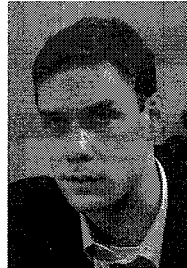

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Editor's note: This interview is distinctive because it reflects a mainstream view of poverty, similar to that held by Jeffrey Sachs, author of *The End of Poverty*. Sachs agreed to be interviewed but was unable to find a suitable time, so McArthur agreed to be interviewed. Since the film *The End of Poverty? Think Again* and this book are partially intended as a response to Jeffrey Sachs, the interview with McArthur sets other interviews in this



book in clear relief, revealing contrasting points of view. McArthur 1) treats foreign aid as the primary solution to extreme poverty, 2) explicitly endorses trickle-down economics (the idea that the poor eventually benefit from economic growth), 3) regards the IMF's structural adjustment programs as necessary, but not sufficient, 4) recognizes that unequal ownership of land

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may be related to poverty, but considers it too controversial to discuss, 5) applauds the role of multinational companies in Africa, including mining companies, and 6) generally ignores the kinds of problems discussed by other interviewees (neocolonialism, unfair trade practices, corporate transfer pricing, land hoarding and speculation, market distortions from asymmetric power, debt repayments in excess of foreign aid, toppling of reform governments by the CIA, and other issues).

The UN Millennium Project aims to reduce by half the number of people in absolute poverty (below \$1 per day). It is different from previous efforts because it offers an operational framework and a comprehensive approach, including education, health care, farming (fertilizer and new seed varieties), disease prevention (mosquito nets), roads, drinking water, and every element required for economic and social development. Foreign aid has failed in the past only for lack of trying. There was never enough to get the job done. But still, most of the rich nations are providing less than half the assistance they have promised (0.3% of GDP, instead of 0.7%). The World Bank and IMF would help more, but they get their investment funds from their members. Debt is a problem, but the heavily indebted poor country initiative (HIPC) is solving it. Inequality of land tenure is one source of inequality, but it is hard to solve this problem, because it is highly contentious. In any case, what is most needed is for rich countries to give more foreign aid. Control of markets and domestic economies of poor countries by multinational corporations might be a problem in some places, but not everywhere. Some mining companies in Africa have signed an agreement to be transparent in their accounting and operations.

Origins of UN Millennium Project and Goals*

The United Nations Millennium Project was established in 2002 as an independent advisory body to the UN Secretary General. The Millennium Development Goals were set at the UN Millennium Summit in September 2000. In itself this was a watershed event, where world leaders set clear and coherent goals for tackling extreme poverty. The Secretary General commissioned the UN Millennium project as an independent advisory body to put forward practical recommendations.

The Millennium Development Goals are about cutting in half the

* Ed.: In the interview, which has been edited for length, McArthur returned to two themes perhaps a dozen times: inadequate levels of aid, and the failure of piecemeal programs. He argues that rich countries can solve the problem of global poverty if they will simply a) increase their assistance to poor countries, and b) target their assistance to comprehensive development programs. These themes are discussed below, but the emphasis on them in the original interview may not be evident.

proportion of people in the world living in extreme poverty, which means people living below a dollar a day. About 1.1 billion people in the world are living at the edge of existence. The goals are about making globalization work by improving life for those people who are outside the benefits of globalization. That involves getting those people on the first rung of the ladder out of extreme poverty.

So the Millennium Project identifies goals in an operational framework, and then translates global targets into practical national-level budgeting processes. That means connecting decisions made in national capitals to the villages of Africa where the majority of the people in extreme poverty live today.

Globalization is working to an enormous extent. In the past couple of decades, we have seen hundreds of millions of people lifted out of the depths of extreme poverty. That tells us it is possible. There are lessons to be learned on the practical steps that were taken in China, in India, in other parts of Asia, where we have seen some of the fastest rates of progress in human history.

Is this campaign against poverty just another version of the story we have all heard before? It might seem that way, but there was very little practical effort over the past generation. There was no systematic goal-oriented effort to end extreme poverty or to cut it in half. That has never existed. The Millennium Development Goals are new.

The Situation in Africa

Sub-Saharan Africa, the epicenter of poverty, has not only extreme poverty but also the most concentrated and severe aspects of extreme poverty. First, they have an extremely high endemic disease burden in rural areas. Malaria, if left untreated, is probably the greatest killer in human history. At least 2 million people a year are dying right now, 95% of them children, and the vast majority in Africa. This disease is entirely preventable.

