The Millennium Project

Summary of the Book
Jeffrey D Sachs: The End of Poverty – How We Can Make it Happen in Our Lifetime
Penguin Books, 2005.

Summarised by
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Prologue:
The author has structured the book as an action plan to wipe out poverty from the face of earth within the span of a generation. He builds the book from the bedrock of his personal resources. His resources are his training as an economist, his first-hand experience of handling economic crises, his learning from the economic situations and crises that have occurred in the recent past and the cross-functional experiences he brings into focus. He defines poverty, maps poverty, its intensity and impact on the globe. He collates his personal experience of handling a variety of economic crises – Bolivia, Poland, Russia and Sub-Saharan Africa; he also analyses the deft handling of economic situations of China and India. From these experiences he creates a framework of analysis; he has come up with new concepts like Clinical Economics and Differential Diagnosis. Based on his analysis of why and how some countries thrive and prosper while some others just do not, he has created a set of pre-conditions for the poor countries to come out of the poverty-trap, grow and prosper. The author delves further to explore how these pre-conditions can be created and nurtured. He goes on to develop a blue-print for action involving the rich countries, UN and other agencies culminating in grass-root action in the poor countries. The goal is to eliminate poverty and bring up prosperity levels in about 25 years. This is the Millennium Project.

Poverty Mapping
The World Bank defines people with per capita GDP of less than US$1 per day, measured in terms of Purchasing Power Parity, as *extremely poor* and those in the range of US$ 1 to US$ 2 as *moderately poor*. The distribution of the poor under these classifications in 1981 and 2001 is shown in Table-1 below. Some salient features are:

a. In 1981, out of the global population of 3.5 billion, the extremely poor numbered about 1.5 billion; East Asia, South Asia and Sub-Saharan Africa accounted for 98 % of these. By 2001 the world population grew to 6 billion and out of this the extremely poor was 1 billion; 96 % continued to be within the same regions.
b. In 1981 the proportion of poor [extremely or moderately] in east Asia was 84%; in South Asia and Sub-Saharan Africa they were 90% and 72% respectively. By 2001 the proportions were 49%, 77% and 75% respectively.
c. While East Asia and South Asia made progress in poverty alleviation, the situation only deteriorated in Sub-Saharan Africa.

Table-1: The Incidence of Poverty

Year	East Asia	South Asia	Sub-Saharan Africa	Mid-East & N Africa	Latin America & Caribbean	Eastern Europe & Central Asia	Total
The Extremely Poor in Millions							
1981	800	480	170	5	25	5	1485
	54%	33%	11%				100%
2001	270	420	300	5	35	10	1040
	26%	41%	29%				100%
he Moderately Poor in Millions							
1981	390	350	110	50	80	20	1000
	39%	35%	11%	5%	8%	2%	100%
2001	600	650	200	60	85	85	1680
	36%	39%	12%	3%	5%	5%	100%
Proportion of Poor as % population of the Region							
1981							
E Poor	58%	52%	40%	5%	10%	..	
M Poor	26%	38%	32%	24%	17%	4%	
2001							
E Poor	15%	31%	45%	3%	9%	4%	
M Poor	34%	46%	30%	21%	15%	16%	

To explore the methods of removing poverty it is necessary to understand the process of economic prosperity, how all the countries got into where they are now and why some countries are not able to make any tangible progress.

Emergence of Economic Prosperity

The phenomenon of prosperity emerged only in the last three centuries. In the 1500 years from the beginning of the first millennium the world population grew from 200 million to 300 million only. By 1800 it touched 1 billion, by 1900 it touched 1.5 billion and by 2000 it touched 6 billion. The quantum jumps in the population has happened between 1700 and 2000AD. Similarly the world average per capita income grew from $500 to $ 800 during the 1800 years ending with 1800 AD. By 1900 it touched $1000 and by 2000 it crossed $6000. The quantum jumps in the per capita income levels also happened only in the last 200 years. The Table-2 given below illustrates this point vividly.

Table-2: World average per capita Income by Region in 1820 and 1998.

