

POVERTY REDUCTION POLICIES FOR FIJI

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“There is a broad consensus that the levels of poverty have worsened and show little sign of abating. It is a potential threat to social peace as well as limiting the potential of a good portion of our citizens, condemning them to a life of dependence and little dignity”.

Ratu Joni Madraiwiwi, 2006

Introduction

This quotation from the Foreword of Wadan Narsey's 'Just Wages for Fiji: Lifting workers out of poverty' by the former Vice President of the country, clearly makes the point that impoverishment in the supposed 'paradise' has been increasing during the post-colonial period.¹ Three Household Income and Expenditure Surveys (HIES), the most recent being conducted in 2003, confirm this trend. The country's position in the United Nations Human Development Index (HDI) ranking has declined from 45 in 1994 to 90 in 2004. As in other countries of the world, poverty in Fiji has multiple causes and therefore requires a multi-pronged and integrated policy approach to be effectively countered. In this paper, a brief mention is made of increasing inequality and worsening poverty trends and a range of policy options are suggested.

These policy recommendations are based on consultative work in collaboration with various government departments, NGOs, faith-based groups and charitable bodies. The consultations were conducted in the period 1999 to 2000 to compile the National Poverty Eradication Strategies Report for the Fiji Government's Ministry of National Planning.² The government will need to redouble its efforts to ameliorate poverty if the current trend is to be reversed. Such increased effort is necessary for the country to meet

¹ It is noteworthy that many exotic tourist places including Jamaica and Thailand have highly unequal income distribution and large proportions of their populations in poverty.

² The National Poverty Reduction Strategy Team comprised of Vijay Naidu, Fr Kevin Barr, Kesaia Seniloli and Robert Lee. The UNDP (Suva) provided funding for this project. A draft of 'Fiji's National Poverty Alleviation and Eradication Strategy' Report was submitted to the Ministry of National Planning. The May 2000 coup, resulted in a massive decline in the rationale of the policy-maker for implementing effective poverty reduction policies. In the post-2000 period many racially motivated and exclusive affirmative action policies in favour of ethnic Fijians were implemented.

the minimal Millennium Development Goals (MDGs) of halving extreme poverty and hunger by 2015.

MEASURING POVERTY: POVERTY ON THE RISE

There are different definitions of poverty and ways of measuring it. There are also many disagreements on the appropriateness of indicators that represent the true picture and extent of poverty. For instance, the World Bank's dollar a day poverty measure is generally used to indicate extreme poverty but this is also widely criticized (Pogge and Reddy, 2002). Virtually all national measures of poverty adopt monetary poverty lines. However, poverty is more than an income level that fails to meet basic human needs; it has economic, social, cultural, political and psychological dimensions. Together, these have the impact of excluding, marginalizing and disempowering various categories of citizens in a country from enjoying fundamental human rights and dignity. In its most entrenched form, it is likely to be intergenerational, condemning children to grow up and live in poverty and raise children of their own in the same conditions.

Sen (1985) has maintained that poverty is capacity deprivation. He conceptualized the capability approach that assesses the functionings of people in society with the enhancement of capacity as critical to improving the lives of those afflicted by deprivation. With improved nutrition and education for instance, the capability of individuals improve significantly and their functioning in wider society also enhances.

On the basis of this definition of poverty and deprivation, the HDI brings together life expectancy, literacy and per capita income to form an indicator that measures the macro-conditions of countries for comparison at the global level. In this way, countries are given positions in the hierarchy of collective wellbeing. While the World Bank and Human Development Report focus on poverty, Sen seeks to promote the capability dimensions of poverty and deprivation, and therefore, argues that more factors be added to the composite indicators for better measurement.

In the case of Fiji, it is apparent that whichever approach or measure is adopted, the trend is of increasing poverty. The HIES in 1977, 1991 and most recently in 2002-3 have shown growing numbers and proportions of people falling into poverty. Over this period the proportion of households in poverty rose from 11% in 1977 to 25% in 1990/1991 and to nearly 35% in 2003. Both the Asian Development Bank study of 2004 and the analysis of 2002-3 HIES by Narsey (2006) show that more than 30 percent of Fiji's people are below basic needs poverty line. Barr and Naidu have maintained that official poverty figures tend to use yardsticks that downplay the level of deprivation (for instance the basket of food items included in the food poverty measures). Their view is that close to 50% of the population struggle with varying degrees of poverty with the same proportion of households earning incomes below \$8000 a year³.

From Narsey's analysis of wages over the 30 year period from 1971-1999, it is apparent that 'poverty wages' are being paid to more than two thirds of wage earners in formal employment. "The proportions of all wage earners below the 1997 Basic Needs Poverty Line increased from 31% in 1978 to 69% in 1989 and further to 71% in 1999", (Narsey, 2007a, viii). The absence of just social wages generally impacts on households

³ The 2008 Budget has increased the tax threshold to \$9000, adding another 500 households in the category of those not required to pay income tax.

negatively, but there are gender and age dimensions within households that adversely affect women and children. There is also on-going feminization of poverty, which is reflected by the proportion of poor households headed by women. Narsey further states that the cost of closing the poverty gap has also escalated considerably. According to his findings the poverty gap increased from 11% of the total wage bill in 1984 to 27% in 1989, and 32% in 1999. The largest proportions of these adjustments were in the private sector. The manufacturing sector, and service sector, comprising wholesale, retail, hotels and restaurant accounted for about 90% of the total adjustments. Narsey has maintained that during the post-colonial period, over a billion Fijian dollars has been transferred from workers' wages to employers' profits (Narsey 2007a).

Thus, a significant poverty alleviation policy relates to the wages that are being paid currently to workers and how best to bridge the poverty gap. However, as indicated earlier, while earnings and livelihoods are fundamental to addressing poverty, poor people suffer from multiple disadvantages. A major factor in their predicament is the high incidence of inequality in Fiji (Brookfield, et al. 1978; Government of Fiji and UNDP 1997; Narsey 2006; 2007a; 2007b). Inequality and impoverishment are closely entwined. This inequality is based on ownership and access to assets such as land and other natural resources, as well as ownership of businesses. Lack of opportunities such as access to credit facilities, education and employment are the main courses of social exclusion. The other dimensions of deprivation in Fiji are lack of access to services such as safe water, transport, communication, and health.

Those who make the small upper and middle class crust, besides owning and controlling most of the resources, have a disproportionately large influence in decision-making in both the private and public sectors. Public policies tend to benefit them rather than the wider society, causing greater disparity.

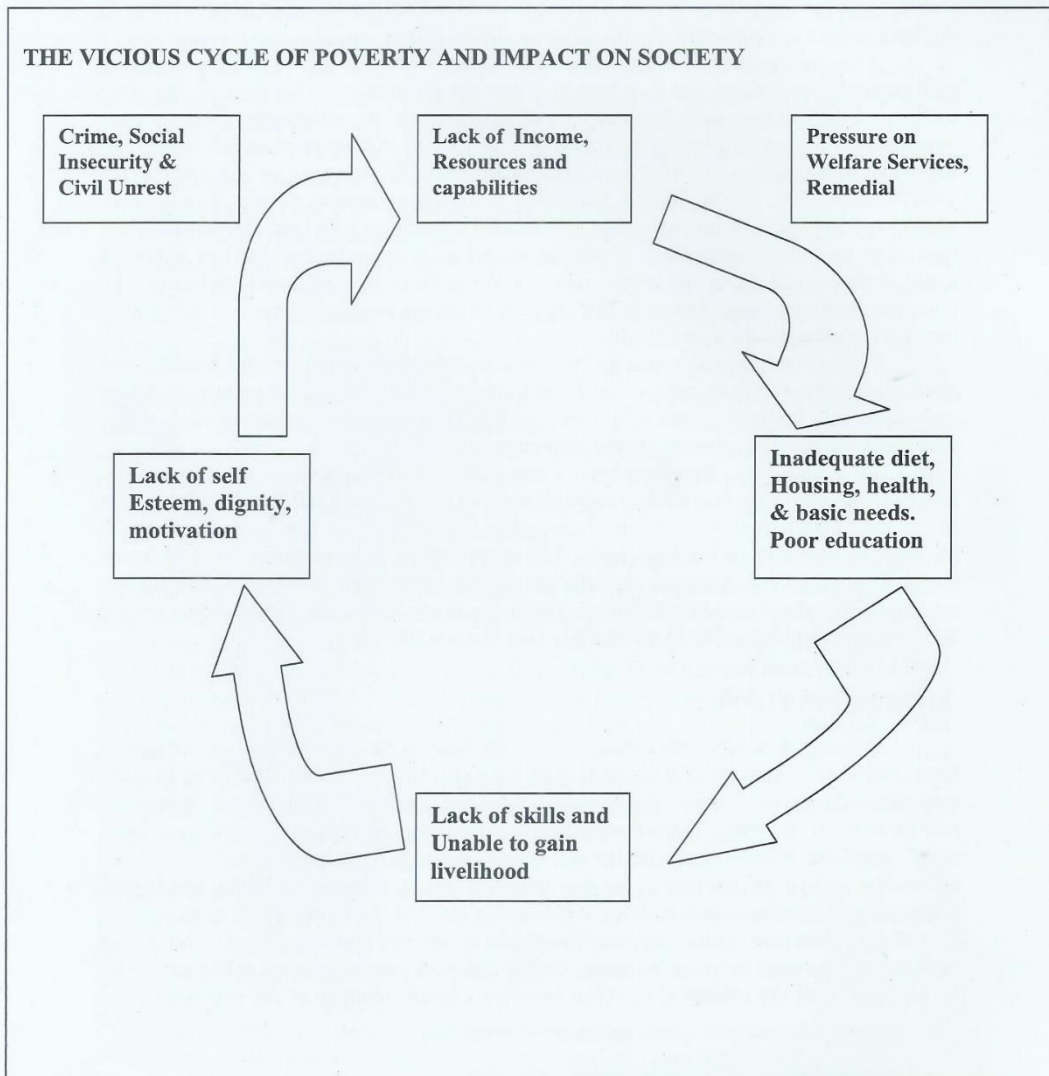
For a long time, there has been a preoccupation with ethnicity and this has not helped in the understanding of the nature of poverty and inequality in Fiji. Rural dwellers in Fiji have lesser wealth and political clout than urban dwellers. The level of poverty is also generally higher in the rural areas. The recent trends towards greater market based and private sector-led economic growth has further aggravated the state of deprivation amongst these depressed communities. There are many dimensions to poverty; gender and age seems to be gaining focus recently (see Narsey 2007c).

