The Intellectual Itinerary of Jeffrey Sachs

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The End of Poverty: How We Can Make it Happen in Our LifeTime
by Jeffrey Sachs
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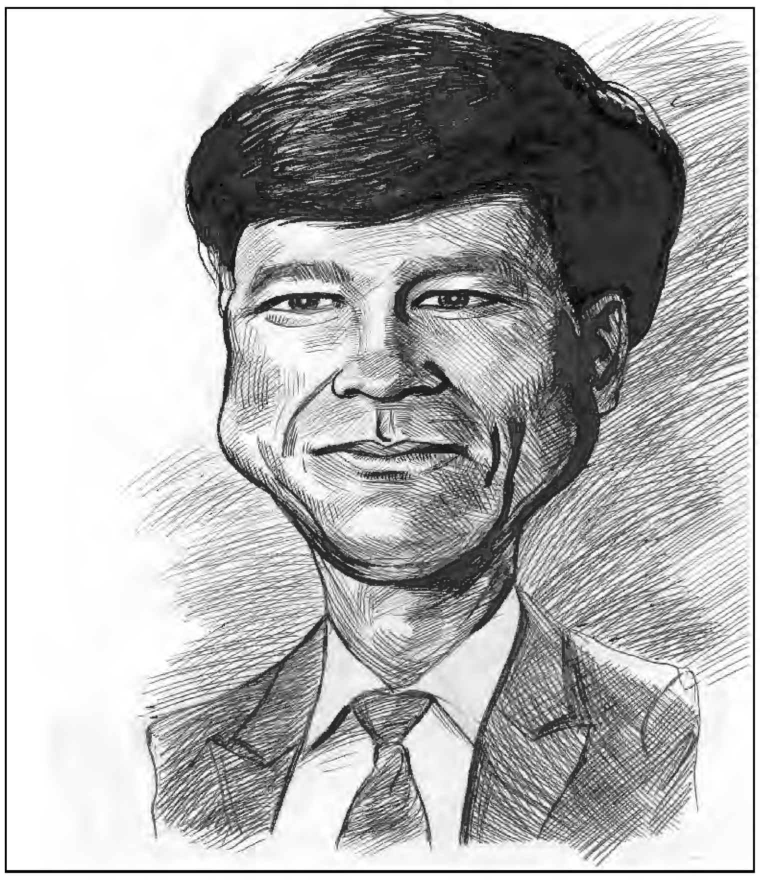

In many parts of the world, poverty, undeterred by the vast technological resources at humanity's disposal and unfazed by the many declarations of war against it, still ravages the lives of millions. It is the juxtaposition of the obvious human capacity to "make poverty history" and the empty rhetoric on poverty eradication that Jeffrey Sachs seeks to bring to wider attention in his book. Sachs, as some have observed, is a rock star of an economist - a labelling that is confirmed both by the media hype around the book and the company he keeps - celebrities of all colours and stripes, billionaires, presidents. This has helped the book reach the attention of a much wider audience than is usual for books on poverty and underdevelopment.

Sachs is a man who seems to get one "big idea" at a time, which he then runs with. Many have been turned off by the Spartan way with which he asserts himself and by his use of autobiographical material - often pushed to the outer limits of probity - which often becomes self-serving and lapses into name-dropping. His admirers have been impressed by the passion with which he has taken up arms against poverty and by the can - do chutzpah that he sums up as follows: "When something is needed, it can and must become possible" (p. 147). Sachs sees himself as "an economist making calls", travelling around the globe prescribing treatments in much the same way that the clinician does. However, behind all this there is an economic logic. To understand that logic one needs to step back and find out where Jeffrey Sacks has been intellectually in recent years and the ideas that have dominated policy discourses during these years. This will help us understand both his policy recommendations and the causal and normative beliefs informing them.

