, these were at the expense of the people, mostly the poor (Klein, 2007: 178-82, 185-89).

In the early 1990s, the Polish and Russian governments asked Sachs to help in their transitions from socialist to market capitalism. His program had very mixed results, with Russia reeling in negative economic growth for many years from the privatization schemes that created a few enormously wealthy individuals but left most Russians in abject poverty. Poland did much better, mainly because it rejected Sachs' advice (Klein, 2007: 241-44). While Sachs does not actually admit this (at least not in *The End of Poverty*), the experience must have been a trial by fire, a crucible of learning, since he witnessed first-hand how the market fundamentalism of sudden privatization can easily shatter the lives of people, with permanent consequences. Sachs turned from the disaster capitalism (often called shock therapy) of his earlier years.

Sachs is also a critic of the "structural adjustment" loans of the IMF. And he is deeply aware, with Joseph Stiglitz, of the ideological nature of the IMF's policies. Again, results in the short-term are most important. Does IMF policy reduce or increase poverty? Essentially, the structural adjustments demanded by the IMF have



done much harm (Sachs, 2005: 81, 189):

Clinical economics is needed to replace the past twenty years of development practice, known widely as the structural adjustment era. This era, ushered in by the conservative turn in the United States under President Ronald Reagan and in the United Kingdom under Prime Minister Margaret Thatcher, was based on a simplistic, even simpleminded, view of the challenge of poverty. The rich countries told the poor countries: “Poverty is your own fault. Be like us...and you, too, can enjoy the riches of private-sector-led economic development.”

Western governments enforced draconian budget policies in Africa during the 1980s and 1990s. The IMF and World Bank virtually ran economic policies of the debt-ridden continent, recommending regimens of budgetary belt tightening known technically as structural adjustment programs. These programs had little scientific merit and produced even fewer results. By the start of the twenty-first century Africa was poorer than during the late 1960s, when the IMF and World Bank had first arrived on the African scene, with disease, population growth, and environmental degradation spiraling out of control.

### **View of the antiglobalization movement**

On November 30, 1999, as the World Trade Organization began its meetings (rounds) in Seattle, Washington, about forty thousand antiglobalization protesters gathered to close the city down. The demonstrations were mostly peaceful, but their numbers and their intensity shocked everyone. Six hundred people were arrested, with police using tear gas, pepper spray, and brute force to unblock the streets. The U.S. media did not mention the reason for the protest. Either it did not understand or did not want to understand (Clinton’s policies of free trade were very popular at the time). What happened in Seattle, however, marked the beginning of a new phase of the antiglobalization movement, a leap from a marginal and disperse group to a massive, powerful challenge to the globalization status quo.

The antiglobalization movement today affects all of us. Many sympathize, since the excesses of the rich have hurt the poor of the world, as Sachs frankly admits. The movement united people around a few goals: 1) respect for people in developing countries; 2) respect for the environment; 3) accountability of multinational corporations and international lending and trade organizations (the IMF, the World Bank, and the WTO, I should note, make all their decisions in secret). Since the Seattle protests, all WTO, IMF, World Bank, and G8 meetings have been held in secluded areas that are difficult for protesters to get to. Sachs was in Seattle during the WTO protests and indeed is sympathetic, with some misgivings (Sachs 2005: 354-55):

From Seattle onward (November 3, 1999 of antiglobalization protests), street demonstrations have greeted just about every major international conference.... The antiglobalization movement has made its mark, and in my view, mostly for the good.... I applaud the overall movement for exposing the hypocrisies and glaring shortcomings of global governance.... Since Seattle, the agenda of ending extreme poverty, extending human rights, and addressing environmental degradation has been back on the international agenda and has attracted global media attention, albeit sporadically.

Nonetheless, I oppose many of the specific positions of antiglobalization leaders, even if I favor their moral fervor over the complacency of the rich....An anticorporate animus lies at the core of the movement, a belief that multinational corporations such as Microsoft, Coke, McDonald's, Pfizer, and Royal Dutch Shell, to name just a few, are the main villains in causing extreme poverty and environmental degradation. Policy recommendations of the movement have often prescribed classic protectionism, ostensibly to protect poor countries from the exploitative reach of rich corporations.