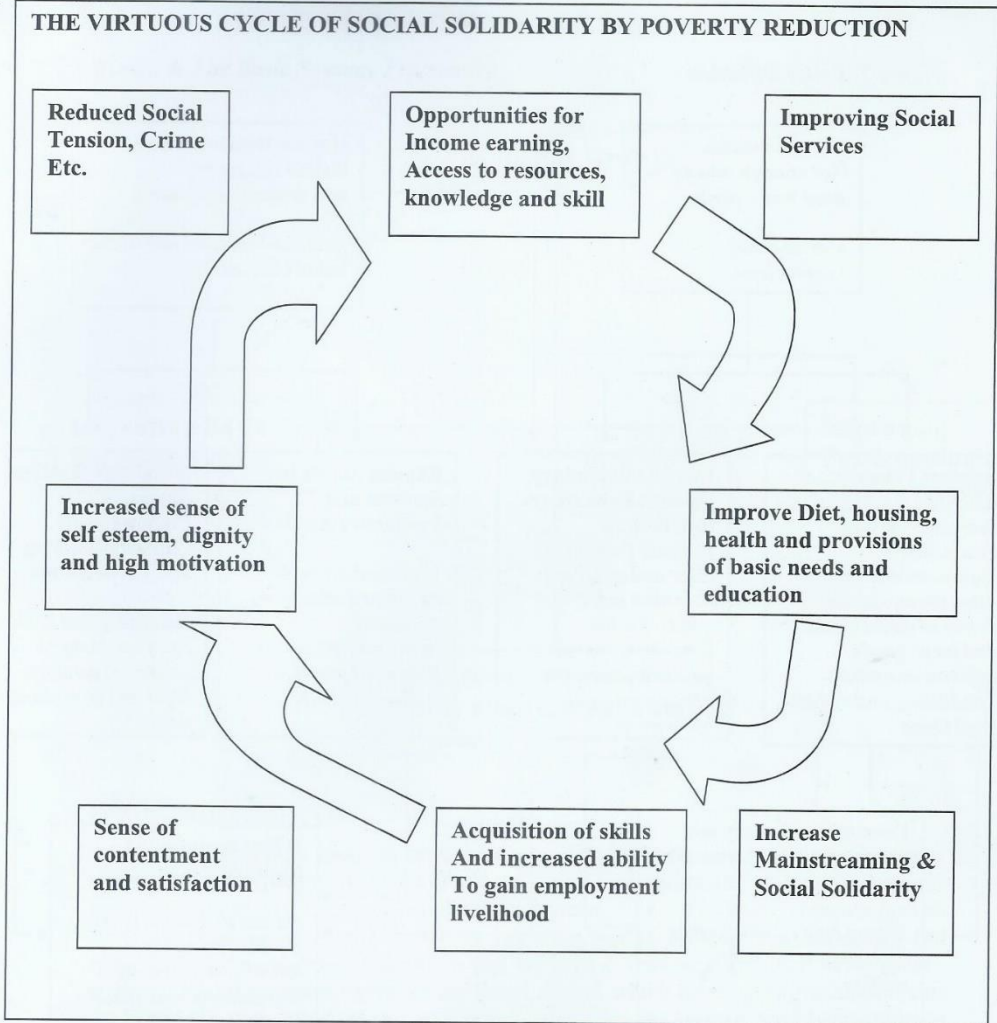
ADDRESSING POVERTY

Although a number of officially endorsed reports on the extent of poverty have been made, and recent general election campaigns in 1999, 2001 and 2006 have focused on addressing poverty issues, there is little systematic effort at dealing with inequality and poverty. If anything, the piecemeal policy measures to reduce poverty have been contradicted by reforms inspired by neo-liberal ideology and by ethnically exclusive affirmative action programmes. As this paper is not a critique of either neo-liberal reforms or affirmative action policies, it suffices to say that the former seeks to reduce the size of the public sector economy and thus public sector employment. These reforms also seek to cut the social services including the provision of state sponsored safety nets. The latter, against all the evidence, in effect benefits a small minority at the expense of the

majority of the very 'race' that the affirmative action programmes seek to uplift (see Ratuva 2000 and Kumar 2007-this issue).

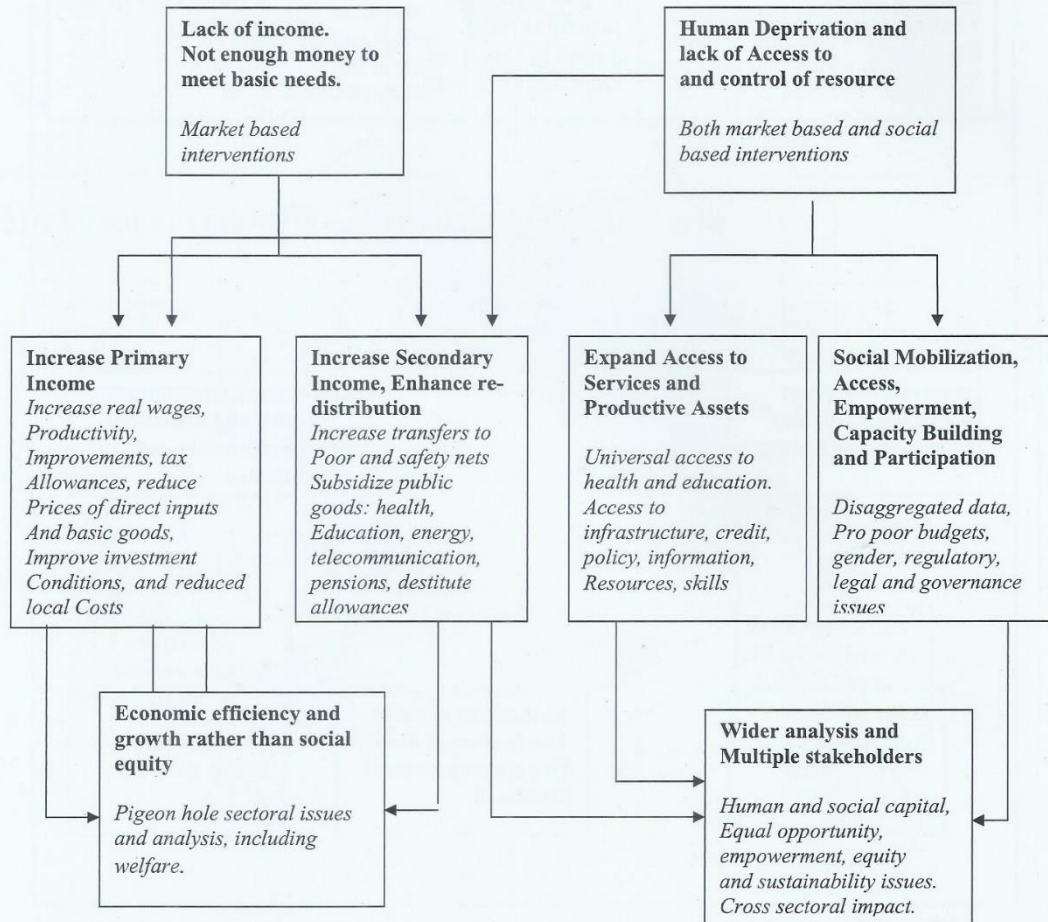
More positively, the greater awareness of poverty and its consequences provide the context for more serious deliberation and adoption of policies and measures that reverse the trend of more and more people falling below the poverty line. The following flowcharts illustrate diagrammatically the vicious cycles of poverty to justify pro-poor policy-making. As they are reasonably self explanatory, there is no further explication.