In the early postwar period, thinking about development was dominated by structuralism, which posited that a number of factors - geography, culture, colonial heritage and underdevelopment - severely constrained the functioning of markets. Left to the market, poor countries would be stuck in a "low equilibrium trap" caused by a series of poverty-related syndromes that reinforce themselves through "circular causation". To get out of this trap, it was necessary to embark on a "big push" that would lead to "take-off". This called for an active developmental role for the state, and for aid to bridge the "resource gaps" and supplement the savings of poor countries. Under the sway of this developmentalist ideology, significant success was achieved in terms of growth and industrialization, and this growth could be seen in a number of social indicators. The oil crisis and the rise of neoliberalism in some of the major economies led to a serious challenge of this model and ushered in the era of structural adjustment. It was now argued that interventionist policies had led to market distortions that undermined the competitiveness of economies and produced the balance-of-payments problems of the 1970s and 1980s. Consequently, "getting policies right" became the New Gospel according to Washington. For development, it meant that the whole idea of setting up specialized institutions or funds to address "market failure" (for example, development banks) was deemed not only unnecessary but also pernicious and unconscionable nonsense.

1. Sachs and "Shock Treatments"

During the early part of this period of the adjustment era, Jeffrey Sachs was, in the words of the *International Herald Tribune*, a "fervent evangelist for economic progress through market reforms"[1]. He made notable contributions to neoliberal thinking and practices. In an influential paper co-authored with Andrew Warner, he constructed a "Sachs-Warner" index to classify the degree to which economies were "open" to international trade. His argument then was that the more open the economy, the better the economic performance. This view, especially its focus on trade policy, dovetailed neatly with the views of the international financial institutions (IFIs) and his work was cited extensively as the empirical evidence for trade liberalization.

Significantly, during this period he belonged to the school that administered "shock treatments". This was premised on getting things done before victims of the policies knew what had hit them and could organize themselves. The treatment would jolt both the economy and the polity in such a way as to make the policies irreversible. The administrators of this prescription paid scant attention to the political and social consequences of the shock treatment. Apparently the treatment worked well in Poland and for a while in Bolivia, but failed horribly in Russia, where millions of lives were lost as a consequence of the reforms. Sachs acknowledged the failure but manages to blame it on Russian kleptocrats. And this is where Jeffrey Sachs is at his worst, as he attempts to burnish his role as economic advisor in places where the shock treatment went terribly wrong. What he seems to have retained from this period is impatience with concerns over institutional capacities and appropriateness, and the political underpinning and consequences of such policies. Poland had taught him that one could "leap across the institutional chasm" to introduce dramatic policy changes.

And it was in this incarnation - as a neoliberal guru - that Jeffrey Sachs emerged as advisor in Africa to the aid establishment. At the time, he subscribed to the view that economic growth could be "done" in Africa if only African countries would adopt good policies.[2] Thus, in a paper that he wrote once again with Andrew Warner, although he included geographical factors such as lack of access to the sea and tropical climate to the list of contributors to Africa's slow growth, he placed greater emphasis on policies, especially on Africa's putative lack of openness to international markets, arguing that "Africa's physical geography, difficult as it is, does not pose an insurmountable challenge to faster growth. Where strong economic reforms have actually been implemented in SSA (Sub-Saharan Africa), the result has been rapid economic growth".[3]

2. Enter "Good Governance"

By the mid-1980s, more than half of the African countries had structural adjustment programmes administered by the IFIs. At the same time, evidence was mounting that the adoption of Washington Consensus policies was not producing the accelerated development that the Berg Report[4] had promised. Initially there were attempts at denying that African countries had indeed adjusted, but this proved untenable. By the mid-1990s, African and Latin American countries had made dramatic policy shifts: they had reduced inflation and the size of the public sector, liberalized their economies, opened up trade, privatized public enterprise and so on. With some signs of recovery in the early 1990s, the leaders of the international financial institutions went on a road show to proclaim that adjustment was finally working. [5] However, the celebration was turned out to be premature as the "Asian financial crisis" put paid to the signs of recovery. This policy failure led to the question: *"How come that even when countries have adopted the recommended policies, economic growth does not resume?"* A wide range of reasons were advanced. The list included lack of social capital, poor human resources, bad economic policies, ethnic diversity, unfavourable geographical location, "wrong" religions, "debt overhang", colonial background and mode of European settlement. These explanations ultimately fell into two camps: one that insisted that "institutions rule" and the other that insisted that "geography rules".