While Sachs indeed recognizes the need for change, he is no revolutionary and so continues to stress the importance of working within the status quo, despite the fact that the status quo is exploitative. In concluding his sweeping book, Sachs repeats his main point: trade, even in its current form, helps to raise hundreds of millions out of poverty. The challenge is to find a balance between trade and respect for workers (Sachs, 2005: 355-58):

....By now the antiglobalization movement should know that globalization, more than anything else, has reduced the numbers of extreme poor in India by two hundred million and in China by three hundred million since 1990. Far from being exploited by multinational companies, these countries and many others like them have achieved unprecedented rates of economic growth on the basis of foreign direct investment (FDI) and the exported growth that followed.

In my view, the antiglobalization movement leaders have the right moral fervor and ethical viewpoint, but the wrong diagnosis of the deeper problems.... Africa's problems...are not caused by exploitation of global investors but rather by its economic isolation, its status as a continent largely bypassed by the forces of globalization. The same is true with trade.... Countries with open trade generally have grown more rapidly than countries with closed trade.

Too many protesters do not know that it is possible to combine faith in the power of

trade and markets with understanding of their limitations as well.... Where the antiglobalization movement has a powerful point to stress is how multinational corporations often go well beyond their market demands to maximize shareholder wealth....

Sachs represents a more mainstream, moderate, humanitarian approach, with a focus on what has been working and therefore may continue to work. He has earned respect internationally with his plan to end extreme poverty. Critics such as Easterly believe it is a waste of money and energy, another folly of the “Planners” who think they know everything. These things have been tried again and again, with little or no results—these plans have actually hurt more than helped. Sachs and others counter that the world has learned more about solutions to poverty. A combination of aid and investment raises the standard of living. With such great challenges of poverty today, Sachs says, a time comes to act as a global community around a few basic goals. Sachs has offered a vision to inspire people to end extreme poverty.

### **The bottom billion**

Paul Collier’s tone is more objective and academic—more dispassionate—than Sachs and the others. The others I consider have celebrity-status, but Collier is not a celebrity. He cares deeply about what works in addressing the needs of the poor, but seems most comfortable with numbers and away from the cameras. Collier is more moderate than Sachs and Stiglitz (Stiglitz being the most liberal among the economic professors) for his belief in market solutions and his wariness of the antiglobalization movement.

Collier’s great insight in *The Bottom Billion* (2007) is that one must first understand the *reasons* for poverty—only then can the world address the *needs* of poverty. In his intelligently written book, Collier draws both on his own experience and the accumulation of research over the past forty years of development efforts. He feels that the world must break new ground; the Millennium Project of the United Nations, recommended by Jeffrey Sachs, is commendable in its passion but needs to narrow its focus solely on the bottom billion.

Collier, like Sachs, is a more moderate voice, but he is less sympathetic than Sachs of the left. Moderates like Collier command respect since they are usually good stewards of the “facts.” With issues so large, and with people’s needs so great, the world needs first to understand the problems in a balanced way before proceeding with a practical plan. Collier fulfills this on both counts. His concern is with the simple facts: What improves the lives of people?

While Easterly is cynical about programs to lift the poor out of misery—and Sachs idealistic about the possibilities—Collier is neither cynical nor idealistic. As an academic he is skeptical of all high-profile positions—positions that smack of publicity

mongering—but no doubt he is more inclined toward Sachs’ position (Collier bristles, though, at celebrities like Bono of U2 involved in drumming up superficial support for such substantial problems as extreme poverty). Collier is a “systems man,” not a guru. And while Easterly, Sachs, Stiglitz, and Perkins have strong opinions about the IMF, the World Bank, and other aspects of international development, Collier avoids all blame (except to say that both the right and left’s stereotypes and conspiracy theories surrounding the Bretton Woods institutions are mistaken). Collier is urgent in his introduction (Collier, 2007: 3-4):

The Third World has shrunk.... The real challenge of development is that there is a group of countries at the bottom that are falling behind, and often falling apart.