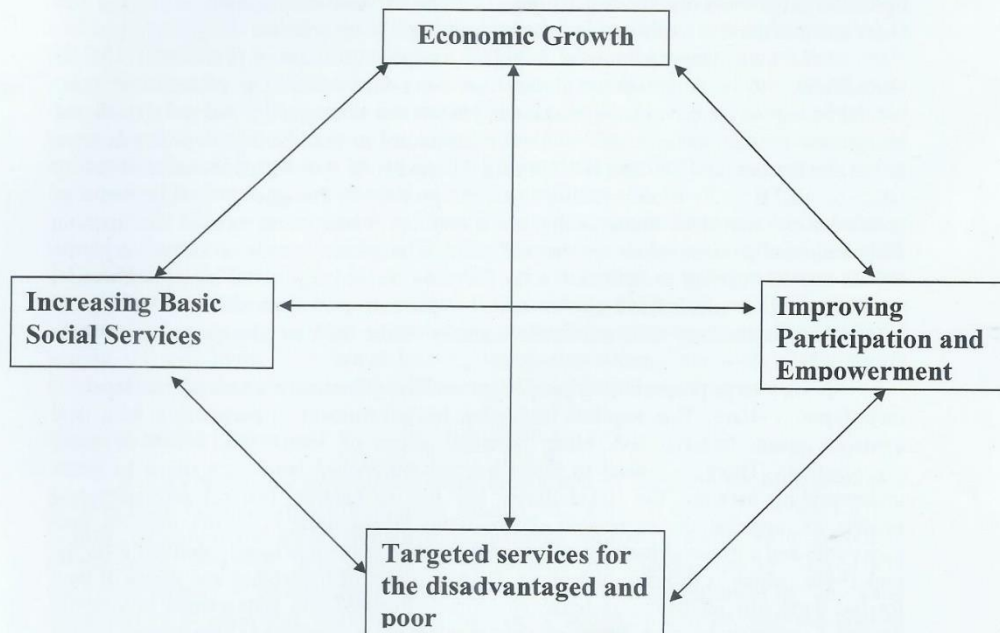
As indicated above, there are various ways of looking at poverty. When it is viewed as lack of an acceptable level of income, then increasing incomes by expanding economic activities are seen as the primary remedy. However, when it is viewed in a broader structural framework encompassing human deprivations, strategic choices will include both economic measures as well as building human capabilities. Both, the narrow and the broader structural policy directions are provided in Figure 3:

Figure 3: Policy Direction



There are four core policy areas that comprise the strategic framework for poverty reduction. These are: a) economic growth; b) increasing basic social services and social development; c) improving participation and empowerment; and d) targeted services for the disadvantaged in society. These basic areas of concern and their links are put into a diagrammatic form in the flow chart in Figure 4.

Figure 4: The Basic Strategy Framework



ECONOMIC GROWTH

Fiji's economy needs to grow at a rate of 5-10% annually to generate revenue, employment and livelihoods that will address income inequality and poverty (see various Reserve Bank of Fiji statements since 2000; Narube, 2006). Pro-poor economic growth strategies must entail growth in labour intensive sectors such as tourism, hotels and restaurants and agriculture. Tourism in Fiji has been dominated by foreign travel agents, airlines, ground transport operators and hotel chains, which have led to minimum gains for local industries. Tourism and related industries have, on average, paid below poverty line wages to workers with increasing proportion of casual workers who are unable to claim cost of living adjustments (COLA), pension schemes and other benefits (St John Ives and Naidu, 2006). Fair wages and improved terms and conditions of employment remain issues in the tourism and related sectors.

Fiji has a comparative advantage in agriculture, however, it has not done well in the recent past. Besides issues of diversification of commodities, improvements in infrastructure such as roads and transportation, access to markets, perseverance techniques and storage, meeting international standards, extension services, credit and research towards diversification and organic farming are needed. There has also been a fundamental problem of land tenure that has not been formally resolved. The expiry of agricultural land leases and the lackadaisical government support for evicted farming

families have discouraged farmers. Lack of initiative to provide land for resettlement and training for alternative livelihoods, have contributed to a sizeable decline in commercial agriculture. For example, the sugar production has declined substantially in the last few years and this trend is likely to continue without significant reforms.

Land ownership and control is highly unequal as is access to natural resources (Brookfield, 1978). Although customary and communal ownership of land and other natural resources appear to have ameliorated the extent of inequality and poverty among indigenous Fijians, there is still enormous inequality in the sharing of proceeds from leases for tourism and commercial farming. Inequality in this regard includes the share taken by NLTB as its administration costs, the proportion that goes to various ranks of chiefs and the miniscule amounts that are shared by ordinary members of land owning units. Mataqali groups include women and youth who generally appear to have very little say on matters relating to land use or the incomes derived from land leases. Influential families and individuals have also in recent years increased their share of 'communal land' which is unlikely to revert to the custody of the land owning group as a whole (Ward, 1997).

A very large proportion of people are landless. Their access to land is critical for their future welfare. This requires leadership by government in partnership with land owners, tenant farmers and other potential users of land, and non-government organizations. There is a need to move beyond entrenched land legislations to better understanding between the stakeholders. For this to happen, better information and models for negotiation are needed. There is an urgent need for better data on land ownership and control. What is available in the public domain is largely derived from the mid-1960s, which is grossly inadequate. Data on types of ownership and usage of land for the three official tenure systems: customary, freehold and state-owned is urgently needed. Ownership by each ethnic category against other variables is also needed so that political manipulation and mis-information can be avoided. There is a need to institute disincentives for keeping cultivable land idle. This would be possible if the opportunity cost of land increases.

There is considerable scope for various types of commercial farming in Fiji that produces crops for local consumption and exports. Locally, several opportunities exist to substitute imports of meat, dairy products, rice and vegetables (see Yee Wah Sing, 2007). Robertson (2006) has pointed out the potential market for fresh locally produced vegetables and fruits to tourist hotels and resorts along the coral coast. He has called for support to producers in the Sigatoka valley, the 'salad bowl' of Fiji to establish better links with the tourist industry. There have been some initiatives in this direction in the past, but much more can be achieved. With further decline anticipated in the sugar industry, there is considerable advantage in diversifying the agricultural sector.

However, as has been observed by the Fiji Poverty Report (1997) and Narsey (2007a), a majority of the poor in Fiji are wage earners. Their wage rates need to be much higher than what they are at the moment. Women are clearly the victims of low wage phenomena in Fiji where 68% of women in employment are working poor, which is an evidence of the feminization of poverty. Narsey (2007a) argues that there is a need for Wage Councils to be more effective and accountable to establish a mechanism for better redistribution of income by the market system. Tax reform is necessary to eliminate the regressive and punitive taxation system. Ability to pay system should be brought in for

government services so that those who are disadvantaged may be fully or partly subsidized.

Fiji has undertaken major tax reforms since 1992 mainly to reduce both personal and corporate taxes, and lower the fiscal duties and replace it by value added tax (VAT) of 10%. The VAT is nondiscriminatory and until the most recent coup, there were insignificant exemptions and is regressive and impacts negatively on the poor much more than higher income earners. This tax system has increased recently to 12.5%, which the deposed government had approved to increase to 15%. This has been put on hold by the current interim administration. However, the lifting of the threshold income progressively from around \$6,500 in 2001 to \$9,000 in 2008 is positive.

With respect to progressive forms of taxation, government needs to institute capital gains tax as there have been significant increases in property prices in a short period of time. Profiteering in this sector is high and the influx of transnational real estate companies has increased significantly. While some home owners and property speculators have made sizeable gains buying and selling property, some 20% of Fiji's people are now living in informal housing or squatter areas. Therefore, government's intervention is necessary beginning with a comprehensive review of the sector.

SOCIAL DEVELOPMENT

It is not unusual to separate the social dimensions of development from economic development. Fiji is a typical developing country where this is common. Issues such as healthy, education and social welfare are sometimes viewed separately from economic development. However, it is a common knowledge that these issues are linked and contribute equally to development. Therefore, the role of the government in supporting these sectors is important. Services such as health, education and training are vital to development, which needs to be coupled with infrastructure development such as housing, water, electricity, sanitation and telecommunication and rural development. Broad based initiatives to expand community services by lowering costs and increasing accessibility normally yields positive results. Collective and multi-dimensional approach often contributes more efficiently to the overall poverty reduction and enhancement of the capabilities of the poor people.

