THREE | Sanjay Reddy

In a widely publicized and rather controversial paper you coauthored with philosopher Thomas Pogge entitled "How Not to Count the Poor," you argued that the World Bank's global poverty estimates were based on methodology that is deeply flawed. Could you elaborate here what the main problems are with World Bank calculations?

Thomas Pogge and I identified in our paper a number of deficiencies in the approach to global poverty estimates of the World Bank, varying in their nature and importance. However, I think it is fair to say that there is a single, central flaw that is the underpinning of all, or almost all, of the diverse problems that beset the Bank's approach. This single underlying flaw is that the Bank does not start with a criterion for identifying the poor that is adequately related to whether a person has resources that are sufficient to achieve their basic requirements. In the language that I prefer, the Bank does not start with a criterion for identifying the poor that is related to elementary human capabilities: the ability to achieve certain basic forms of being and doing, as Amartya Sen would put it. Some of these forms of being and doing, for instance, the ability to be adequately nourished, are income-dependent, and others, such as the ability to breathe clean air, are not directly income-dependent. But certainly, even those latter achievements may be indirectly income-dependent in the sense that one's ability to breathe clean air may depend on one's ability to rent a home in an area that is free of aerial pollutants. The extent to which different elementary capabilities of human beings depend on possessing adequate income varies, but that income is an important means toward many of these ends is clear.

So even if we focus narrowly on income poverty, as the World Bank does in its global income poverty statistics, there is still a requirement to root that concept of income poverty in some understanding of what the real requirements of human beings are. The main problem with the World Bank's approach is that it starts with what we call a money-metric approach rather than an approach that is centered on basic human requirements. The money-metric approach of the World Bank begins with an arbitrarily delineated poverty line (of $1 and $2 per day) as defined in abstract purchasing power parity (PPP) units. There are at least two immediate problems that arise as a result of this approach. The first is that neither $1 nor $2 a day is sufficient to meet the basic requirements of human beings in many countries of the world, and certainly not in the currency of the base country in relation to which those poverty lines are defined, namely, the United States. Beyond that, the appropriate translation of these international poverty lines into local currency units is something that cannot be determined because there is no abstract equivalence between currency units. It is a conceptual error to think that there exists such an abstract equivalence. I can answer the question, "What does it cost to buy a bag of basmati rice in Karachi and what does it cost to buy an identical bag of basmati rice on Lexington Avenue in New York?" Or I can answer the question, "What does it cost to buy a certain brand and make of mobile phone in Karachi and what does it cost to buy that brand and make of mobile phone on Lexington Avenue in New York?" I can find out the relative number of currency units that I would require to purchase each of these different kinds of goods in the two places, but I cannot answer the question in general of what number of rupees in Pakistan should be deemed equivalent to a dollar. The answer to the question always depends on the identification of the end toward which the resources are meant to be put. Stating this a little more sharply, then, the number of rupees that ought to be deemed equivalent to a dollar from the standpoint of achieving adequate nourishment or buying the basic foodstuffs that are required to achieve adequate nourishment may be very different from the number of rupees that should be deemed equivalent to a dollar when they are put to the purpose of, for instance, maintaining the standard of living of an executive who may be posted in one city or another.

So the Bank's notion that there is an abstract rate of equivalence between currencies that can be applied in poverty analysis is simply a conceptual mistake. In fact the identification of what is the rate of equivalence that is appropriate to employ in the context of poverty assessment depends on having some underlying criterion for identifying the poor, and in particular, some idea as to what poverty is and what is needed to avoid it.

We think that there is really no escape from anchoring any kind of poverty assessment, whether at the national level or at the international level, in some conception of the basic requirements of human beings. We think that the abstract money-metric approach that the World Bank has applied is fundamentally misguided in that it does not do so, and it runs into diverse methodological and substantive problems as a result.

Your text has received some response from the World Bank. Could you tell me what you made of that?

We received an early response from Martin Ravallion, the staff member in the World Bank who is most directly responsible for the production of its global poverty estimates. He, in our view, although a very sincere person, failed to engage with most of our central criticisms in his response. Our view is also that in the intervening five years or so since we first articulated these criticisms, although there has been considerable worldwide interest in these criticisms, the World Bank has not made any serious effort to respond to them. Certainly it has not made any effort to involve us and other critics in an attempt to produce superior poverty estimates.