Year	W Europe	E Europe	Former USSR	US, Canada Oceania	Latin America	Japan	Asia [Excl Japan]	Africa
1820	2000	1000	1000	1500	1000	1000	1000	1000
1998	18000	5500	4500	26000	5500	20000	3000	2000
CAGR	1.5%	1.2%	1.0%	1.7%	1.2%	1.9%	0.9%	0.7%

[Figures in 1990 International $; in translating figures from graph approximations have been made]

With this data the author concludes that

[a] initially all the regions and nations were at par in terms of prosperity

[b] from 1700 AD onwards the growth paths were different

[c] Even marginal differences in the growth-rate sustained over a long period made a lot of difference

The economic prosperity of the last three centuries is the direct result of the industrial revolution. The author argues that the industrial revolution began in Britain because of a host of favourable conditions: [a] British society was relatively more open which encouraged individual initiative, enterprise and social mobility. [b] Britain had already developed strong political institutions and judiciary that were conducive to individual enterprise. [c] Britain became one of the centres of Europe's scientific revolution. [d] Britain had many favourable geographical advantages like fertility of its soil, climatic conditions, navigable rivers, proximity to Europe, access to the American colonies etc. [e] Britain being an island was less prone to invasions than its neighbours. [f] Invention of steam engine and the availability of coal fuelled the economic engine. Economic progress was triggered by continuous scientific and technological innovations backed by governance structures and military power.

The industrial revolution that originated in Britain propelled the transformation of other countries also. First it triggered the economic progress in its own colonies of north America, Australia and New Zealand where the socio-political systems and to some extent the climatic conditions were similar; then it triggered the progress of the western European countries; finally the industrial revolution began to move into the British colonies spread across the globe.

Three hundred years of industrial revolution and the consequent quest for economic power was leading to the re-invention of a variety of socio-economic and political structures. Feudalism saw the beginning of its demise; market capitalism and communism emerged as two mutually exclusive alternatives; three-fourths of a century down the line communism began to show signs of implosion from its own inadequacies; the concept of democracy based on universal adult franchise evolved to its finesse; the concept of nation state fuelled two world wars and devastations; technological innovations that triggered the industrial revolution have begun to transcend its tenets towards the paradigms of yet another revolution. It is at this juncture that we need to probe why some countries and regions are not able to latch on to the bandwagon of growth that most others seem to be managing so easily.

Why Some Countries are not touched by Growth?

Africa and parts of Asia were least affected by the industrial revolution and the consequent economic growth. Jeffrey Sachs has analysed the causes for their inability to be part of the growth band-wagon; he has listed eight major factors responsible for such situations. These are tabulated in Table-3

Table-3: Reasons to fail catch the growth bandwagon		
S.No	Factors	Description
1	Poverty Trap	A situation where, because of the prevalent poverty, the society is unable to muster enough strength and resources [the escape velocity] to get out of poverty. This could be manifest in the form of a. lack of capital

		b. lack of physical infrastructure c. lack of Human capital d. continued depletion of natural resources etc.
2	Physical Geography	Disadvantages arising out of the geography like lack of mineral resources, lack of navigable rivers, lack of coast-line and natural harbours. a. Land-locked countries like Tibet, Ethiopia, Bolivia are examples b. Sub-Saharan countries have peculiar ecological conditions that help sustain killer diseases like malaria, dengue fever etc.
3	Fiscal Trap	Situation when the state lacks resources to provide the infrastructure required for economic growth. This can come about when a. The population is impoverished and additional taxation is not feasible. b. Govt. is inept, corrupt or incapacitated to collect taxes. c. The state is overburdened with debt
4	Governance failures	Situation when state fails to create and maintain the ambience conducive to economic activities, investment and private enterprise. State is expected to be pro-active with respect to a. policy frame work b. law and order; equity and justice c. maintain territorial integrity d. keep corruption levels low State failure on these can result into insurgencies and revolutions.
5	Cultural Barriers	Situation when modernisation is blocked by conservative religio-cultural values, beliefs and practices. Some examples: a. Modern education is viewed with suspicion b. Women are denied economic and political rights c. Programs to bring down fertility rates are blocked d. Ethnic minorities are denied equal opportunities.
6	Geopolitics	Situation where barriers are created by other countries thro political and economic policies. E.g. Trade Barriers, Sanctions etc.
7	Lack of Innovation	Inability of the society to nurture innovation. This can happen when a. Market size is small; investment in R&D unviable. b. No legacy of scientific efforts c. Poor productivity of R&D efforts. d. Inability to source/procure technology; this could be due to inadequacies of policy framework, capital or resourcefulness.
8	Demography Trap	Inability to bring down the fertility rates. Lower fertility rates are found to be positively correlated with higher economic growth rates. Many of the third world countries are slower in bringing down the fertility rates due to varied socio-cultural and governance reasons