A second issue is agriculture. Africa did not have a Green Revolution similar to the one in Asia in the 1960s and 70s. African agriculture is based on rain-fed crops as opposed to irrigated crops. Africa also lacked the transportation infrastructure required to provide the necessary inputs to farmers. Nevertheless, in the 1980s, the scientific breakthroughs for an African Green Revolution were developed, with the high yield types of crops that are relevant to Africa. This a new boost to the potential of what we can see in the next several years.

Millennium Development Goals: Comprehensive Vision

At the UN Millennium Project, when we look at basic practical solutions, we have evidence that things could be done. We simply have not had the resources and the concerted effort and attention required. There is a lot of work that needs to be done to get malaria under control, to get the fertilizer out and the new seeds out, and to actually start to take on these new challenges in Africa.

The Millennium Development Goals were quite special because we did not have this coherent vision previously to guide the international system. Since the 1960s, we had a decade of health, a decade of water, a year of the child, and all sorts of initiatives that were competing for the same small pot of resources. The Goals put these pieces together to create the conditions for those economies to grow.

Never Enough Foreign Aid!

One might ask whether foreign aid works and whether it is enough. There is a difference between what is necessary and what is sufficient. Success depends on practical plans with practical strategies and the resources to back those strategies. Countless strategies in poor countries sit on shelves collecting dust because of lack of resources. The poor countries get blamed for not implementing them. That is crazy. The countries are desperate. Many of them are heroically governed, with the most admirable bureaucracies and political leaders.

We need to be quite specific about what has and has not worked.

A lot of line items in rich country budgets, under the heading of foreign aid, were meant for political support during the Cold War or other political purposes. Not much money was involved—maybe \$14 or \$16 of foreign aid per capita, not much in terms of the basics of investment that are needed.

A lot of foreign aid was put into workshops, but that is not a very effective strategy for getting fertilizer out. Maybe you need some meetings, but too little is typically allocated to practical investments.

Foreign aid does work—in the form of practical things, such as immunization or bed netting or fertilizer. Let us take the substantive investments and scale those up. The Carter Center has practically eradicated guinea worm through foreign aid. Countries like Botswana and South Korea were successful because concerted government effort was not just left on its own but got foreign aid from the rest of the world.

It is still difficult to get people to take the goals seriously. Rich countries have been promising for 35 years to allocate 0.7% of national income to support development in the poorest countries, but they give less than 0.3%, not even half of what they have promised. A target of 0.7% of gross national income for support of developing countries has been around for 35 years. Only 5 countries—Norway, Sweden, Luxembourg, Netherlands and Belgium—have met this goal so far. We have seen 11 countries now sign on to do this. It is an enormous boost to have G8 countries starting to do this. The governments of the United Kingdom and France are committed to reach that target by 2012, Germany by 2015. As of 2006, 16 of the 22 so-called rich countries have all signed on to meet that target by 2015. That does not provide us enough resources yet to achieve the Millennium Development Goals but that is a huge boost. Six countries—Australia, Canada, New Zealand, Japan, Switzerland and the United States—agreed in principle in 2002 and again in 2005 at the UN World Summit, to contribute 0.7%, but they have not yet set their timetable to follow through.

Investment is far short of what it needs to be to achieve the Millennium Development Goals and to have a much more stable, global political context. We spend roughly a trillion dollars a year on the military globally, and a hundred billion dollars a year on aid, a ten-to-one ratio. Even that is based on an inflated number for aid, because a lot of that is just wiping money off the debt ledger.

I have great respect for my military colleagues for their efficiency and planning. We need to have the same sort of seriousness and professionalism to save lives through development programs.

IMF and World Bank Programs: Good, But Insufficient

Price stability is the core point of structural adjustment.* In the 1980s there was a strong conception that development can be achieved by getting the macroeconomics right, getting the prices right, getting the institutions aligned, getting the budget deficits under control, and letting markets thrive. I support market-based development. Yet, price stability and getting prices

* Ed.: The term “structural adjustment” refers to the policies whereby the IMF required countries quickly to sell off state assets, end subsidies of food, fuel, and housing, increase the saving rate, eliminate protective tariffs, and impose constraints on government spending. Proponents of structural adjustments claimed that these stringent measures would reinvigorate domestic and international markets, bringing growth and prosperity.

