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## **THE MILLENNIUM DEVELOPMENT GOALS AND GLOBAL POVERTY:**

In September 2000, 147 world leaders got together at the United Nations. We started the new millennium with - we ought to think big, we ought to think ambitiously about what we can do to make the new millennium a success after so many disasters in the 20<sup>th</sup> century. One of the things that they took on was the challenge of extreme poverty in the world. They said that there's absolutely no excuse, no reason any more why there should be people that are literally dying because they're too poor to stay alive. They adopted a series of goals that were part of the millennium declaration. Those goals were then encapsulated in what are called the millennium development goals, eight major headlines which said that the world is committed to reducing absolute poverty. And they put some timetables and numbers on those goals, mainly to reduce by half the amount of poverty, hunger, and lack of access to basic services such as water by the year 2015. Compared with the proportion of people that were in that condition, in other words, extreme poverty or hunger, as of 1990.

What's extremely important about these millennium development goals is that they are an international commitment arrived at by this vast assemblage of world leaders and subsequently confirmed by all of the members of the United Nations. They're commitments both of the rich and the poor countries. They're commitments not only to seek to achieve these goals but actually to operationalize ways to address them in part by partnerships between rich and poor, and by increased foreign assistance. I liked the goals because they have timetables attached to them. So it gives some leverage, to those of us who think this can be done, to actually get the job done by saying we have a timetable, we have goals, internationally agreed to by 2015, measurable, monitorable targets.

If one asks: will these goals be met, the answer is it depends on choices that we make now. I think there's not a country in the world still as of 2003 that could not meet all of the goals by the year 2015 if given sufficient assistance and with sufficient consequence and good governance internally. Now that's saying a lot.

We know how to do it. We're rich in the United States and Canada and Europe, in Japan and so many other parts of the world, that if we made even a modest effort towards these goals, helping countries make the investments, whether it's in bed nets for malaria or whether it's in wells for a safe drinking water or whether it's in rural infrastructure improvements to raise farmer productivity to alleviate hunger. One can think systematically about what needs to be done, about where people are excluded or outside of the international economy, of what's keeping them back and then target a series of policies and investments over a period of a dozen years to be able to achieve these goals.

And it takes a reasonable amount of money but not a lot of money compared to the vast wealth of the rich world. This for me is the deepest truth of our common fate on the planet. The rich have gotten so rich and the poor are so desperately poor that even tiny amounts from the rich as a fraction of their vast income and wealth could make all the difference for people that are dying of their poverty right now. Less than one percent of the income of the rich world could enable the impoverished world to achieve the millennium development goals. Less than one percent of our annual income. But since we're not ready to look these facts squarely in the face, it seems, we're avoiding even that kind of action. We make commitments, we say sure we'll give more money but by the time our political leaders duck the issue, the money is apparently nowhere to be found.

I chaired a commission for the World Health Organization. It was the commission on macro economics and health. We were charged with the question, first what is disease doing to development - and it's devastating development particularly in Africa but in other poor countries. But also what could be done about it practically. And we found two things.

One, there are a limited number of disease conditions which account for the vast gap between the health of the rich world and the terrible situation of disease in the poor world. Conditions like AIDS, TB, malaria, diarrhoeal disease, acute respiratory infection, mothers dying in childbirth, children dying of diseases that are preventable through immunization, micro nutrient deficiencies, very clear identifiable conditions killing millions of people despite the fact that there are preventative and therapeutic approaches that could dramatically reduce the deaths and the illness from this.

The second things we found is that while the poor countries cannot afford those medical interventions on their own, for the rich world, this would be a tiny effort that could translate into saving millions of lives. It's absolutely staggering to consider the fact that for about 25 billion dollars a year according to the detailed calculations that the experts in this group made, experts of the London School of Hygiene and Tropical Medicine, really the top of the game in internal public health, very carefully done, for about 25 billion dollars a year of medical investments and public health investments, it would be possible to save eight million people a year. This is unbelievable.