Almost immediately, the "institutions rule" school gained the upper hand, bolstered by the seminal work on institutions and economic change by Douglas North, the Nobel Laureate. Although in its 1989 report on Africa,[6] the World Bank had argued that "bad governance" was the culprit, this idea did not really catch on until after the mid-1990s, when it was argued that African countries did not provide the conditions propitious enough to attract both local and foreign private investment. In the more fundamentalist "rule of law" rendition, what were missing were institutions that would insure "property rights". It is important to bear in mind that the macroeconomic policies themselves were taken as sound but what they needed was appropriate institutions.

And so by the mid-1990s, "institutional reforms" - or "good governance", as this was popularly known in donor circles - became the new mantra in the policy world. A wave of institutional reforms swept across the continent. Central banks were made "autonomous", laws were rewritten to secure private property, stock markets were introduced, private-public partnerships were set up as the New Public Management was de rigeur and governments were trimmed down. And in a number of countries, democratic institutions were set up. Already by the beginning of the millennium, there were increasing doubts about the "institutional fix" and the institutionalists began to lose ground. While many countries had, under the aegis of the IFIs, introduced major institutional reforms, the economic recovery remained anaemic.

This prompted the new question, *"Why is it that even when countries adopt the recommended polices and the right institutions, economic growth does not take place?"* There have been two responses to this new question: one is that "yes, institutions rule" but the institutions peddled by the IFIs were the wrong ones, partly because of their insistence on one-size-fit-all institutional design, and all institutions should be harnessed to the protection of property rights. These institutions differed radically from not only those behind the East Asia miracle and China but also from those of any successful case of development in modern times. Indeed, some of the institutions being pushed as prerequisites for development (independent central banks, effective patent laws, stock markets) never served the functions attributed to them and successful "late industrializers" assiduously avoided them. No wonder the insistence on these institutions today is thus considered tantamount to "pulling the ladder", to quote the title of Ha Joon Chang's eye-opening book.[7]

3. Geography Rediscovered

Another response to the failure of policies, and one for which Jeffrey Sachs is a prominent spokesperson, is that institutions might not be enough after all in the context of severe physical barriers. Somewhere on his path, Jeffrey Sachs underwent something of a Pauline epiphany and discovered that his preoccupation with inflation had blinded him to geography. His writing gravitated from "getting policies right" to something that can be called "getting geography right". Already in some of his earlier work, one finds intimations of geographical determinism. Geography could go wrong in at least two ways - through its effects on governance and institutions or through the economic costs it imposed. A country could be richly endowed in natural resources, but according to the "Resource Curse thesis", this only produced "rentier states" that tend to be unaccountable to the citizenry and are generally prone to poor governance and waste. Jeffrey Sachs's drift towards geography started with this perspective. However, by the end of the 1990s, he had drifted toward the position which argued that a country could be disadvantaged by its location far from trade routes, in unhealthy climate and areas prone to natural disasters.

This now led Sachs to the view that Africa's distinctive climate and location, and especially its proneness to malaria, were possible explanations to the continent's atypical economic behaviour and performance. Its semi-arid climate and its reliance on rain-fed agriculture made agricultural production intrinsically vulnerable to the caprices of nature. Africa also has a large number of land-locked countries, which further hindered growth. The conclusion was that economic development in tropical ecozones would benefit from a concerted international effort to free the continent from the grip of unfortunate geography through health and agricultural technologies specific to their needs.