HEALTH

Although the poor cannot afford to fall ill, they are the most vulnerable because of inadequate nutrition and likelihood of living in unsanitary environments. It is also apparent that the poor tend to have disproportionately more physically and mentally impaired persons. The 'Heaven Project' in association with the Red Cross has identified a significant percentage of children that have disabilities of sight and hearing. Poor households that have to care for extremely vulnerable persons, are often in a difficult position even to provide for their own basic needs. The negative impacts of lack of awareness and support for poor people weigh heavily on their quality of life. In addition the lack of community leadership, initiative and responsibility has resulted in unhealthy environments.

Fiji's population is in transition in a number of ways, where aging and lack of employment are increasing simultaneously. Since aging population requires more

accessible health services to cater for the needs of the elderly, the opposite seems to be the case in Fiji, as the healthcare services are declining due to lack of resources. For many aging people the care for them is largely left to the families. Urban families in Fiji are increasingly becoming smaller and the older generations are being left to fend for themselves. This is particularly difficult for those who have no income, which requires that retirement and old age care giving facilities for the elderly are established. The current scheme for pensioners in Fiji is grossly inadequate and social safety net virtually non-existent. Therefore, serious consideration needs to be given on how to support families which look after their elderly and expand social protection to those who are not covered by pension benefits.

Presently, those on Social Welfare Department's family assistance scheme are able to obtain free medical services including consultation, medication, spectacles and dentures. In addition, civil servants have especial arrangements that give them reduced cost in government hospitals. However, most of the poor and elderly in Fiji are not included in such healthcare benefits. With respect to the provision of health services to the poor and support for the elderly, the family unit must be recognized for the support it provides for the elderly, disabled children as well as unemployed dependents. This can be done by the reintroduction of dependents allowance at \$1000 per dependent. Preventive and community healthcare programs should be continued to ensure that people live in a healthy environment. Free medical treatment, drugs, spectacles and dentures need to be extended to persons from households earning less than \$10,000 a year. The government in partnership with civil society organizations and NGOs need to increase the provision of information and counseling services on health issues such as nutrition, sexually transmitted diseases, HIV/Aids, reproductive health, teenage pregnancies, diabetes and health care of the elderly.

EDUCATION AND TRAINING

Education, acquisition of skills and employment opportunity is a cornerstone in the eradication of inter-generational poverty. While generally, literacy is high in Fiji, schooling is not compulsory. However, there are substantial numbers of school-age children who are out of the school system due to lack of resources. In many cases they are employed in low-wage sectors to support their families. The challenge is to demolish the poverty trap for such disadvantaged students from poor families. Although government has made schooling tuition-free up to senior secondary school level, all students must pay various charges such as admission fee, examination fee, building fund, sports fee and library fee. There are additional costs to education such as school uniforms, bags and text books, bus fares and other school activities including the compulsory fund raising activities in some cases, which poor families must meet to sustain their school-going children. Schooling in Fiji, therefore, is neither free nor compulsory, which many poor families cannot afford. According to Save the Children Fund Fiji (1998), 65% of school dropouts are directly linked to poverty. This statistics has worsened in recent years.

Policies to tackle education disadvantage of the poor should include several initiatives. There has to be indexed budgetary allocations to schools located in low socio-economic and rural areas so that they receive more funds per student than those in higher socio-economic and urban localities. Making education compulsory up to class 8 level is

another option to improve opportunities for the poor. A greater support for non-formal education including adult literacy programs would also contribute positively. Banning all forms of child labour and providing children from poor households totally free schooling with exemption from all types of school levies, including exemption (or subsidy for) bus transport and lunch at school. A number of strategies could be employed to achieve this. Engaging the school administration may prove to be a good approach. Schemes such as textbook hiring should contribute to this as well. Where possible a system of quotas should be introduced for students from poor families to attend 'better' schools. Scholarships at the tertiary level should be means tested and a large proportion be reserved for students from poor families and disadvantaged ethnic groups such as Solomoni, Ikiribati, Rabi and other Pacific Islanders. Technical and vocational education be more widely provided and outside of various apprenticeship schemes. Where possible, schemes should be established to mainstream and integrated children with disabilities into the existing system and special and rehabilitation centres for the disabled should be better resourced.

The Ministry of Labour needs to identify and alert educational institutions on a regular basis on labour market needs so that training institutions can address such needs. It also needs to establish in each of the four divisions an employment office to maintain an employment register, an employment pool service and training referrals. Vocational training institutions such as the Montfort Boys Town should be established in each of the four divisions for children and youth who dropout from the schools. In this regard the Sangam organization's establishment of a nursing college in Labasa is a most positive initiative.

UTILITIES AND GOVERNMENT SERVICES

It is often the case that the most disadvantaged sectors of the communities are the last to obtain access to government provided utility services including piped water, electricity, garbage disposal and sewerage. In many peri-urban and rural areas these services are non-existent, and where these are available they have been subjected to erratic supply and break downs. Moreover, those in rural areas suffer more from the lack of access to facilities because of poor infrastructure and transportation. In developing countries, government and public enterprises need to put in place two tier pricing models in place of uniform user pay pricing models so as to allow more affordable first level of consumption in the provision of electricity, water services and telecommunication to depressed sectors. In the longer term, government and public enterprises should clearly outline a strategy with annual targets to ensure universal coverage of piped water, electricity and telecommunication services and improved transportation and roads into all communities where some preset thresholds are met. To level the disadvantages of remote communities, transparent subsidies need to be provided, which allows better margins for businesses to sustain services. Government should also establish and promote rural regional centres so that rural communities are able to access banking facilities, health, education and utility services. It is likely that such centres can become significant hubs for commerce and services making new businesses viable in the short run.

HOUSING

It is very evident that there is growing and urgent need for affordable housing in urban and peri-urban areas. Better standards of housing are also needed in villages and settlements. The poor need low cost housing in all these areas but the pressure is especially intense in and around urban areas. The mushrooming of squatter settlements and the increasing practice of subletting of rooms in these settlements and the continued expansion of tenements outside these locations are manifestations of the current housing needs. It is estimated that around 20% of urban households live in informal housing associated with poverty and over a third of all households live in substandard conditions. These settlements are known for unsafe water and inadequate sanitation (see Walsh, 2006, 82-84).

Several initiatives can be taken and are being taken to meet the housing challenge but much more can be done. To begin with, public policy-makers must understand that urbanization is an on-going product of the forms of unequal spatial development that is currently taking place in Fiji and other developing countries. People continue to move to places that they perceive to have higher standards of living, employment and livelihood opportunities, access to services and amenities. They look to settle within the vicinity of these opportunities and services and therefore need housing in such areas. The government has so far failed to formulate and implement housing policies that adequately meet the growing needs of the population.

Government must consider decreasing building costs by lowering tariffs on building materials to soften the personal burden of building a house and also adopt more flexible building standards for housing. It must also proactively negotiate with landowners and the NLTB to acquire long term residential leases. It must actively encourage the landowners to begin schemes to subdivide land for housing projects. The initiatives for upgrading squatter settlements, including the application of 'self-improving neighbourhood' schemes in partnership with the National Squatter Council, a newly established People's Community Network and other Civil Society Organisations need to be continued and encouraged. The government's partnership with the NLTB, City and Town Councils, and NGOs such as Habitat for Humanity International, Rota Homes and HART (Housing Assistance and Relief Trust) needs to be pursued more vigorously. There should be provision for more easy access to credit for home improvement for those living in squatter settlements. More generally initiatives such as Housing Authority's reduced interest rates for housing should be facilitated, especially for first home owners. Grants for HART should be increased significantly and the activities of the Public Rental Board should also increase so that stocks of good quality affordable houses in both rural and urban areas are available on demand. In this regard, the FNPF needs to take a lead role in financing housing for low income earners by extending the scope of its existing village housing schemes. The efforts of the Housing Authority and other institutions should be synergized to plan and implement housing projects. It is the responsibility of the government to ensure that utility services are adequately provided for such projects.

CREDIT

Credit facilities for the poor are always an important factor in development. It is well known in Fiji that with market 'rationalization' by foreign banks the services to rural areas and small towns has declined. Therefore, a lot of people do not have bank access,

which result in the poor and disadvantaged being left out from access to credit and thus many end up borrowing from unscrupulous moneylenders, who charged exorbitant interest rates pushing poor people into debt for longer periods of time. However, there have been a number of innovative initiatives to remedy this situation. The government has started a micro-finance scheme and one foreign bank has now begun to provide a mobile banking service for peri-urban and rural areas. Furthermore, the amount of deposit required to open bank accounts has been reduced to levels that permit younger persons, as well as the poor to start banking. The work of FCOSS (Fiji Council of Social Services) and FRIEND (Foundation for Rural Integrated Enterprises 'N' Development) have also contributed to particular communities. Such efforts need to be supported by the government and replicated in many other ways so that greater number of people benefit. The virtues of saving and frugality should be encouraged among the younger generation and poor communities

While small service institutions are supported by government, credit providers such as banks, financial institutions, money lenders, consumer credit operators and merchants should be brought under greater scrutiny and supervision with respect to interest rates and charges.