Latin American countries like Ecuador, Paraguay, Peru and Guatemala are examples for their geographical adversities. They are landlocked, have mountainous terrain with poor transport infrastructure, have been characterised by ethnic divisions and conflicts till recently, they are prone to frequent natural hazards like earth-quakes, floods, droughts and landslides; they are into export of primary products like coffee, bananas, copper, fish meal etc. which have been witnessing violent swings. These characteristics fairly explain the relatively low level of growth these countries have experienced.

Economic growth is rarely uniform across the country. The coastal provinces of China have achieved far better growth than the interior provinces. The coastal regions of India have witnessed better growths than the Gangetic plain. The reasons for slow growth rate are varied. A discerning analyst needs to be sensitive to understand the critical factors that hold a region's growth process. The challenge at this juncture is to provide the critical input to help the region to grab the first rung of the ladder of growth.

Clinical Economics, Differential Diagnosis

Developmental economics, the author argues, needs an overhaul in its approach and methodology to be effective in tackling the problems of the developing countries. He draws a parallel from the practice of clinical medicine and advocates five premises for a new paradigm called Clinical Economics. First, economies, like human beings, consist of complex systems that are interrelated. Second, economists, like clinical practitioners, need to know differential diagnosis. For a single symptom the causes can be many; so one need to carefully arrive at the root cause before commencing the treatment. Third, treatment needs to be prescribed not in isolation for the patient, but in the context of his family members. Fourth, effective results would come only through close monitoring and evaluation. Fifth, the development community, like clinical practitioners, need high ethical and professional standards. The author feels that many of the ills of the poor countries today are the result of economic mismanagement; major reason being the choice of closed trading systems.

During 1980 to 2000, most of the developmental initiatives of IMF revolved around the Structural Adjustment program. While this program had its merits, the author feels, that it very often did not address the real issues of governance or killer diseases rampant in the country. In such situations, he feels, the differential diagnosis is likely to be far more effective. The critical areas to be analysed in differential diagnosis are listed as poverty mapping, economic policy framework, fiscal framework, physical geography, governance patterns, cultural barriers and geopolitics.

Learning from Experiences

Bolivia

In mid 1985 Jeffrey Sachs was invited to Bolivia to handle the economic crisis. The country was facing hyper-inflation, the budgetary deficit was huge which needed to be met through borrowings from Central Bank of the country. With more money in the market, the value of the currency continued to decline. Sachs, on the basis of analysis identified that the country had kept the prices of petroleum fixed in terms of the local currency, peso; with continuous deflation of peso, petroleum was becoming cheaper by the day because of the peso-fixed prices. This lead to the people from even the neighbouring countries, like Peru, were buying petroleum at peso prices and exporting. This only aggravated the situation. Sachs' prescription was to peg the petroleum prices to its market value in dollar terms and let peso float around that value. It was difficult to sell this idea; but once sold the prices stabilised and the hyper-inflation just vanished.

Towards the end of 1985 the hyper inflation appeared again. Government was not able to manage the demand for rising wages and the deficits. Once again Sachs was called in.

His prescription was to sell the forex reserves of the country to finance the peso shortages. This helped stabilise the currency. He felt the underlying factors need to be tackled for a lasting solution. According to him the tin mining operations of the country had become economically unviable. This called for restructuring the mines operations. Further he advocated debt restructuring to enable the country to come out of the crisis permanently. With lot of difficulty, especially with IMF, he managed to convince the international lenders to wipe off the debts. This helped the country tide over the crisis on a long term basis.