The countries at the bottom coexist with the twenty-first century, but their reality is the fourteenth century: civil war, plague, and ignorance. They are concentrated in Africa and Central Asia, with a scattering elsewhere...one billion who are stuck at the bottom.

This problem matters, and not just to the billion people who are living and dying in fourteenth-century conditions. It matters to us. The twenty-first-century world of material comfort, global travel, and economic interdependence will become increasingly vulnerable to these large islands of chaos. And it matters now. As the bottom billion diverges from an increasingly sophisticated world economy, integration will become harder, not easier.

Terrorism, kidnapping, piracy, regional instability, massive numbers of refugees come from the bottom billion. Collier urges the world to deal with the root causes, mainly out of enlightened self-interest. The bottom billion can hurt the top billion, perhaps in ways devastating to its way of life. Collier ends his plea on a hopeful note: The poor first need to help themselves. Nothing can be done without cooperation between the top and the bottom billion (Collier, 2007: 12-13):

The problem of the bottom billion is serious, but it is fixable. It is much less daunting than the dramatic problems that were overcome in the twentieth century: disease, fascism, and communism. But like most serious problems, it is complicated. *Change is going to have to come from within the societies of the bottom billion*, but our own policies could make these efforts more likely to succeed.... (italics mine)

Collier explains why the billion at the bottom are often stuck at the bottom. In order to reduce extreme poverty, the world must first understand the main reasons for it.

I will briefly underscore them (Collier, 2007:17-75):

- 1) **The Conflict Trap:** This is one of continual war. Collier mentions that seventy-five percent of those in extreme poverty live in countries that have recently been through civil war or are still in one. Sometimes a civil war lasts a long time. Sometimes a war is short, as in a coup d'état. Both keep people in poverty. An average civil war costs a region \$64 billion in lost income.

As Sachs and Stiglitz, Collier says that economic growth is an absolute gain in reducing poverty (we find neither socialist ideals nor market fundamentalism here). Civil war reduces growth on average about 2.5 percent a year. Civil wars average seven years. This means that the country, as a direct result of conflict, is fifteen-percent poorer at the end.

These conflicts hurt neighboring countries. Disease increases during war, which spreads throughout the region. Economic collapse also spreads. And conflict has consequences far beyond its borders. Countries in conflict produce ninety-five percent of the hard drugs (heroin, cocaine) in the world today.

- 2) **The Resource Trap:** Surprisingly, natural resources—especially oil, gold, and diamonds but also agriculture—can hurt a country's economic development. Almost thirty-percent of the bottom billion live in countries where one or two natural resources are most important for the economy. Of course, countries like Saudi Arabia and the Persian Gulf states are rich, but even here other kinds of economic activity are hampered, so dependent has they become on their oil wealth.

The Resource Trap is also called The Dutch Disease. In 1948, when gas was discovered off the North Sea, it was at first a huge benefit for the Netherlands. Soon, however, the Dutch currency (the gilder) rose. This made it very difficult for the Netherlands to export. In the long term, economic growth actually went down, as the Dutch government depended more on its gas reserves. Foreign Aid, according to Easterly and the World Bank (under conservative leadership), creates The Dutch Disease in poor countries. The country receiving aid becomes dependent and in the long term this also hurts economic growth or the country's ability to export (Collier sees this as mistaken, however. Aid has kept some countries from falling apart, as we will see later).

Collier uses the example of the "Survival of the Fattest" to describe what happens in resource-rich countries. A few at the top take all the wealth, leaving the rest in poverty.

Resource-rich countries can also become dangerous, as happened in Iraq under Saddam Hussein, who put Iraq's great wealth from oil into the military. The rest of the world needs to be concerned. Few resource-rich countries are democratic, so dictators can grow out of control; they can threaten both their neighbors and world.