To compound the problems of geography, a consequence of the Washington Consensus was the dramatic reduction of investment in infrastructure on the grounds that (a) the private sector would take up the task, or (b) good policies were to precede investment in infrastructure. The insistence by African policy makers on increasing investment was dismissed by World Bank economists as "capital fundamentalism". In its 1989 report,[8] the World Bank argued that "lower levels of infrastructure and other factors do not pose significantly greater constraints to supply response in Sub-Saharan Africa". This policy position led to catastrophic decline in public investments in infrastructure and contributed to the ineffectiveness of the policies themselves. How could peasants increase production in response to market liberalization when the road network had collapsed?

Sachs vehemently denies he is a geographical determinist and, given his rather eclectic intellectual itinerary, he may have a point. He actually insists that support should go to well-governed countries. Sachs's protestations seem to be based on a misunderstanding. Geographical determinism does not mean that societies cannot do much about their situation; it simply means that the central agenda of a society is set by geography. To the argument by institutionalists that if geography has an effect on long-term growth, its major impact is due to the long-lasting effect on institutions, Sachs's response has simply been that "institutions don't rule: geography matters".

His protestations notwithstanding, Sachs is firmly rooted in geographical determinism in the case of Africa (although maybe less so for other regions of the world). Thus, he states that "geography has conspired with economics to give Africa a particularly weak hand" (p. 208) and "the combination of Africa's adverse geography and its extreme poverty creates the worst trap in the world" (p. 208). Sachs challenges the view that Africa's governance is worse than that of other underdeveloped regions. His point is that (a) Africa is governed poorly because it is poor; and (b) there is distinctly slower growth in Africa even after allowing for the quality of governance and level of income. From this he argues "the slower growth is caused…mainly by Africa's adverse geography and deficient infrastructure".

4. What Next?

The challenge, as Sachs sees it, "is to unravel the interconnections between extreme poverty, rampant disease, unstable and harsh climate conditions, high transport costs, chronic hunger and inadequate food supplies." This should be no cause for despair. He now heads a huge, interdisciplinary team (the Earth Institute, based in Columbia University) that seeks to link such things as soil depletion, climate change, epidemic disease and social upheaval to economic well-being. He has learnt from "knowledgeable colleagues" that there were technological fixes to all these problems—antiviral drugs, mosquito nets, rural electrification, roads, and so on. And as luck would have it, he received "an important new opportunity to put these new ideas into practice", namely, as advisor to the United Nations Secretary-General on the Millennium Development Goals (MDGs). He immediately launched a new Millennium Project that would do the analytical work for the MDGs. Quite remarkably and with no sense of the absurdity of the situation, Jeffrey Sachs informs us that "All of the UN Millennium Project work has depended utterly on the Earth Institute" . That puts paid to the much-touted African initiative and also signals what is profoundly wrong about the book.

It is not too surprising that Sachs assumes a cavalier posture on the issues of governance, state-society relationships and the international policy regime within which development takes place. While he pays a rather perfunctory homage to institutions, he seems to believe that calls for good governance are largely externally driven. But this is wrong. African political actors, social movements and scholarship have for years expressed concerns with the problematic nature of state-society relations in Africa, or what came to be known as governance. The ongoing struggles for democracy in Africa are about changing these relationships as the sine qua non for development. Sachs may be right in suggesting that the bogey of governance is often used as a cop out for inaction and often in poorly veiled racist language, but this does not mean that the issues it points to - accountability, participation, justice - are unimportant for Africa or for other parts of the world.

Throughout his intellectual itinerary Jeffrey Sachs has not fundamentally questioned the macroeconomic policies that have produced the "two lost decades" in Africa and Latin America. Sachs, not one to admit easily to errors, nimbly moves away from positions that he once avidly promoted. On the standard package of the International Monetary Fund (IMF), he simply states, "The main IMF prescription has been budgetary belt-tightening for patients much too poor to own belts—finally, however that approach is beginning to change" (p. 74). He doesn't say how. We are thus left with an analysis that suggests the policies themselves are alright but greed by the rich countries, geography and some degree of bad governance are the problem. In this he may not be alone. The Group of Eight (G-8) meeting in July 2005 took a similar position, promising more resources and insisting on good governance from African leaders. There was not a word about the bad policies that have been rammed down the throats of Africans for over 20 years with no success. The Washington folks that brought us deflationary policies and the "low growth trap" left the G8 meeting not only unscathed but also empowered to certify countries' qualifications for debt relief by swallowing the same old nostrums.