RURAL DEVELOPMENT

Rural-urban drift is a major contributing factor at the moment to poverty in both rural and urban areas. The influx from rural areas places severe pressure on urban facilities and employment. It simultaneously depletes rural areas of relatively better educated, young, able bodied and motivated individuals. The lack of opportunities to earn cash, limited access to services and poor infrastructure make rural living much less attractive. The expiry of land leases in the last 10 years has aggravated this trend quite seriously.

Fiji is an agricultural country and there is considerable scope for improving the standards of living in rural areas. Improved transport and communication to regional hubs that provide business, education, health and other services as well as establishing markets for agricultural products will make positive contribution. The amenities for rural people especially for women who come to local market places to sell their produce have been lacking and inadequate. This is another area of public-private partnership that will help improve the situation of the poor and reverse the rural-urban migration. Off-farm employment of various types in rural areas would also contribute in this regard. Employment in infrastructural work, repair and maintenance of agricultural implements and machinery, servicing and repair of motor vehicles, wholesaling and retailing services as well as in entertainment would provide incentives for people to stay. New projects in secondary and tertiary industries for agriculture are now necessary as the sugar industry is affected by declining prices. A wholesome approach to decentralization and devolution of development initiatives require urgent attention. Measures to support depressed towns and regions such as Labasa and Nabouwalu, Levuka, Vatukoula and Tavua and those in outer island regions need to be prioritized. New projects are needed to develop resource-based industries such as marine, forestry and minerals in rural areas. Tourist resorts have a long history of being established in remote rural localities as 'enclave economic' entities. Besides using labour and local cultural and natural resources (beaches for instance), there has been relatively little use of local agricultural produce. There is

considerable scope to stimulate local industries for such tourist operations. The capacities of rural people to take initiatives to better their circumstances require enhancement and institutional support.

PARTICIPATION AND EMPOWERMENT

It is evident that hitherto the voices of Fiji's poor have not been heard in the corridors of power. Indeed there is considerable evidence of effective stifling of initiatives by the poor and disadvantaged. Shoe shine 'boys', wheel barrow 'boys', barbecue stand operators, road side stall vendors selling vegetables and fruit have all been subjected to harassment by local or central government authorities. There is a need to understand poverty from the perspective of the poor to enhance the development and implementation of strategic initiatives to reduce poverty. There is a need to ensure and facilitate the participation of the poor in decision making and municipal governance. This will strengthen the links between policy-makers, implementation agencies and the poor. Government should include the poor and non-unionized sectors in national policy-making debates. A range of information gaps exist amongst the poor that government and non-government agencies need to address. These gaps include social policies, welfare programs, human rights, tenancy agreements, rent-related regulations, credit facilities, land laws, hire-purchase systems, consumer and trade protection laws. These information need to be simplified and translated into vernacular languages so that poor people have clear understanding of them. These actions would significantly reduced entrapment of poor people and ensure the provision of equal opportunity for them. Legislations and regulations that govern the setting up of new small businesses and informal sector activities needs review and streamlining so that the poor are able to participate in the process of economic development. Accompanying legislative changes towards a more enabling pro-poor environment, there is a need for a profound change in the attitude of civil servants and local government employees towards the poor. Appropriate training and re-training of government workers is crucial if the process of empowering the poor is to take hold.

CSOs and NGOs working with the poor need more attention by the government to drive policy initiatives.

The patriarchal nature of Fiji society has meant that women and girl children have been marginalized and there has been a feminization of poverty. HIES do not provide adequate information about poverty within households based on gender and age. Disaggregation of poverty data based on gender would help address gender dimensions of poverty. This would facilitate actions with respect to skills training and access to services including credit for women. Gender audits of poverty reduction policies as well as national budgets need to be undertaken. The Women's Plan of Action needs to be facilitated and implemented.

Beyond the formulation and implementation of pro-poor policies for those who have the potential to break out of the poverty trap, there are categories of persons who need various degrees of support from the state and wider society. They need to be identified and targeted.

CHRONICALLY POOR GROUPS

There are categories of poor people who will need support as long as they live. These include the severely disabled, chronically ill and dependent elderly. Others may need short term support such as single mothers, families in crisis because of ill-health or demise of the earner and evicted farming families. Still others, such as the working poor, the unemployed, women in poverty, agricultural workers, street children, prisoners and their families, and ethnic minorities need some support over time to keep them above the poverty line. Steps need to be taken for improved co-ordination of government service departments. There is a need for greater transparency in the provision of government's assistance to target groups of the poor. Those who are likely to be totally dependant on government support such as the severely disabled need to be identified early through intervention programs. Initiatives are needed to train and educate partially disabled persons in both special and mainstream education systems. Public facilities need to take full cognizance of the needs of the disabled and organizations such as the Fiji National Council for Disabled Persons (FNCDP) should be provided support and more state resources.

The elderly, who have no relatives or have been abandoned, need to be placed in appropriate institutions such as 'old people's homes' or care centres. Such homes need to be adequately resourced. A pension scheme should be introduced for the elderly who have no other means of support. Projects such as "HELP AGE" by FCOSS should be supported and extended by government assistance.

Poor single parents with children should be a priority for the Department of Social Welfare. Assistance to parents should be child centred and given according to number of children. Single parents should be given training opportunities so that they can take up employment or become self-employed. A number of NGOs have been established to meet the needs of single mothers. These require support from the state.

Female headed households below the poverty-line also require support. These women and single parents should receive financial support as grants and micro-credit to engage in income generating activities. HART and FRIEND provide good models that could be replicated. There is scope for greater co-ordination of efforts by government Social Welfare Department and non-government agencies such as Salvation Army, Red Cross, St. Vincent de Paul, Bayly Trust that support single parents.

UNEMPLOYMENT

With a labour market that is characterized by a lack of expansion as well as shortages of skilled labour, unemployment should be a major area of concern for the government and the private sector. Each year close to 18000 school leavers compete for about 3000 formal sector jobs. At the same time there is a severe shortage of skilled tradesmen and professionals as a result of continued emigration. The government needs to become pro-active in identifying the unemployed and the underemployed and target them for training and re-training opportunities. In the long-run, the government needs to establish a well managed and funded capital development program for direct intervention in productive sectors to provide employment to those out of work or seeking employment.

PRISONERS AND THEIR FAMILIES

There are many issues relating to the commission of crime, investigation, prosecution, sentencing, treatment and rehabilitation. For young offenders the practice of 'restorative justice' and non-custodial sentencing should be maintained and extended. Skills training for prisoners should be a requirement during incarceration. In conjunction with CSOs and NGOs, rehabilitation programs should be extended for ex-prisoners to integrate them into society.

CONCLUSION

It is evident that the proportion of people in poverty in Fiji has been increasing and the government's approach to poverty alleviation has been erratic and piecemeal in nature. The system of Wages Councils has not served workers well and has therefore contributed to a very large category of working poor in the country. There are also those who fall into poverty and need short term assistance. There are others who are chronically poor and totally dependent, who need constant support to remain alive with human dignity. All these categories of the poor need to be supported if their hardship is to be ameliorated and if they are to break out of the poverty trap.

In the era of market based policy making, it is critical that the most vulnerable in Fiji society are supported by pro-poor government policies. A wide range of policies and processes have been suggested in this paper to meet the complex challenges posed by the current state of social inequality and poverty. The basic needs of those unable to meet them in the short term or for the long term can be met when well-designed pro-poor policies, processes and initiatives are combined together, where the government's role is crucial. Engaging the poor is an essential part of the process, which can not be achieved without vibrant civil society organizations.

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The Hijacking of the Development Debate How Friedman and Sachs Got It Wrong

Robin Broad and John Cavanagh

Thomas Friedman and Jeffrey Sachs—articulate, learned globetrotting pundits—would seem an unlikely duo to hijack the development debate. Yet, through their best-selling books—Friedman's *The World Is Flat* and Sachs's *The End of Poverty*—their prominent exposure in the U.S. media, and endorsements by celebrities like Bono, the superstar lead singer of the rock group U2, they have done precisely that.¹ Just a half decade after protests by citizen groups in Latin America and elsewhere discredited two decades of market-oriented neoliberal dogma, Friedman and Sachs have narrowed the debate with simplistic slogans of “more aid” and “more trade.” They have done so by putting forward myths about the poor, economic development, and the global economy.

In many ways, Friedman and Sachs are leading us backward to the era that began with the ascendancy of Ronald Reagan, Margaret Thatcher, and Helmut Kohl in the early 1980s. Those “free market” icons ushered in almost two decades of a one-size-fits-all approach to economic growth: privatization, government deregulation, and fewer barriers to trade and financial flows. This approach became known as the Washington Consensus. Market-opening policies were pressed on dozens of poor, indebted nations by the World Bank, the International Monetary Fund (IMF), and the U.S. government. Trade and foreign investment surged, and though many large corporations and consumers benefited, a heavy toll was too often

visited on the poor, workers, and the environment. In the late 1990s, a global backlash of citizen protest erupted as the financial crisis of 1997–98 plunged hundreds of millions into poverty in Asia, Russia, and Brazil.