Now 25 billion sounds like pretty big amount of change but when you consider the fact that the rich world is a 25 trillion dollar annual income rich world, 25 billion all of a sudden comes in perspective. That's one penny out of every ten dollars of our income. So if the rich world said, okay, we'll keep all these chips, nine dollars, 99 cents for us and a penny for you and did that for our annual income, you'd amass a 25 billion dollar pot of money and that would be enough to save millions of lives. And why don't we do it? Because our political systems are not looking at real solutions right now. We live in our country in the United States, in my country in the world of spin, where we're happy to announce we're doing this for AIDS, this for malaria, but no one is really in the US government actually analyzing seriously what we're not doing and what we could do and there's a reason for that. They're scared that the bill is too large. They just won't look at the evidence of how much could be accomplished if they just rolled up their sleeves and started to do something serious.

## **THE WASHINGTON CONSENSUS:**

The Washington Consensus is something that emerged in the early 1980s during the Reagan Thatcher era of pure free market ideology. It's a consensus that stretches all the way from 15<sup>th</sup> Street in Washington, all the way to 19<sup>th</sup> Street in Washington, but most of the rest of the world doesn't agree with it. So it's called a Washington Consensus, but it doesn't even embrace Washington. It embraces the part from the US Treasury at 15<sup>th</sup> Street through the White House at 16<sup>th</sup> Street, 17<sup>th</sup> Street is where they tend to have their lunches and 18<sup>th</sup> Street is the World Bank and 19<sup>th</sup> Street is the IMF. And for a long time this Washington Consensus was basically the policy framework of the US government with its vast influence on the institutions of the World Bank and the IMF.

It took the view that if something's wrong in poor countries, it's the fault of the poor country. So if you're poor, well you just, you don't govern yourself right. It must be your corruption. It must be your mismanagement. If you want to get better, well tighten your belts first, squeeze a bit, and pull yourself up by the bootstraps in this magical acrobatic act at the same time. And bring in the private sector.

Now like most misconceived things, there were elements of truth that poor countries often needed reforms. Poor countries were often fairly badly governed in economic and political terms. So the idea of responsibility in poor countries is real. But as a general diagnosis, what's needed to be done is poor countries to just fix themselves and to do it through privatization of everything in sight, was a terrible misdiagnosis based on ideology rather than evidence and based on what I've long believed the function of those Washington Institutions, the IMF and the World Bank were as seen from the view of the Treasury. And that was, they were kind of breakwaters to keep the poor away from the US taxpayer. So every time a poor country finance minister or president would show up at 15<sup>th</sup> Street at the US Treasury or 16<sup>th</sup> Street at the White House, they'd be told oh sure we'll help you. Go down to 18<sup>th</sup> and 19<sup>th</sup> Streets, to the World Bank and the IMF, they'll fix your problems.

And what they were told there for basically 20 years was, oh you're poor and hungry, no problem, tighten your belts. Oh, you don't have safe drinking water, well privatize. Oh, you don't have disease control, well tighten your belts some more. And somehow markets will get you out of this mess. And of course 20 years on, the markets did nothing of the kind, as powerful as markets are, they don't solve the problems of hungry disease ridden impoverished people who aren't even part of the world economy but are dying in essentially the economic isolation of their extreme poverty.

## **THE ROLE OF THE PRIVATE SECTOR:**

There's a role for the private sector in development and that's in places like production in manufacturing. I do not want the government to run the textile mill or the apparel plant almost anywhere. I can't really imagine that it would work very successfully. I don't like governments running hotels very much. I don't think they do a good job with the steel mills and electronics plants and so on. But I rather prefer the government to run the public health clinic, especially when impoverished people are there rather than believing that the private sector is somehow going to attend to the needs of the poorest of the poor. It doesn't happen anywhere in the world because

the poorest of the poor don't have the means to get their needs fulfilled by purchasing these services from private providers.