Poland

In June 1989 Solidarity, led by Lech Walessa, won a land slide victory in Poland; but they country was in crisis situations. Jeffrey Sachs was invited as an advisor. Poland had a population of 40 million, mostly urban and Catholic; the Polish society was homogenous ethnically; literacy rate was very high. The Pomeranian plain the formed Poland was landlocked between Germany on the west and Russia on the east. Before the World War II Germans had conquered Poland; after the war the Russians controlled the country. In 1989 the economy was in bad shape; hyper-inflation was on the prowl. The leaders of Solidarity suggested a government with "Your Presidency, Our Prime Minister". As per this Solidarity would form the government; the Communists would keep the presidency and the 'power ministries' [defence, interior, intelligence, police]. This proposal got cleared with the direct blessings of Gorbachev. Jeffrey Sachs observed that the socialist system created by the Russians was on the verge of collapse and hyper-inflation had already begun. His action-plan consisted of the following:

- Stabilisation: ending high inflation and establishing a stable, convertible currency.
- Liberalisation: opening up of markets, private enterprise, ending price controls, establishing commercial law.
- Privatisation of economic activities.
- Social Safety Net: Pensions, healthcare, etc especially for the elderly and poor; softening the transition.
- Institutional Harmonisation: gradual transition to be a candidate for the European community.

Sachs helped raise a Zloty Stabilisation Fund of US$ 1 billion from the West. The "Big Bang" of Poland began with steep devaluation of the currency to 9500 Zlotys per Dollar and abolition of all price controls. Within a short time stabilisation was achieved. Sachs pleaded and managed to waive the Soviet era debt of US$15 billion to the extent of 50 %.

Jeffrey Sachs has listed his learning from the Polish crisis as:

- A country's fate depends a lot on its linkages with the rest of the world. Earlier polish history is biased by its interactions with Germany and Russia. Now the revival is made possible with the support of rest of the world.
- There is always a basic concept in the economic transformation. In Bolivia it was switchover from primary products to more value added products, return to democracy and ending hyper-inflation. In Poland it was return to Western Europe.

- This crisis gave him practical possibilities for large scale conceptual thinking. The economic transformation could not have been achieved without external help; he could get external help in the form of stabilisation fund and waiver of previous era debt.
- Never take No for an answer. When Sachs talked about external funding, Helmut Kohl of Germany objected to it. Kohl was reminded that the post-war economic transformation of Germany was achieved through external help and in 1989 Poland was not asking for anything more.
- The conviction that countries in distress would need significant external help in their bail-out process.

One factor that Jeffrey Sachs has not given importance in this situation is the quality of leadership Lech Walessa of Solidarity exhibited and the confidence that the people of Poland had on him and Solidarity.

Russia

Gorbachev, the Russian Prime Minister, was impressed by the Polish experiment at a time when Russia was going through a crisis of its own. In 1985 the revenue from oil exports amounted to US$22 billion whereas the budgetary deficit amounted to US$13 billion; so it was possible to cover the deficit by the oil exports. By 1989 the figures became US$13 billion and US$ 44 billion respectively. The triggers for this situation was [a] the world oils prices had plummeted and [b] the Russian oil and gas output had peaked and began to decline due to depletion of the old wells and lack of investment in new wells.

Russia was characterised by size: it is the biggest country on earth with 160million people and 11 time zones spread across Europe and Asia. It is situated in the temperate zone and beyond; it had few rivers but generally the navigability across the country was poor. Profound variation existed in terms geography, culture, religion and ethnicity across the country. Density of population was very low making the logistics of serving the people very complex. It had the history of autocracy for almost 1000 years and communism for 75 years. Familiarity with democracy was totally absent; interaction with the rest of the world was minimal. While Poland in 1989 had western educated economists to spearhead the economic transformation, Russia did not have any such talents.

Jeffrey Sachs prescription to the Russian situation consisted of:

- Creation of Stabilisation Fund for Rouble ; estimated at US$ 5 billion
- Suspension of debt payments
- New aid program for the economic transformation; estimated at about US$15 billion per year.

Despite Sachs' best efforts none of these materialised leading to a state of drift and deterioration of the Russian crisis. The rich nations, the West, could not come to the rescue either because the quanta involved were high or because they had their own priorities; they let IMF handle the crisis. When the situation deteriorated, the proreformers lost control to the conservatives. In the meantime unscrupulous businessmen cornered major part of the oil and gas assets of Russia worth about US$100 billion for a tiny fraction of its value. Russia went through trauma till stabilisation came about in 1998.