For Americans, this backlash was most visible in the “Battle of Seattle” in December 1999, in which massive demonstrations shut down a World Trade Organization (WTO) ministerial meeting. But this was hardly a localized phenomenon: elsewhere, activists reacted against the growing power of international corporations, which pitted workers, communities, and nations against one another in “a race to the bottom.” As corporations spread sweatshops to Mexico, China, Indonesia, and elsewhere, workers demanded that they respect such principles as the right to organize. Environmentalists struggled to maintain hard-won protections in the face of pressure from international investors. Farmers protested against land grabbing by corporate agribusiness. As privatization of basic services shifted wealth from government coffers into the pockets of private investors and increased the cost of water, electricity, and other basic services, citizen groups in Bolivia, Ghana, Uruguay, Argentina, and elsewhere fought off water privatization efforts and successfully replaced privatized systems with various models of public control.² Since the election of Hugo Chávez as president of Venezuela in 1998, the electorates in more than a half dozen Latin

American countries have rejected governments that supported the Washington Consensus.

Although no new consensus emerged in the late 1990s, officials in key public and private institutions began to consider alternative approaches to the neoliberal dogma (some important innovations are described below). Following the global financial crisis, the IMF accepted the need for some controls on capital flows. Amid the dislocations wrought by the building of dams and other large infrastructure projects, the World Bank claimed to be reassessing the environmental and social costs of such undertakings. A number of global corporations jumped on the social responsibility bandwagon. Experts at the United Nations Development Program and elsewhere suggested that "human development" and human rights indexes were better gauges of success than crude and aggregated income measures.

However, the steady movement away from the Washington Consensus was interrupted by the 9/11 terrorist attacks on New York and Washington. The Bush administration seized the moment to argue that opening markets was an essential weapon in the "global war on terrorism." In its September 2002 National Security Strategy, the administration cited poverty as one of the root causes of the terrorist impulse. Washington once again began to push open market policies as the best solution to the problem of endemic poverty.

Enter Friedman and Sachs, who reinforced this misguided focus. This may sound like heresy to some readers. After all, Jeffrey Sachs ventured with Bono to remote villages in Africa and brought the plight of the world's poorest to the readers of *Time* magazine.³ He helped popularize the concept of "ending poverty" and opened space for citizen groups to launch a "global campaign against poverty" that has touched the hearts and pocketbooks of millions in dozens of countries. He also put the poor on

the agenda at the G-8 summit in Edinburgh in 2005. Thomas Friedman, in his columns for the *New York Times* and other writings, has painted a picture of high-tech prosperity, a "flat earth" where every individual has an equal chance to get ahead.

One reads their books and sighs with relief: there are in fact straightforward answers to ending poverty and spreading prosperity. As Friedman reassures us: "We know the basic formula for economic success."⁴ Unfortunately, this formula rests on dubious "facts" about the poor, about technology and the "development ladder," about aid, about trade and open markets and, perhaps most importantly, about the choices we face. From our own work in the Philippines and other poor nations, and through discussions with scholar/activists Walden Bello and Vandana Shiva, and other members of a poverty working group of the International Forum on Globalization,⁵ we believe that Friedman and Sachs, in having accepted certain myths about development, are leading us down the wrong path.

Myth #1: The primary focus should be on extreme poverty, as defined by per capita income of less than a dollar a day, rather than on broader quality-of-life indicators, including the empowerment of the poor.

From his perch at Columbia University's Earth Institute, Jeffrey Sachs has spent a great deal of time attempting to measure poverty. By his estimates (he borrows heavily on data from the World Bank and the United Nations), roughly a sixth of humanity (1.1 billion) are "extremely poor," eking out a bare existence on less than a dollar a day. Another 1.5 billion are "moderately poor," subsisting on \$1 to \$2 a day. And another billion are "relatively poor," earning less than what economists suggest is necessary to meet their basic needs. Sachs challenges us to end extreme poverty by 2025; the United Nations, which he advises, seeks to halve it by 2015 as part of its Millennium Development Goals. These goals are

not only morally right, says Sachs, they are achievable. We can take heart since the ranks of the extreme poor are already down from 1.5 billion in 1981 to 1.1 billion today.

The problem with these "facts" is that if you eliminate China, India, and other fast-growing Asian nations, the number of "extreme poor" has stayed fairly level during this period, and has grown steadily in Africa.⁶ Another major limitation of Sachs's approach, shared by many development agencies and antipoverty crusaders, is that it relies overwhelmingly on poverty measures that appear deceptively precise. The fact that someone lives on less than \$2 a day actually tells us very little about that person's real condition. In countries such as South Africa, where government services are generous, \$1 a day goes further than in Haiti. Furthermore, as nations grow rapidly, as have China and India over the past decade and a half, the amount of money needed for people in the cash economy to maintain a decent standard of living also rises.⁷

For many of the 1.1 billion who subsist in rural areas on less than \$1 a day (over 300 million of whom are indigenous peoples), life changed little for centuries until the last few decades. Most live in rural or fishing communities where they have some control over the natural resources on which they depend for their livelihoods. They consume much of what they produce and barter for some of the rest of what they need. They live in self-built homes and depend on traditional medicines. While their poverty may be "extreme" by Sach's monetary measure, their quality of life is typically much better than that of their urban counterparts, even though their incomes are often smaller. While most would undoubtedly like more economic, social (e.g., health and education), and political "security," their basic needs and sense of community and purpose have, until recently, remained largely intact.

Our experience living with poor families in rural areas suggests that it has been the

opening of their natural resources to global agribusiness, factory fishing fleets, and corporate interests that often leads to real poverty. Millions have been pushed off their land over the past few generations into urban slums where they live in squalor, earning pennies a day from "informal" activities like hawking cigarettes on the street or bringing home a few dollars a day from a sweatshop where they sew clothes for consumers across the ocean. Their plight is extreme: they are hungry much of the time, they lack clean water, they cannot afford doctors, community supports are few, and hope is a sparse commodity. Thus the number of people living in misery and squalor in a particular country may rise, even as the monetary measures of poverty decline. In sum, the statistics upon which most poverty elimination strategies are based are extremely misleading, and often steer experts toward the wrong solutions.

Myth #2: Development is a linear process of individuals from all walks of life using new technologies to move up a modernization ladder.

Sachs suggests that we focus our energy on cleaning up pockets of extreme poverty so that the impoverished are able to get a leg up on the "ladder of development." We need to give them "a boost up to the first rung"... "so that they may begin their own ascent."⁸ Friedman picks up the same theme: "Ill health also traps people in poverty," he writes, and "keeps them from grasping the first rung of the ladder."⁹ Once released from the bonds of extreme poverty, "a kid in India with a cheap PC can learn the inner workings of the same operating system that is running in some of the largest data centers of corporate America."¹⁰ State power and corporate power count for less in a "plug-and-play world."¹¹

In Friedman's world anyone who is not lazy (unlike those in Latin America where "everyone sleeps until midmorning")¹² can join the dynamic "flat world" economy by

finding a laptop and jumping into the global rat race. According to Friedman, the entry of China, India, and the former Soviet Union into the global economy in the past 15 years has added 3 billion people to this new economy. Then, quietly on p. 375, Friedman confesses that "the world is not flat...." "Hundreds of millions" are "left behind by the flattening." Eight pages later, he acknowledges that the high-tech flat earth economy in India provides only 0.2 percent of India's jobs.¹³

Sachs does reflect on the causes of poverty. But his poverty-creation story also is linear: almost all people the world over were poor and living on farms a couple of centuries ago. He dismisses the notion that "the rich have gotten rich *because* the poor have gotten poor."¹⁴ As Sachs has it, those with access to technology and trade got wealthier, while those geographically isolated or in areas prone to natural disasters and disease got left behind.

As a result, Sachs's quick fixes are technological: "We glimpse the pivotal roles that science and technology play in the development process. And we sense a progression of development that moves from subsistence agriculture toward light manufacturing and urbanization, and on to high-tech services."¹⁵ To get a person with a middle-class "state of mind"¹⁶ out of poverty, Friedman says, give that person access to a computer. "Guilty as charged," Friedman says in response to criticisms of himself as a "technological determinist."¹⁷

This focus on technology is ahistorical. As the Indian physicist Vandana Shiva writes: "Ending poverty requires knowing how poverty is created."¹⁸ This sounds simple, but it gets to the crux of why so much of the development debate is misguided and so much money has been wasted in the name of ending poverty. Our experience suggests that laziness and corruption—Friedman's culprits—are not the main roots of this failure. Nor are Sachs's accidents of geography and climate.