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right is not enough. Markets are important, but they are not enough. There are no markets in places that are too poor to even have cash, which is a huge part of the world.

When you are stuck in extreme poverty, you are much more vulnerable to macroeconomic crisis because, if the rains fail one year and you get no crops, there is nothing else in the rural areas. That is a macroeconomic crisis in human terms for the rural farmers in the poorest parts of the world. If there are no crops, that might represent a 15% drop in GNP for 1 year. The failure of rains in Africa is statistically linked to a much higher prevalence of conflict.

What poor countries ultimately need is investments to get on a long-term path to economic development. The IMF is recognizing this in their statements. The Managing Director has agreed that the IMF has a role to play in supporting, through the macroeconomic side, the investments needed for the Millennium Development Goals. But the IMF is a shareholder-held institution with resources governed by how much it gets from the donor countries. Similarly, the World Bank has resources but it gets its resources from somewhere.

We cannot accept the policy mistake of expecting the poorest people in the world to pay \$10 a year for their children to go to school. There was recognition of the need to abolish school fees in places like Tanzania, Malawi, and Kenya. We saw millions of children show up for school overnight because fees that were \$8 per year were cut. We are seeing the convergence among international financial institutions on the abolition of school fees, led by the World Bank staff, to their credit.

Foreign Aid as Investment in the Future

The return on the investment in foreign aid may not be apparent to everyone, but it is there.

First, as in a rich country, we do not justify the investment in public education or public health based solely on each individual's return on that investment. We think of that as a basic element of a productive society, to ensure that everyone has an equal opportunity to flourish.

Second, investment in protection against global spread of disease benefits everyone in the world. In terms of pure self-interest, we care about things that could affect us directly, for example, the SARS pandemic or the Avian flu. These are just the ones we are thinking about right now. There are going to be many more of these threats over the long term. That starts with basic health systems and epidemiological surveillance in the poorest countries.

Third, development aid enhances global stability. We are spending

about a trillion dollars a year on military expenses around the world. We are spending around a 100 billion a year on development, maybe half of that on practical investments. The CIA task force on state failure in the 1990s found that the number one predictor of state failure is child mortality. The number one cause of child mortality in the poorest countries is malaria. This is not a complicated equation.

Why a Fight against Poverty Can Succeed Now

There are several reasons to believe that a serious fight against poverty can occur today compared to 1950 or 1970 or even 1980.

First, the rich world is much richer than it has ever been before.

Second, we have learned a lot about what works in the past few decades. We have a much better sense of the types of programs that can work and we have seen what success looks like.

A third difference from previous decades is that there are a lot of new technologies. There is a new technology in anti-malaria bed nets where they put the insecticide straight into the thread in the manufacturing process. This costs about \$7 and it lasts 5 years. Similarly, new seed varieties have been developed that could triple crop yields in a year or two with basic inputs. HIV/AIDS antiretroviral treatment came into development in 1996 when it was introduced in the rich countries. Now we have more than a million people in poor countries on anti-retroviral treatment due to some very ambitious programs.

A fourth factor is the change in geopolitics. We have the development of NEPAD, the New Partnership for Africa's Development. It took the European community decades to develop its baseline for cooperation out of the European coal and steel community. We see Africa aspiring to the same types of political, economic and cultural cooperation.

Finally, there is a lot more recognition today than 20 or 30 years ago how closely our fates are all interconnected. Wherever you live, it matters if Afghanistan is a failed state. It matters if we see more failed states. There is also a broad recognition that every life has an enormous value and that practical things are feasible. There is a deep desire and almost visceral need by the public to do more.

Trade, Debt, and the Poor

To tackle the problems of the poor, we also need to think about trade and debt. Countries need to be able to trade much more openly, but open-

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ing your markets does not fix your health care system automatically. Trade is crop-specific for agriculture, so the countries of West Africa that export cotton are affected very differently from the countries of East Africa that import food. So trade liberalization helps the countries of West Africa immediately by boosting the export prices of the goods they sell. It has a much more complicated set of implications for a country that would have to pay more to import its food because it cannot produce enough food.