Jeffrey Sachs strongly feels that the trauma could have been avoided and stabilisation could have been brought about in early 90s if only the West had come forward to help Russia. In posterity he says the oil prices did improve in the 90s and this would have supported the efforts of the West. Sachs believes that the poverty of Russia is powerfully linked to its geography: Poor logistics and vast areas with very thin population had forced most of Russia to be rural and poor throughout history.

China

The most populous country on earth has been a leader in technology till the 14th century. If Europeans conquered major part of the globe in the middle ages, it was with the power of printing press, gun powder, and mariner's compass each of which was invented in China. In the 14 th century China was having a powerful navy too. Suddenly in 1434, the Ming Emperor decided to close all external interactions of China: shutting down all external trade and disbanding its powerful navy. China became an inward looking country. The next milestone in the history of China is the Opium Wars [1839-42] where the British fought and defeated China for the right to sell opium to the Chinese in exchange for the right to buy tea from China which was in great demand in Europe. The following decades pushed China into slumber and hibernation as can be seen in the Japanese conquest of Manchuria in 1937. The awakening began in the 20 th century with Sun Yat Sen in 1911 and later culminating in the Communist victory led by Mao Tse Tung in 1949. Other milestones are the Cultural Revolution of 1967 and the onset of market reforms in 1978 after the death of Chairman Mao in 1976.

Jeffrey Sachs was travelling to China since the early 80s and in 1992 he was made an advisor to the Chinese Economic Society. In 1980 68 %0f the population was in agriculture, 18 % in manufacturing and 14 % in the service sector. Soon after Mao's demise the agricultural communes allowed private farming marginally. This did not come from the top; it happened spontaneously and soon it was ratified by the top. In the 80s peasants were given freedom to start or work in private rural enterprises. International trade and investments were also liberalised. Special Economic Zones were created. These reforms led to the mushrooming of large number of industrial enterprises and the flow of foreign investments. The investments came from three sources: [a] Foreign direct investments [b] investments from overseas Chinese and [c] redeployment of surplus of Chinese state enterprises through the international financial markets. These resulted in the combining of cheap Chinese labour, international technology and exports. The exports grew from about US$2 billion in 1980 to US$200 billion in 2000. Significant portion of the population shifted from agriculture to the other sectors. In 1980 the extreme poor were 64 % of the population; this declined to 17 % in 2000.

Salient features of the Chinese transformation are:

- China did not have any international debts, thanks to Mao, unlike Russia and other East European countries. In those countries debt management was a critical issue in the transformation
- China had a long coast-line leading to easy access to the rest of the world. Russians and east Europeans just did not have this.
- China was benefited from the large number of overseas Chinese, most of them entrepreneurs and businessmen. Russians and the east Europeans did not have these.
- At the start of the reforms Russia was facing declining value of exports. China did not have any such crisis because there was no exports at that time.
- Russia had heavy industries that were non-competitive in comparison with the West. China did not have any such legacy.

At the beginning of the 21^{st} century the challenges before China are:

- Collapse of the Commune system has also resulted in the collapse of the healthcare system
- Geographic diversity. Growth and development are bound to be different in different regions. This as well as the resulting migration of population will bring in new challenges.
- Environmental degradation resulting from massive, very often reckless, industrialisation.
- Political reform is a major challenge. Till now China has a centralised and autocratic system. How would China cope with rising democratic aspirations, differential growth rates, migration etc?

India

India, like China is characterised by an ancient civilisation. The second millennium has been a period of subjugation for India with the British being the last in the last link in the chain. The British had ruthlessly destroyed the technology, skills and industry of India in order to perpetuate their industrial progress. Post independence period marked the nation-building process in a country characterised by extreme diversities, low income and low literacy. India ushered in semblance of democracy into this country and experimented with planned economy. In 1991 it started market reforms when other options have come to nought; the subsequent decade showed signs of economic growth and service sector boom. In the beginning of the 21^{st} century India stood on the threshold of economic transformation.