Rather, the history of most parts of the world suggests a more violent process of poverty creation rooted in unequal power relations and manifested through slavery, the colonial legacy of export economics, the presence of extraction industries, and the sale of natural resources by governments to the highest corporate bidders.¹⁹ For much of the past century, the U.S. government has supported dictators who impoverished their people by plundering their countries' resources. Our three decades of travel and research lead us to the conclusion that most people who are poor have been marginalized by more powerful actors, be they landlords or corporations or governments.

Poverty is not simply an absolute condition; it needs to be understood as a dynamic. It is necessary to look at the social, economic, and political interactions of poor people with the elites. It is not a matter of "cleaning up" disease; even healthy people are easily pushed back into extreme poverty when the deeper structural roots of poverty are not dealt with. That "ladder of development" is actually a complex, multidimensional maze of power relations.

In this context, we would argue that rising inequality is as important an indicator of human development as is poverty.²⁰ Elsewhere, we have presented evidence that economic globalization has contributed to the widening gap between its wealthy beneficiaries and the marginalized within most nations, and to a growing divide between most poor nations (excluding China, India, Brazil, and a handful of other big emerging markets) and the club of rich nations. There is also substantial evidence that growing inequality within a nation falls hardest on the poor.²¹ Contrary to Sachs and Friedman, we believe that growing inequality is the inevitable outcome of the past two decades of market-opening policies. In China, for example, in order to create an entrepreneurial class, the government deliberately abandoned public universal

healthcare and education, leaving millions to fend for themselves.

Myth #3: More and better aid is a big part of the answer.

If one ignores the mechanisms that make people poor, it is easy to conclude that throwing money at the problem is the answer to poverty. Sachs argues for more and better aid as he lays out five mechanisms through which aid could turn Africa around, from boosting agriculture to improving basic healthcare to providing education, electricity, and clean water. Through Sachs's efforts, aid has been distributed in this manner to eight "model" Kenyan villages.

But we have been here before. In his 1960 book *The Stages of Economic Growth: A Non-Communist Manifesto*, Walt Whitman Rostow, a senior adviser to Presidents Kennedy and Johnson, provided the intellectual rationale for the postwar aid effort. Rostow argued that "traditional societies" needed aid and other external help to change their culture of primitiveness and create the "preconditions for take-off" into modernization ("the age of high mass consumption") by means of higher income levels.²²

We do not dispute that under the right conditions, aid can help mitigate disease and natural disasters. But the reality is that its track record in reducing poverty was as poor in Rostow's time as it is today. Former World Bank economist William Easterly calculates that rich countries "spent \$568 billion (in today's dollars) to end poverty in Africa" between 1960 and 2003, a period when the number of poor in Africa rose steadily.²³

In fact, there is ample evidence that financial aid often has a negative impact on the alleviation of poverty. It is invariably channeled in such a way as to widen the gap between the poor and the rest of society. Some years ago, the American researchers Betsy Hartmann and James Boyce studied an aid project that funded tubewells in-

tended to bring irrigation water to Bangladesh's small farmers. Time and time again, however, the tubewells ended up owned by the richest people in the village—effectively making them richer and more powerful, and leaving others (including the targeted beneficiaries) even poorer and less powerful than before.²⁴ The geographer Ben Wisner concluded that for aid to be considered successful there needed to be "a shift of power in favour of the disadvantaged group." But, said Wisner, "this effect is as rare as it is essential to [a project's] long-term sustainability and reproducibility."²⁵ Sachs's model Kenyan village aid project does not meet this criterion, and has been criticized for addicting farmers to expensive chemical inputs and requiring amounts of aid that would be impossible on a global scale.²⁶

It would be more effective to put a halt to the outflow of financial resources from poor to rich countries through widespread debt cancellation. Far more money is sucked out of poor countries through debt service on the now \$2.5 trillion owed to international lenders by 153 countries than comes in through aid, and stemming this outflow could free hundreds of billions of dollars for healthcare, education, and disease prevention.²⁷ (To be fair, Sachs is an advocate of debt cancellation.)

Myth # 4: After aid gets a country started on the development ladder, increased trade will propel it upward.

As Sachs phrases it, "When the preconditions...are in place, markets are powerful engines of development," given "the remarkable power of trade and investment" to catalyze "rapid economic growth" and combat poverty.²⁸ Friedman concurs: "Every law of economics tells us that if we...promote greater and greater trade and integration, the global pie will grow wider and more complex."²⁹ Indeed, says Friedman, it is an "irrefutable fact that more open and competitive markets are the only sustainable vehicle for growing a nation out of poverty."³⁰

He then reiterates the arguments that the World Bank has imprinted on the minds of editorial writers everywhere, namely that China and South Asia reduced extreme poverty over the past 15 years by opening their markets, while Africa kept its markets closed and poverty rose.³¹

How does the evidence stack up? First, does prying open markets help the poorest nations? During the 1990s, when market-opening policies were being pursued, the number of people living on less than a dollar a day in sub-Saharan Africa, Latin America and the Caribbean, and the Middle East increased.³² One reason for this was that the prices paid to poor countries for their primary commodity exports rose far more slowly than the prices of their manufactured imports. Indeed, according to a recent United Nations study, "the terms of trade of commodities (*vis-à-vis* manufactures) have declined, with the 2005 level 30% lower than the 1975–85 level."³³ Compounding this problem is the fact that when the World Bank and the IMF press poor countries to open their markets, imports tend to rise much faster than exports, with poor farmers often suffering the most. A 2005 study by Christian Aid concluded that "trade liberalization has cost sub-Saharan Africa US\$272 billion over the past 20 years," roughly the amount that the region received in aid over this period.³⁴

In addition, there is a solid body of evidence refuting the World Bank's heavily promoted research that market opening policies lead to growth, which Friedman cites as the source of his "irrefutable fact."³⁵ Mark Weisbrot of the Center for Economic and Policy Research has studied growth rates for poor countries in the 1980–2000 period, when most were pushed to open their markets, and he concludes that growth rates were substantially lower than during the 1960–80 period, when markets were less open.³⁶

Extreme poverty did decline in China and India during the 1990s. But neither

country blindly followed Washington Consensus market opening policies. Instead, each selectively and carefully opened some markets while leaving other markets to the exclusive domain of domestic firms. Beijing and New Delhi steered economic resources toward land reform, education, and other national goals. Today, it is harder to follow their path, given the opposition of the World Trade Organization and other market opening institutions, but that does not change the fact that extreme poverty dropped in both, in large part as a result of government policy.³⁷ (Some social scientists have concluded that a key factor in China's poverty reduction was that family size fell over this period as a result of Beijing's one-child policy.)³⁸ In the absence of government intervention, open markets tend to enrich large entrepreneurs and corporations, at the expense of the poor.

Lately, the "alter-globalization movement" has focused attention on what it calls the "Wal-Mart economy." By this it means a global economy of increasing mobility for global firms like Wal-Mart in the absence of effective protections for workers, small local businesses, and the environment. In listing the key "free-market strategies" that countries should adopt, Friedman includes "flexible labor laws."³⁹ This is Orwellian code language for undermining worker protections. In this Wal-Mart economy, the accepted way for others to compete with cheap Chinese labor is through a race to the bottom in wages, working conditions, and government regulations.

Another critical problem is that rapid trade and investment growth depend on heavy fossil fuel use that is accelerating a global climate crisis. Demand is skyrocketing in China and India. The end of cheap energy, along with coming water shortages, could create more pressures to abandon traditional trade-expansion policies.⁴⁰

Myth #5: The only alternative to market-opening globalization is protectionism.

In Friedman's words, the choice is "free trade" or "erect walls."⁴¹ He concludes that the only way for rich countries like the United States to keep up as China and India surge ahead and grab millions of manufacturing and service jobs, is to compete harder. (To get his daughters to do their homework, he reminds them that "people in China and India are starving for your jobs.")⁴²

If Friedman or Sachs had lent a more sympathetic ear to what they simplistically refer to as the "anti-globalization movement," they would have discovered that many citizen groups and governments reject *both* market opening at all costs and 1930s-style protectionism. And they are offering plenty of alternatives. The more properly termed "alter-globalization movement" draws from the ranks of union members, environmentalists, farmers, students, women, indigenous peoples, health activists, members of religious groups, researchers—and a growing number of elected officials, particularly in Latin America, where the electorates in Brazil, Argentina, Venezuela, Uruguay, and Bolivia have turned to political leaders who reject the Washington Consensus.