The question of water is another area where there's a pretty good presumption that there's a strong role for the state, certainly in making sure the water that's provided is safe and making sure the poor people can get access. Now most of the world, I shouldn't say most of the world, most of the very core of the world lack that kind of security themselves and they lack a government that has the resources to actually provide those services and so the remedy back in Washington, the Washington Consensus says well if the state can't do it and people aren't handling it on their own, somehow the private sector's going to solve this problem. But that's a big misunderstanding because the private sector is not going to meet the needs to the poorest of the poor people. Almost by definition - maybe if you twist around and make a complicated arrangement to ensure that the needs of the poorest of the poor are met, then a private sector that is otherwise attending to a middle class, could provide some services to the poor but they won't do it on market basis that's for sure because poor people don't have the market demand in order to be able to elicit that kind of response from the private sector.

In general markets respond to dollar votes, not to person by person votes. Markets can be perfectly inefficient and leave impoverished people to die.

There's a misunderstanding about economics that even very nice and very well intentioned people say that it's a market failure when impoverished people die and their needs are not met. That's actually not a market failure. Markets are doing what they do which is respond to people with income, not to people without income. It's a political failure, it's a social failure, it's an ethical failure but it's not necessarily a market failure. If you leave problems to markets, markets will not address the needs of the poorest of the poor. They won't even be recognized by the market forces. Markets function by responding to income demand and that's by people that have income.

Now markets can in some important ways be part of the process by which poor people stop being poor and start gaining income. Markets can provide jobs in which low skilled low wage workers find employment that gives them some income, that they can invest in their own skills and even more likely in their children's education and health and their children's skills. And so markets can play a long term role of helping to raise the incomes of very poor people. In fact they have to. But markets will not meet the water needs of poor people just by pitting a major water provider from the private sector together with a bunch of impoverished people. It's not their job.

### **THE IMF AND THE WORLD BANK:**

Now in the World Bank there's no doubt that at least at the top of the bank with the President Jim Wolfensohn, we're hearing something different and I think the same is true at the top of the IMF with managing director Horst Kohler. I do see though inside those bureaucracies, when I watch what they do on the ground, in these countries, there's more rhetorical change at the top than there is often change in practice at the ground level. But you have to start somewhere and I do see a change of at least of mood and the end of that aggressive period of the Washington Consensus where they could insist, this is it, this is it, this is the only way forward. They know that it didn't work actually for the poorest of the poor. They've been reflecting that in documents.

We're trying to help move them along with some new ideas and some new approaches and to break the ideological lock that this rather extreme free market Reagan Thatcherite philosophy had. Ironically not just during the '80's but into much of the '90's as well.

## **PRIVATIZATION OF WATER**

Water is a basic human need and without safe, clean drinking water people don't live very long. So we have to find ways to ensure that everybody on this planet, even the poorest of the poor that don't have the income to pay for metered water, have access to safe water. The markets by themselves won't do it. That's for sure.

It's not the business of private business to provide something to people that can't afford it. A private firm that is operating under a kind of concession contract that's told: You have to provide water and here's the subsidy for you to do it could conceivably do it. And I can imagine in some cases where that might make sense.

But water as a utility of local communities or local government can be a very direct and very effective way to ensure access of the community to water. Even there you probably want to ensure that it's effectively used and above a certain amount available for everybody and that there's metering and rationing of what, after all, is a scarce resource.

What we need to do is have direct concerted policies which really ask the question: Whether in the context of a privatization or not, how are you going to ensure that the bottom of the income distribution, the very poorest people, are going to get water? And often the best answer to that is a municipal utility or an urban water service that's public rather than private.

So where did this urge for privatization come from? Party ideology. And it's partly powerful corporate interests, no doubt. A lot of very powerful companies got into the game. They thought they were going to get involved. They find their ways into the votes of the IMF and the World Bank. There's no doubt about it. I've seen it on many, many occasions. There's well documented corruption in the process of water privatization in deals in Indonesia and elsewhere where powerful interests sided from the outside sided with powerful interests inside, and then were given a boost by the international agencies.