Jeffrey Sachs has listed the challenges facing India as:

- Reforms have just begun; they need to go a long way
- Heavy investments are required in basic infrastructure
- Significant resources need to be invested in education and health care
- India would need to learn ways and means to price for the social infrastructure

The lessons that India's transformation offers are:

- India's ability to sustain democracy

- Knowledge and skills form a strong basis for growth and development.
- Relevance of geography: In the late 60s India experienced rural-led growth as seen in the Green Revolution; in the 90s it witnessed the urban-led growth as seen in the IT and ITES boom

Jeffrey Sachs has not highlighted the challenges of diversity management that India has exhibited. To many other India observers, nation-building in the face of the diversities is one of the most complex challenges that India has been going through.

Sub-Saharan Africa
There is a general perception that poverty in Sub-Saharan Africa is primarily due to poor governance and high level of corruption. Jeffrey Sachs disputes this belief. Sub-Saharan countries [Ghana, Senegal, Mali and Malawi] are characterised by lower levels of corruption than Asian countries [like India, Indonesia, Bangladesh and Pakistan]; but the paradox is that their growth rates also are lower than these Asian Countries.

Sachs says that geography is the critical issue in the case of Sub-Saharan countries. These countries are characterised by sparse population, totally rural setting, absence of navigable rivers, land-locked and devoid of access to the world markets. To this you may add presence of deadly diseases like malaria, TB and HIV/AIDS; you have the picture of the poverty trap the countries are in. Malaria, TB etc are caused by the geography of the region; HIV/AIDS is propelled by the permissive social habits.

The lessons from the Sub-Saharan countries are [a] these countries have been poor all along because of geography and diseases; [b] to bail them out huge investments are needed in disease control, physical infrastructure and human development. Left to themselves, these countries would never be able to break out of poverty because they just do not have the resources.

Action Plan to End Poverty

The Millennium Project
In September 2000, before an assembly of 147 Heads of States at New York, Kofi Annan, the Secretary General of UN presented a document " We the People: The Role of United Nations in the 21st Century." From the ensuing discussion emerged the Millennium Declaration and the Millennium Development Goals. The 8 goals and 18 targets are listed below.

The Millennium Development Goals		
No	Goals	Targets
1	Eradicate extreme poverty and hunger	Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day.
		Halve, between 1990 and 2015, the proportion of people who suffer from hunger.
2	Achieve universal primary education	Ensure that by 2015 children everywhere, boys and girls alike, will be able to complete a full course of primary education.
3	Promote gender equality and empower women.	Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015.

4	Reduce child mortality	Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.
5	Improve maternal health	Reduce by three quarters, between 1990 and 2015, the maternal mortality rate.
6	Combat HIV/AIDS, malaria and other diseases	Have halted by 2015 and begun to reverse the spread of HIV/AIDS
		Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.
7	Ensure environment sustainability	Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.
		Halve by 2015 the proportion of people without sustainable access to safe drinking water and basic sanitation.
		By 2020 to have achieved a significant in lives of at least 100 million slum dwellers.
8	Develop a global partnership for development	Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Includes a commitment to good governance, development and poverty reduction – both nationally and internationally.
		Address the special needs of the least developed countries. This includes: tariff and quota-free access for least developed countries' exports; an enhanced program of debt relief for HIPC and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction.
		Address the special needs of the landlocked countries and small island developing states [through a Program of Action for Sustainable Development of Small Island Developing States and the outcome of the 22nd special session of the General Assembly.]
		Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.
		In cooperation with developing countries develop and implement strategies for decent and productive work for youth.
		In cooperation with the pharmaceutical companies, provide access to affordable, essential drugs in developing countries.
		In cooperation with the private sector, make available the benefits of new technologies, especially information and communication.

The Millennium Project is an attempt to make the Millennium Development Goals happen. Towards the financing of the Project, rich nations agreed to contribute 0.7 % of their GNP. This euphoria of solidarity was overshadowed by the 9/11 which changed the priorities of many Heads of States. At about this time Jeffrey Sachs was invited to head the Earth Institute. Earth Institute represents the Columbia University initiate to address the multi-disciplinary challenges of sustainable development in terms of climate control, environmental management, conservation, public health etc. Jeffrey Sachs accepted this position as this was in sync with the goals of the Millennium Project and it envisaged quite a lot of collaborative initiatives with the UN.