5. "Poverty Trap" or "Policy Trap"?

Jeffrey Sachs believes Africa is caught "in the worst poverty trap in the world". More significantly he believes that "although predatory government can soundly trounce economic development, good governance and market reforms are not sufficient to guarantee growth if the country is in a poverty trap" (p. 195). Such "traps" produce "viscous cycles" reminiscent of the earlier literature in development economics: since people or countries are too poor to save, they cannot generate the surplus required for investment; they cannot have economic growth and so remain poor and unable to save. There are a number of problems with this reasoning. Many countries have generated higher levels of saving at lower levels of income than those of Africa today.

Indeed, African countries themselves had much higher levels of domestic saving in the 1970s than they have today. Under the new policies, much of the little surplus that there is is exported or wasted on speculative investments in real estate, shopping malls and treasurer bonds. Governments have no instruments for directing investments in priority areas nor for controlling the flow of capital in and out of the country. Africa has grown faster in the past than it has under the tutelage of the Washington Consensus.. This would suggest that Africa is not caught in a "poverty trap" but in a "policy trap", which if not removed, will frustrate any new initiatives, including the shock treatments against the ailments of geography. Foreign investments flow to countries with high savings, and unless African countries find ways of mobilizing their savings, they are unlikely to attract the required foreign investment or to stimulate domestic investment.

Jeffrey Sachs says nothing about equity. This is in line with the new view that "growth is good for the poor" and that one need not worry about equity issues. And so we have discussions of health and education issues not as aspects of social policy but as simply technocratic issues of delivery of drugs, notebooks and school benches.

Initially, the macroeconomic policy wonks in the World Bank opposed the emphases on geography and institutions because they left little room for them. However, now things look different: Jeffrey Sachs could not have come at a more appropriate time. Over the years, the World Bank had painted itself in a corner by forgetting that the very *raison d'être* of the World Bank was that the market could not finance the lumpy, long-term investments in infrastructure most of which had the character of a "public good" in which social returns exceeded private returns. If markets could indeed identify the socially necessary projects and finance them, as the World Bank argued in its adjustment programs, then there would be no need for development banks in the developing countries and, *a fortiori,* of the World Bank itself - "the mother of all development banks". These arguments have also left it with an increasingly "soft" portfolio of good governance, Poverty Reduction Strategy Papers (PRSP) and debt relief, and marginalized it from the real long-term financing. But the return by Jeffrey Sachs to the old argument about the centrality of infrastructure in development and the inability of markets to finance such long-term and lumpy projects opens up new opportunities. The World Bank has already signalled its return to the funding of infrastructure.

6. The Missing Africans

Jeffrey Sachs is at his best when debunking the often poorly veiled racist judgements ("prejudices and misperceptions") about African capacities, policies and institutions. He is also enough of an insider to clearly bring out the ideological and arbitrary nature of IMF impositions. What emerges from Sachs's account is an institution detached from the real problems of development but with enormous influence over the fate of millions of poor people, without a moral radar or sense of urgency as it "studies problems to death while an economy collapses" (p. 77). You would expect that from his analysis, Sachs would place Africans at the centre of the development policies. No! After patronizing encomiums directed especially at the grassroots, he allots the driving seat to international experts. Jeffrey Sachs has difficulties reconciling his insistence on geography and his penchant for the "great men in history" to suggestions that Africans have a role in all this. According to him, all it seems to take is a few men and women of wisdom and goodwill to notice a problem and do something about it. For example, it would take a call to the US Secretary of the Treasury to have Poland's debt written off, a chance meeting with George Soros to have a team of economists sent to rescue Poland, and a speech at a conference on HIV/AIDS to get the ball rolling on the Global Fund to Fight AIDS, Tuberculosis and Malaria.