Debt is another issue that people raise. Cancel the debt. That is very simple and straightforward. We saw the Heavily Indebted Poor Country initiative (HIPC), that in 1999 started to cancel bilateral debts owed to countries. But that was only about two-thirds of the story. In 2005 we saw multilateral debt relief for those same countries. So they have made great progress in the last year canceling the debts of those countries. Again it is a bit of basic algebra or arithmetic. If we think about a country owing \$100 million a year of debt-service payments, that should be cancelled if they cannot afford to pay that. Does that obviate the need for helping them build their health system? No. Canceling debt servicing often distracts from the need for the extra assistance that is needed.

Reducing Inequality Requires Increasing Productivity

Some people think poverty is related to inequality, particularly inequality of land distribution. Land tenure systems are very controversial, and one should not be seen as supporting more conflict by raising a red flag issue. The role of property rights and land tenure systems is very complicated and much debated. There are arguments around communal ownership and how that might make a difference. But quite frankly, I am not an expert on these very intricate questions.

There is a trend of expanding inequalities in some societies. In some countries in Latin America, the poor may get the absolute basics, but economic growth often occurs only for a subset of a society. Others are not seeing any progress. Globally there is economic divergence, when rich countries grow quite reliably at about 2% a year due to endogenous growth, while other countries stagnate.

Still, a key point is that equality requires productivity. You cannot share the fruits of a boosted crop yield until the yields are boosted. If one farmer increases productivity and crop yields rise, others can benefit if that farmer hires them to work on the land. That is the starting point.

Increases in productivity explain why, globally, extreme poverty came

down since 1990, but it has been very different by region. In Asia we saw an overall improvement as hundreds of millions of people were lifted out of extreme poverty. In Sub-Saharan Africa we actually saw an increase in the number of people living in extreme poverty, below the so-called benchmark of \$1 a day.

Comprehensive vs. Piecemeal Aid

Often in development assistance a road might be built or a water pump installed, and it stops working a few years later. Some complain that these projects failed. But it actually failed because no money was allocated for maintenance, on the assumption that local people would provide for that. Development assistance can be enormously effective, but just solving a piece of the puzzle does not work. The piecemeal approach to development is not enough. We just need to do so much more to solve problems.

When all of the pieces of the puzzle are not in place, it can be difficult to know how to proceed. Maybe you have fertilizer, but no extension workers to train farmers how to use it. In Africa, there is a shortage of one million health care workers, but where are the training programs? It keeps coming back to whether we are treating symptoms or causes. The question should not be how to squeeze an extra dollar of efficiency out of a clinic with no medicine. Rather we should ask how many dollars are needed to put medicine in the clinic.

In-Country Resources Insufficient

It is clear that the Millennium Development Goals cannot be achieved based solely on the domestic tax base of poor countries. There are two reasons. One factor is that countries in extreme poverty have very low incomes. If GNP per capita is only \$200, the average person earns roughly 60 cents a day. Raising taxes is like squeezing blood from a stone. We recommend that developing countries increase their domestic revenues by 4 percentage points of GNP. That might just be too hard, but this has to be a stretch game for everyone.

The second reason is historical. The share of national income that can be collected in taxes goes through a natural rate of increase. As countries become richer, they can start to collect more money in taxes. Over the long-term, countries get up to 30% or 40% of GNP collected in tax revenues. So that is part of the broad dynamics that one needs to keep in mind. With enough aid today, they may not need any support in 5 or 10 years. They can

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kick-start their own markets and then let the markets grow on their own time. So, we say give aid to end aid.

The Role of Multinationals

Some people imagine that multinationals are controlling everything in poor countries, but that is not true, particularly in Africa. There is very little foreign investment in Africa because there is no return on the investment. Foreign investors do not want to go to a place where no one can afford to buy their products and where people are sick or poorly educated.

It is a common misunderstanding that there is so much foreign investment and that it controls local economies. That does not hold everywhere. There are places with natural resources in Africa where foreign investment works very well. Managing the transparency of those investments is important. The Extractive Industries Transparency Initiative (EITI) was begun in 2002 and has started to gain some traction. Some leading mineral mining companies are taking leadership roles in this. Many mining companies make basic investments in the communities in which they are operating because they want to be good citizens and to support economic development.

The challenge is to create healthy, educated people and infrastructure that works so that these places can not only attract the foreign investment but also build indigenous companies that can compete on the world market. We are not just talking about supporting social services. We are talking about support for economic infrastructure, such as roads, electricity, and ports.