- 3) **Landlocked with Bad Neighbors:** Geography also matters. Jeffrey Sachs, when he went to Bolivia in 1985 to advise the government, realized that Bolivia was landlocked—it had never dawned on him how serious an economic hindrance this is. Since it is far from the ocean, through mountainous terrain, Bolivia could only export precious metals, small enough to carry easily over land (Sachs, 2005: 104-5). Sachs calculated that a landlocked country automatically has a lower growth rate of one-half percent a year, from extra transportation and other related costs.

Thirty-eight percent of those living in extreme poverty live in landlocked countries. Switzerland, Austria, Luxembourg, and even Botswana in Africa do well; they have good neighbors or in the case of Botswana it is able to transport its products (mainly diamonds) to the sea rather easily.

Neighboring countries are affected by the economic growth of one country. When a country grows by just one percent, its neighbors will automatically grow by one-half percent from the spillover. If your neighbor has negative growth, this hurts you. Having bad neighbors is a poverty trap.

Collier gives nine strategies to help landlocked countries with bad neighbors.

- 4) **Bad Governance in a Small Country:** Collier offers analysis of various countries. Sometimes countries with really bad governments still have economic growth. Bangladesh is an example. It was tied for last place in 2005 in *Transparency International's* rating. Yet, its economy grew, mainly from its exports. A large percentage of those among the bottom billion are either in failing states or are neighbors of failing states. The cost of a failing state on its neighbors is \$100 billion.

#### **Aid & international standards**

Does foreign aid help? Liberals say it does, while conservatives say the leaders of the countries receiving aid put it in Swiss bank accounts (the usual criticism). Collier and a colleague found that aid, indeed, has helped and that there is no evidence aid is stolen—today there are too many checks. Aid, however, is not the complete solution

(Collier, 2007: 100-102, 123):

Aid does tend to speed up the growth process. A reasonable estimate is that over the last thirty years it has added around one percentage point to the annual growth rate of the bottom billion. This does not sound like a whole lot, but then the growth rate of the bottom billion over this period has been much less than 1 percent per year--in fact it has been zero. So adding 1 percent has made the difference between stagnation and severe cumulative decline. Without aid, cumulatively the countries of the bottom billion would have become much poorer than they are today. Aid has been a holding operation preventing things from falling apart.

Overall...aid has been much more successful than oil. Aid has raised growth, oil has lowered it.... So, unlikely as it seems, what aid agencies have been doing has added a whole lot of value to the financial transfer.... The projects, procedures, conditions, and such like have been beneficial overall....

Aid, however, is not the only answer to the problems of the bottom billion. In recent years, it has probably been overemphasized, partly because it is the easiest thing for the Western world to do.... That overemphasis, which comes from the left, has produced a predictable backlash from the right. Aid does have serious problems, and more especially serious limitations. Alone it will not be sufficient to turn the societies of the bottom billion around. But is it part of the solution rather than part of the problem. The challenge is to complement it with other actions.

Another challenge Collier discusses is one of international standards. NGOs have helped a great deal by forcing accountability on multinationals. De Beers, the diamond multinational, instituted ways to insure the public it was not selling “conflict diamonds” after worldwide protest that its profits were coming from child laborers and child soldiers. This accountability, however, should have the weight of law to enforce it. Collier believes that international standards, charters, and rules can go a long way to insuring the poor receive money from their natural resources as well as ending some of the poverty traps. Collier proposes five charters (Collier, 2007:133-156):

- 1) **A Charter for Natural Resource Revenues:** Natural resources belong to the people of the country, not just to a few leaders. International standards could raise the amount of money going to the poor from the sale of a country’s natural resources. The British government began a policy that could be a good example, if applied internationally: *the Extractive Industries Transparency Initiative*. International oil companies, for example, must compete for a contract (this brings the cost to the poor country down). Typically oil and mining companies do not

compete for contracts, and so they are able to charge outrageous prices. Moreover, the company, not the government, should bear the risk (poor countries today usually bear the risk). All payments should be transparent. Next, transparency is required of what the government spends on building roads, etc. Finally, Collier encourages the establishment of rules for helping to continue government-spending levels (schools, health care) during economic downturns.