This is perhaps not surprising: deterministic explanations have a tendency to downplay agency. In the worst case, the people affected by institutions or geography are deemed to be so programmed by inherited institutions or nature that they cannot be expected to lift themselves by their own bootstraps. From there, it is easy to jump to the conclusion that "external agents" are required. Technology takes on this role of deux ex machina and aid is the lubricant. Africans are supposed to watch as foreigners dredge the swamps, tear through the forest to construct roads, traverse the continent to vaccinate all the children, lay down communication lines and distribute bed nets in Africa's remotest villages.

There is no room for social history and social movements. References to social movements are at best perfunctory. Africans themselves play a minor role in the Sachs scheme of things. But history teaches us that success against poverty has been most rapidly achieved not only when the powerful have concluded that its eradication is in their interest, but when the weak have sought justice through social action. In his analysis, there are no individual Africans with their strengths and foibles. His appeals to "grassroots" have a surreal quality to them: they are based on his sporadic forays into areas where the poor live, and listening to what seem to be well-organized, if not well-orchestrated, encounters with the poor. The result is that the poor emerge as a one-dimensional undifferentiated mass, devoid of any social existences. Consequently, his bottom-up approach has little meaning.

Finally, the book is important not so much for what it says about poverty as for what it tells us about the debates on aid, the state of knowledge (or lack of it) about development, and the perceptions of the role Africans should play in the development of the continent. If Sachs is receiving star billing, it is not because of the originality of his ideas. With respect to Africa's problems, similar arguments have been made as passionately by Africans. The case for fixing Africa's infrastructure was forcefully made by Kwame Nkrumah, the Lagos Plan of Action and now by the New Partnership for Africa's Development (NEPAD). It was the Africans who placed the issue of "landlocked-ness" on the international agenda. But as it turned out, there was no regional or international financial agency interested in such regional projects. However, since economic ideas that win out in policy circles are not necessarily the right ones but those that have the most political resonance in political circles, it may be that Jeffrey Sachs's standing will have finally made the case convincing. But this in itself is symptomatic of the problem - the denial of Africans' understanding of their problems and the failure to take their suggestions seriously on how to proceed. There are two possible salutary effects of the book. First, it might revive interest in the issues that were the staple of development economics - structural constraints, resource mobilisation, coordination failures and the role of the state. Second, it might help bring to an end the "mission creep" that has led the World Bank into areas where it has displayed remarkable incompetence (governance, health policy and educational reform, culture, "social capital", religion) and get it back to where it belongs: financing long-term investments in social and physical infrastructure. For those who have followed debates about development in Africa over the last half-century, the book will not only elicit a sense of déjà vu (or rather, déjà lu) but will also ring as an indictment of Africans themselves for not taking their own understanding of their situation seriously and for not being steadfast in the pursuit of their projects.

Notes

1. The words in inverted commas in the last three sentences were the staple of "development economics" in the 1950s and 1960s.
2. Jeffrey Sachs, "Growth in Africa: It can be Done," *The Economist* (1996), 19-21.
3. Jeffrey Sachs and Andrew Warner, "Sources of slow growth in African economies," *Journal of African Economies*, 6 (1997), pp. 335-76.
4. This was the popular name given to a 1981World Bank report entitled *Accelerated Development in Sub-Saharan Africa: An Agenda for Action.*
5. See Thandika Mkandawire, "Maladjusted African Economies and Globalisation," *Africa Development*, XXX, 1 & 2 (2005).
6. World Bank, *Sub-Saharan Africa: From Crisis to Sustainable Growth: A Long-Term Perspective Study* (Washington DC: World Bank, 1989).
7. See Ha-Joon Chang, 2002, *Kicking away the ladder : Development strategy in historical perspective* (London: Anthem, Ha-Joon).
8. World Bank, *Adjustment in Africa: Reforms, Results and the Road Ahead* (Washington D.C.: World Bank, 1994).