Investment for the Project

Six major kinds of capital are required to eradicate poverty.

- Human capital: health, nutrition and skills for each person to be economically productive.

- Business capital: machinery, facilities, motorised transport used in agriculture, industry and services.
- Infrastructure: roads, power, water and sanitation, airports and seaports, and telecommunication systems that are critical inputs into business productivity.
- Natural capital: arable land, healthy soils, biodiversity, and well functioning eco-systems that provide the environmental services needed by human society.
- Public Institutional capital: the commercial law, judicial systems, government services, and policing that underpin the peaceful and prosperous division of labour.
- Knowledge capital: the scientific and technological know-how that raises productivity in business output and the promotion of physical and natural capital.

The economic growth and development of an economy depends on the capital stock the economy has at that point of time. This is an accumulation of investments made by the household and the government. The income of the household gets divided into consumption, taxation and savings[investments]; similarly the income of the government gets divided into current consumption and investments. These investments are the basis of the capital stock of the economy. When the capital stock is higher, it results into higher growth and development. This in turn would result into higher income to the household and the government. This is the cycle of development. To sustain the developmental process the capital accretion each year has to be higher than the depletion [depreciation] of capital happening every year.

In the poor countries the income level is so low that there is hardly any savings or investments; the accretion to the capital stock is almost nil which results into hardly any economic growth and development. This is the situation of poverty trap. For these countries, in order to break out of the poverty trap, Jeffrey Sachs says, external investments need to be brought in to create the threshold level of capital stock to spur the developmental process. The poor countries need external help to get hold of the first rung of the developmental ladder. This is the relevance of contributions from the rich countries in the campaign for ending poverty.

The key elements of a poverty eradication program to achieve the millennium Development Goals [MDG] are identified as

- A differential Diagnosis to identify the policies and plans to achieve the MDG
- An Investment Plan that spells the size, timing and costs of the investments
- A Financial Plan to specify the sources, gaps and the donor commitments.
- A Donor Plan to specify the donors and commitments to bridge the gap.
- A Public Management Plan that specifies the mechanisms of governance, administration etc to implement the plans.

Most of the extreme poor countries have worked out plans and campaigns for development; but invariably they are unable to take-off for paucity of funds. Jeffrey

Sachs estimates that in extreme poor countries investment of US$ 60 per person is required every year to achieve the Millennium Development Goals. This is a pretty high percentage of their GDP and they are in no position to raise it on their own.

There are issues that cannot be solved by domestic policies or regional investments. These need to be addressed on a global level. The main concerns are

- The Debt Crisis
- Global Trade Policy
- Science & Technology for Development
- Environment Stewardship

World Bank has estimated that a person needs US$1.08 per day to meet his basic requirements. In 2001 there were 1.1 billion persons across the globe with average per capita GDP of US$281[equivalent to US$ 0.77 per day]. This leaves a gap of US$ 0.31 per person per day. This is equivalent to US$124 billion per annum; Jeffrey Sachs believes that this amount has to come from the rich countries. For the 22 donor countries of the Development Assistance Committee [DAC] this amounts to only 0.7 % of their GNP.

Why Should the Rich Donate?

There is a general belief that military strength can ensure national security. Sachs argues that this is a fallacy. With poverty and squalor around the world it is pretty easy to incite some groups to acts of terrorism. Removing poverty is a better bet for national security.

Is there a relationship between economic aid and national security? The ratio of military expenditure to Official Development Assistance [ODA] is 28 % in the case of USA. For most other countries this is less than 10 %. There is ample reason and scope for USA to enhance its ODA.

The theory of "Clash of Civilizations" is wrong. Most of the clashes happen due to economic disparities. World can become a lot saner if we can reduce the economic disparities.

There is need to rebalance the foreign policy. "Marshal Plan" was an economic development plan that balanced economic stability with strategic security. There is need to revisit some of these principles.

In various fora the US has been committing aid. The post 9/11 situation has altered its priorities. Sachs argues that the US must honour its commitments. He cites that even a 5% surcharge on income-tax for the above US$ 200,000 income in the US would fetch US$40 billion.