- 2) **A Charter for Democracy:** Each year political scientists measure democracy on a scale of one to ten. In 1980, it was at a 2 (very low); in 2007, when Collier wrote the book, it was 4.5. This is a remarkable advancement, with democracy for the first time spreading even to resource-rich countries. Collier, though, makes a distinction between “elections” and “checks and balances.” Elections are relatively easy, as have recently taken place in Iraq and Afghanistan. Elections decide *who* has the power. “Checks and balances,” however, are even more important, since they focus on *how* the power is used. Research has shown that growth increases and continues to increase once checks and balances are in place. To insure countries make a successful transition from dictatorships to market democracies, detailed checks and balances are necessary.
- 3) **A Charter for Budget Transparency:** Openness regarding a government’s spending is necessary to guarantee the poor receive the help they need—for education, health care, and public services. In Uganda, for example, a public official found that only twenty-percent of the money budgeted for education (school maintenance, teachers, and materials) actually reached its destination. This official was able to increase the amount to ninety-percent through simple accounting procedures. This needs to be the norm for bottom billion governments. Simple procedures of what is allotted and when it is received can remedy a great deal of corruption.
- 4) **A Charter for Post Conflict Situations:** Countries coming out of conflict are vulnerable to falling back into it again. The international community needs to recognize the waste and perpetuation of poverty from conflict as well as the sensitive time just after a conflict to help set the nation on the right track. A long-term strategy is needed, one that lasts at least ten years, committed to supplying aid and security forces until peace takes hold. Elections, Collier found through his research, are not always the panacea in cases of conflict (checks and balances help more). Before an election, he found, conflict is less likely, because the various groups are waiting for the results and are hoping to win. After the election the potential for conflict increases, with the losers dissatisfied over the results. With more support in this most vulnerable phase the country could avoid a second conflict. As mentioned earlier, a region loses \$64 billion during a war.
- 5) **A Charter for Investment:** Countries in the bottom billion missed out on globalization. One reason is investment in the long term is too risky. Sachs has



also identified this as a reason for economic stagnation (Sachs, 2005: 356). Without investment the country is not able to produce, so it is unable to get a foothold on the global economic ladder. An investment charter would reassure investors by stating clearly what the government's commitment is, so investors know what to expect. The rules of this charter would also apply to native investors, so money that could be used both to start new businesses and to prevent existing businesses from leaving the country.

Collier ends this section on his charter recommendations with a call to action (Collier, 2007: 156):

Changing our laws and promulgating international charters are global public goods.... Global public goods are grossly undersupplied because nobody has much interest in providing them.... The real problem, therefore, is not that of not knowing what to do but getting around to doing it.

Collier is obviously frustrated by the polarization of politics in dealing with the challenges of poverty. The world must take the problem seriously and work collectively. Collier encourages each side of political divide to stop blaming (the left of international lending agencies and corporations--the right of aid agencies), in order to focus their energy instead on a few basic goals (Collier, 2007: 190-91).

After setting the left and the right straight, Collier lists three ways our thinking needs to change about the problem. First, we need new thinking about the challenges of the one billion at the bottom. Complete concentration needs to be given, with collective action. Second, the rest of the world needs to support the reformers in the poor countries, who will likely bring about positive change. This is a way for the world to help the poor help themselves. Third, the world needs to act, especially with "trade policies, security strategies, changes in our laws, and new international charters" (Collier, 2007: 192).

### **Conclusion**

My purpose has been to summarize some of the important thinkers in the debate regarding both globalization and policy solutions to the increasing poverty of the world's poorest. Students are deeply concerned about child labor in particular and poverty in general and in my opinion need to engage more deeply with today's experts and leaders in the field. It is possible to help classes see beyond the stereotypes to gain a deeper understanding of both the issues and the possible solutions. By doing this, students gain a sense of the diversity of approaches across the political spectrum. Each of the authors I summarize cares deeply that the poor of the world improve their lot; they differ

on the best way this can be accomplished.

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