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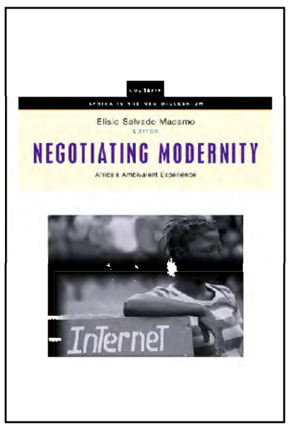

Negotiating Modernity:
Africa's Ambivalent Experience

Edited by Elísio Salvado Macamo

Published 2005; 256 pages; ISBN: 2-86978-147-4

Africa has been through a particularly ambivalent experience of modernity. Previous research has tended to emphasize its alien nature in Africa and how it has been resisted. This book seeks to show how this tension and the impulse to modernity have contributed to changing African society over the past one hundred years. The contributors look at how Africans negotiated the terms of modernity during the colonial period and are dealing with it in the post-colonial period. They argue that the African experience of modernity is unique and relevant for wider social theory, offering valuable analytical insights. The cases presented cover labour, land rights, religious conversion, internal migration, emigration and the African diaspora

The Contributors: Elísio Macamo, Julani Niaah, Cassandra R. Veney, Alda Romão Saúte, Francis Njubi Nesbitt, Ines Macamo Raimundo, Samwel Ong'wen Okuro, and Ekuru Aukot

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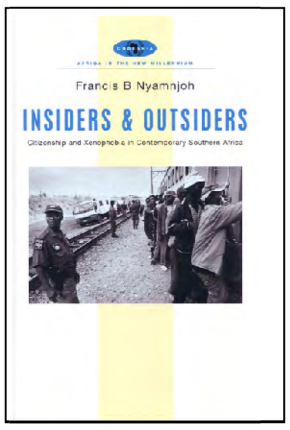

Insiders & Outsiders:
Citizenship & Xenophobia in Contemporary Southern Africa

Francis B. Nyamnjoh

Published 2006; 288 pages; ISBN: 2-86978-155-5

Nyamnjoh's new book about the heightened xenophobia that both exploits and excludes is an incisive commentary on a globalizing world that reaches down into the grassroots of so many societies with consequences for ordinary people's lives that have received all too little attention. He meticulously documents the fate of immigrants and the new politics of insiders and outsiders in these Southern African societies, at the same time delivering a telling commentary on the global rhetoric of open societies in an era of increasing closures and exclusions.

This work is an original and perceptive study of issues that resonate in countries across Africa and the globe. As globalization becomes a palpable reality in the bodies of people in transit, citizenship, sociality and belonging are subjected to stresses to which few societies have devised a civil response beyond yet more controls. The latter in turn are subverted and nullified, so that, as in Botswana and South Africa, a world is developing where conflict and flux underlie a superficial global progress.

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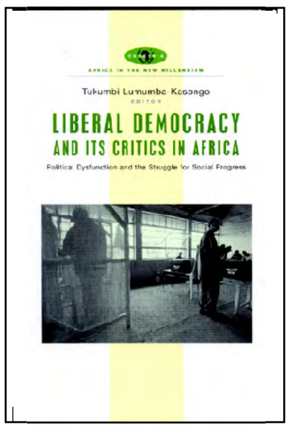

Liberal Democracy and Its Critics in Africa:
Political Dysfunction and the Struggle for Social Progress

Edited by Tukumbi Lumumba-Kasongo

Published 2005; 256 pages; ISBN: 2-86978-143-1

The institutional forms and process of democracy are spreading in Africa as dictatorial regimes have been forced to give way. But democratic form and democratic substance are two different things. Western derived institutional forms are neither necessarily the most appropriate nor the most practical in the current African context, and rooting democratic norms in African political cultures raises socio-cultural questions. This book draws on the experiences of particular African elections and countries to explore the continuing impact of police state apparatuses; the factors influencing voters' attitudes and behaviour; the impact of incumbency on electoral competition; women's participation; and the lack of choice in party programmes. The fundamental issue is whether democratic processes as currently practised in Africa are really making any difference.

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