What are the movement's goals? It seeks to increase the power of governments and citizen groups over markets now dominated by large global corporations. Although there many different proposals, most alternative projects have as a common starting point a redefinition of development. The movement looks toward the fulfillment of people's basic social, economic, cultural, and political rights. It measures progress in terms of the improved health and well-being of children, families, communities, democracy, and the natural environment.⁴³ Rather than a linear "take-off," development in this view involves the redistribution of political power and wealth downward. A team of researchers from rich and poor countries (including the authors) affiliated with the International Forum on Globalization has distilled the alter-globalization movement's principles in an economic rulebook, *Alternatives to Economic*

Globalization, in which democracy, ecological sustainability, subsidiarity (favoring local production), protection of common resources (like air, water, and parks), human rights, food security, equity, and cultural and biological diversity are the essentials.⁴⁴

Alternatives in action—which build on the above principles—abound. Local governments, under pressure from citizen groups in many parts of the world, are encouraging family farms, innovative worker-owned enterprises, green building and environment-sustaining design, and the revitalization of public transportation and utilities. Curitiba, Brazil—a city the size of Houston—has been transformed into the "greenest" city in that country, by providing incentives for public transportation, bike paths, nonpolluting industries, and massive recycling. In Bolivia, Ghana, Nigeria, and elsewhere, grass-roots movements are reversing the two-decade trend of selling key public utilities, such as municipal water systems, to global firms. In Cochabamba, Bolivia, a consortium that included the international giant Bechtel was forced out in favor of a local-ownership model that reduced water rates. In Porto Alegre, Brazil, participatory processes in place since 1989 involve large numbers of local people in setting government spending priorities. In Guatemala, Nicaragua, Mexico, and Cuba, mobile teams of farmer-technicians from the "Campesino a Campesino" movement share innovative sustainable agriculture practices—protecting the environment, producing food, and improving the incomes of hundreds of thousands of smallholders.⁴⁵

At the national level, governments of poorer countries are pressing for changes in global trade rules that will give them more "space" to set their own priorities as well as their own industrial and agriculture policies, such as favoring domestic farms and firms over global corporations. Brazil and Argentina, for example, have gained independence from the conditionalities of the International Monetary Fund by paying

back their loans in full. This has allowed them to give primacy to social, environmental, and equity considerations over purely aggregate economic goals. Under pressure from an invigorated citizenry, Brazil has reduced clear cutting in the Amazon for the first time since 1997 through strict regulations, arrests of illegal loggers, agricultural planning, and the creation of protected areas. The Bolivian government is pursuing land reform as well as renegotiating contracts with the foreign firms that have controlled its natural gas production to ensure that more of the proceeds stay inside the country.⁴⁶ In the Philippines, Ecuador, South Africa, and several other poorer countries, slow but significant progress is being made in gaining legal recognition of the ancestral domain rights of indigenous peoples. In addition, a growing number of countries are establishing community-based, natural resource management systems that devolve varying degrees of local authority to indigenous and other local communities.

Many citizen groups and governments are rethinking aid and open markets, which Sachs and Friedman so single-mindedly promote. In the Philippines and several other countries, citizen groups have set up innovative structures to channel aid money to endow foundations, which in turn fund small-scale, grass-roots projects that often help local groups control and manage forest and fishing resources in a sustainable manner. The "fair trade movement" seeks to bypass global corporations and set up alternative trading arrangements that discourage sweatshop working conditions and environmental destruction. This includes product labeling initiatives that let consumers know that rugs have been produced without child labor (RugMark), tee shirts have been sewn by workers paid a living wage (No Sweat), or wood products have been made from timber that was harvested in a sustainable manner (Forest Stewardship Council). Numerous outlets—from Equal Exchange in Massachusetts to Dean's Beans—now sell "fair trade"

coffee from Latin America, Africa, and Asia that has been certified by a third-party monitor. A TransFair certification label, for example, signifies that the farmers growing and harvesting the coffee or cocoa or tea work in cooperatives and receive a price that more than covers the cost of production. Often, fair trade organizations provide farmers with interest-free loans to cover production costs.

At the regional level, there are several alternatives to the "free-trade, free-investment-flow" model. The European Union offers a model of regional integration in which poor member states like Ireland and Portugal were aided by carefully targeted resource transfers and the setting of common (and high) labor and social rules. In Latin America, the Venezuelan government is earmarking part of its surging oil revenues to fund new regional integration initiatives as a counterweight to the corporate-led integration proposals of the United States. Among other initiatives, the Venezuelan government is offering subsidized oil to several neighboring countries and 12 Caribbean nations (as well as to low-income people in several communities in the United States) and attempting to negotiate trade agreements that put environmental, social, and equity goals on an even par with economic goals. The governments of Brazil, Argentina, Uruguay, and Paraguay have likewise fashioned a regional integration pact that gives workers a place at the negotiating table.

With the one-size-fits-all policies of the World Trade Organization, the World Bank, and the IMF increasingly being questioned by citizen groups and governments alike, there is a vibrant debate over replacing some of their functions with institutions whose purpose is to raise and stabilize commodity prices, give short-term financial relief in crisis situations, and offer menus of policy advice. There is now a global campaign to spread the debt relief offered to 18 countries by the G-8 in 2005 to a much larger group

of countries and to eliminate harmful free-market policy conditions that still accompany debt relief.

* * *

Jeffrey Sachs and Thomas Friedman must be given some credit for embracing the idea of ending poverty and spreading prosperity, and for bringing these issues to wider public notice. Yet by basing their arguments on simplistic myths, they have hijacked the development debate. The well-meaning rock stars, government leaders, billionaires, and civil society organizations that have jumped on the Sachs/Friedman aid-and-trade bandwagon would do well to embrace the development alternatives that are being put forward by the alter-globalization movement. If they do so, the goal of "ending poverty" may actually be achievable. ●

Notes

1. Thomas L. Friedman, *The World Is Flat: A Brief History of the Twenty-First Century* (New York: Farrar, Strauss and Giroux, 2005); Jeffrey D. Sachs, *The End of Poverty: Economic Possibilities for Our Time* (New York: Penguin Books, 2005).
2. Belén Balanyá, Brid Brennan, Olivier Hoedeman, Satoko Kishimoto, and Philipp Terhorst, eds., *Reclaiming Public Water: Achievements, Struggles and Visions from Around the World* (Amsterdam: Transnational Institute and Corporate Europe Observatory, January 2005).
3. Jeffrey D. Sachs, "The End of Poverty," *Time*, March 14, 2002.
4. Friedman, *World Is Flat*, p. 330.
5. The International Forum on Globalization, created in 1994, has brought together leading researchers and activists from North and South to understand the many ramifications of economic globalization and to seek alternatives. See www.ifg.org.
6. Jan Vandemoortele, "Are We Really Reducing Global Poverty?" United Nations Development Program, July 2002, pp. 2–3.
7. *Ibid.*, p. 7.
8. Sachs, *End of Poverty*, pp. 2, 24, 244. Sachs wants to clean up this "clinical poverty" through "clinical economics," building on the image of "modern medicine, a profession of rigor, insight and practicality" (p. 74).
9. Friedman, *World Is Flat*, p. 382.
10. *Ibid.*, p. 97.
11. *Ibid.*, pp. 9–11, 185.
12. *Ibid.*, p. 316. Friedman has a tendency to resort to such hyperbole. Indeed, in this case, he qualifies "everyone" only by adding that he is not talking about "Chileans" or "energetic immigrants."
13. Friedman, *World Is Flat*, p. 383.
14. Sachs, *End of Poverty*, p. 31. Emphasis in the original.
15. Sachs, *End of Poverty*, p. 18.
16. "Middle class is a state of mind, not a state of income" (Friedman, *World Is Flat*, p. 375).
17. Friedman, *World Is Flat*, pp. 373–74.
18. Vandana Shiva, "How to End Poverty: Making Poverty History and the History of Poverty," unpublished paper, March 28, 2005.
19. See Walter Rodney, *How Europe Underdeveloped Africa*, rev. ed. (Washington, DC: Howard University Press, 1982).
20. See Branko Milanovic's *World's Apart: Measuring International and Global Inequality* (Princeton, NJ: Princeton University Press, 2005); see also United Nations Conference on Trade and Development, *Trade and Development Report, 1997* (Geneva, 1997); United Nations Development Program, *Human Development Report 1999* (New York, 1999).
21. Vandemoortele, "Are We Really Reducing Global Poverty?" pp. 11–13.
22. W. W. Rostow, *The Stages of Economic Growth: A Non-Communist Manifesto*, 2nd ed. (Cambridge: Cambridge University Press, 1971), ch. 2, 3. Sachs indeed uses the word "takeoff" (for example, see p. 31) and "preconditions" (for example, see p. 3).
23. William Easterly, "Tone Deaf on Africa," *New York Times*, July 3, 2005.
24. Betsy Hartmann and James Boyce, *Needless Hunger: Voices from a Bangladesh Village* (San Francisco: Institute for Food and Development Policy, 1979); *A Quiet Violence: View from a Bangladesh Village* (San Francisco: Institute for Food and Development Policy, 1983).
25. Ben Wisner, quoted in Lloyd Timberlake, *Africa in Crisis: The Causes, The Cures of Environmental Bankruptcy* (London: Earthscan, 1986), p. 219.

of countries and to eliminate harmful free-market policy conditions that still accompany debt relief.

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