Our Generation's Challenge

The economic development that we see today is the product of the last three centuries. In these centuries, Americans were influenced by thinkers like Thomas Jefferson, John Locke, David Hume and the French Revolution. Adam Smith had great impact on the economic thinking of this era. Immanuel Kant was the first to think of a global system of governance to perpetuate peace and avoid war. Sir Francis Bacon and Marie-Jean-Antoine Condorcet brilliantly visualised the role of science and technology in continued social improvement. Jeffrey Sachs lists the generation's tasks as

- To help foster political systems that promote human well-being, based on the consensus of the governed.
- To help foster economic systems that spread the benefits of science, technology and the division of labour to all parts of the world.
- To help foster international cooperation in order to secure a perpetual peace.
- To help promote science and technology, grounded in human rationality, to fuel the continued prospects for improving the human conditions

He states that globalisation must be carried forward sensitively to cater to the needs of the poorest of the poor and to promote democracy as the basis of governance. Along with poverty we need to eradicate colonialism and we need to enhance civil rights.

Epilogue

The book defines poverty, maps its prevalence geographically and probes into the genesis of poverty in each regions. It marks the current perspective on poverty and our campaign for eradication of poverty. The book, written in a lucid way, has a managerial perspective combined with intellectual fervour. It draws out the action plan as envisaged in the Millennium Project and the problems being faced in executing the project.

The book helps the reader visualise the developmental process; it has listed the basic elements of the developmental process and how these can be nurtured in each economy. The poverty eradication program of the Millennium Project, in fact, is an attempt to create the basic elements of the developmental process. The author believes that many of the economies are in no position to create and nurture the basic elements on their own; he believes that external help is required to trigger the nucleation process. He expects this role to be played by the rich nations. He argues that, for the rich nations, removing poverty would be a better insurance to global peace than incurring huge military expenditures. While this argument has its place, there is another interesting perspective from CK Prahlad[1] that there is lot of business sense in creating – customising - products and services to be within the purchasing power of the poor; Prahlad believes and demonstrates that this would spur the developmental process among the poor. Prahlad's contention is that the rich need not look at the poverty eradication program as a philanthropic exercise; they might as well sense a great business opportunity. Each of these perspectives has its own contexts and constraints; but there is definite merit in both.

While discussing the Millennium Project, Jeffrey Sachs lists six types of capital as the pre-conditions for development: Human Capital, Business Capital, Infrastructure, Natural Capital, Public Institutional Capital and Knowledge Capital. Compare this with the determinants of growth listed by Robert Barro[2]: Macro-stability, Institutional Capability, Openness, and Education. Though there is similarity between the two sets, they are not identical. In Bolivia and Poland Jeffrey Sachs created macro-stability before the commencement of the program of growth and development. In fact the two sets together will make the whole. Similarly Sachs does not mention the relevance of enterprise and leadership as key ingredients in the developmental process. But in reality these have played important roles everywhere. In China the growth process took off when the freedom was available for private enterprise: when the communes allowed rural industries to be established; when investment in export oriented private enterprises were permitted. In Poland too the basis of transformation was the private initiative. Leadership is another issue. Did not the leadership of Lech Walessa help execute the transformation process in Poland? Similarly the leadership of the Teng era ushered in the transformation which was unthinkable in the Mao era.

Jeffrey Sachs ridicules the 'clash of civilization theory'; he argues that the fundamental cause of strife in the world is economical. This echoes the thinking of Marx to Lenin to Mao; there is no denying there is some truth in this line of thought. But looking at the anatomy of strife in the second half of the 20th century, one can see that some strains of thought leading to unrest and war are not originating from the economic disparities nor are they professing to remove economic misery. They have their origins in some civilizations of the medieval ages; they are anti-democracy, they are exclusive and least open. It is true they get their nurturance from the prevalence of poverty; but so long as they exist they cannot be ignored. The walls erected by them cannot be removed by removal of poverty alone. To remove these walls we need to nurture inclusiveness and openness. That can be the next campaign.

End Notes

1. Prahlad C K: The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits; Wharton School of Publishing, 2004.

2. Barro, Robert: Determinants of Economic Growth – A Cross-country Empirical Study, Cambridge MA: The MIT Press 1997.