The Bank's approach has been very much one of trying to defend what it has already been doing. That is perhaps not entirely surprising in the context of the political economy and the politics of such institutions: once they commit themselves to a particular course of action, they invest a great deal of reputational capital in that, and of course a large part of their authority comes from the appearance that they possess technical expertise that is superior to that which is possessed by others. We therefore are not entirely surprised by the failure to confront our criticisms and to provide serious counterarguments or alternatively to revise the methodology that is applied in accordance with those criticisms. We do think that it is very unfortunate. Ultimately a subject of *this* importance—how many poor people there are in the world, where they live, whether their numbers are increasing or decreasing—is one that ought not to be hostage to the interests of any one institution or group of persons within that institution. The sanitizing and clarifying role of sunlight, of bringing public attention to the methodological details of an exercise of this kind, which is very often otherwise treated as if it is purely technical and ought to be the preserve of technical experts alone, is something that is very important to do. We strongly believe that an exercise of this kind is really of general interest to the world's people and ought to be treated as such. It ought to emerge from a much more transparent and consultative process in an ongoing way. It is a source of some disappointment to us in this and other areas that the World Bank and other important development institutions often seem to have the first reflex of closing ranks and trying to provide justification for the practices to which they are already committed, rather than investigating what would be necessary to do things better.

More specifically, what alternative criteria and methodology for identifying the poor do you propose? And what global institution would you like to see assuming this responsibility?

We have proposed an alternative to the money-metric approach that is currently applied to determine estimates of global income poverty by the World Bank that is well within the reach of countries and indeed of international institutions. This alternative is to adopt an approach to poverty measurement in all countries that is centered on, or anchored in, a common conception of the basic human requirements. What we propose in particular is that at the global level there should be agreement on some conception of what are the relevant elementary capabilities that ought to be achieved by human beings in order for them to be deemed non-poor, and what are the characteristics of goods needed to promote these capabilities. The question should then be asked, "What are the income requirements of achieving those elementary human requirements in each country in the world?" The first principle is one that must be agreed upon at the global level through some appropriately transparent and consultative global process. It must also, to an extent, be stated abstractly so as to accommodate national diversity in an appropriate way. But the second requirement, actually to estimate the cost of achieving these basic requirements as articulated at the global level, is one that must be undertaken at the national and subnational level. Our view is that both parts of this process should be done in a participatory and consultative manner to the extent feasible, while being appropriately informed by relevant expertise.

Poverty lines that are established in this way in each country will *automatically* have a common interpretation across countries because they will have been constructed on the basis of such a common interpretation. Moreover, this interpretation will be a meaningful one, and it will be one that will have been endorsed by the national and international public through an appropriate process. It may be objected that an approach of this kind, despite its conceptual simplicity, would be practically quite difficult to bring about because it requires that there be efforts in each country to establish poverty lines and to undertake poverty estimates that correspond to some common global understanding. Our response is that certainly it will require some period of time and some expenditure of resources to achieve this goal, but in our view this is not an inordinate obstacle. An example that we often offer and that we think is pertinent is that of the system of national accounts which the United Nations Statistics Division played a pioneering role in developing and which is used by almost every country in the world to produce national income and product accounts, and estimates of GDP. This achievement is an extraordinary one. When John Maynard Keynes wrote the *General Theory of Employment Interest and Money*, national income accounts of the kind we know today did not exist for any country. Today not only do national income accounts exist for many countries, indeed for almost every country in the world, but they have a common underlying conceptual basis for the most part. Moreover, they are the object of enormous attention, to the extent that the money markets quiver at small variations in the reported growth rate of GDP.

So the notion that coordination of poverty statistics (on the basis of a shared and meaningful conceptual foundation) is infeasible because it is too expensive or too logistically difficult or would be too time-consuming strikes us as false given the presence of this sort of historical example.

Another example we would offer to underline the idea that our approach is feasible is that there are today private consultancy firms and indeed nongovernmental entities such as the International Civil Service Commission that expend a modest quantity of resources every few years in doing surveys in various cities throughout the world to establish the cost of living in those cities. They do that in order to offer an appropriate basis for cost-of-living adjustments for executives of private, multinational corporations and for international civil servants. No one has ever complained that that exercise is too logistically difficult, time-consuming, or expensive to do. And indeed it has been done for a rather long period of time by more than one entity. One of the questions we would ask is why it is conceptually inappropriate or practically infeasible to do for poor people or for people who are potentially poor what we do every day for chief executives and international civil servants.

From your description it seems that such an initiative need not necessarily be coordinated by some global institution.

A degree of coordination is indispensable but coordination is not the same thing as top-down standards creation. Our conception of the process that would underpin the introduction of a more appropriate form of global poverty assessment is that it would be a dialectical one in which countries would bring to bear their respective perspectives on what constitute the relevant elementary capabilities as well as on what are the technical criteria that should be used to produce guidelines for national poverty assessments. We conceive of the process as being one in which there is a central coordinating body but there is also a great deal of input (certainly at the early stage) from national governments and in which there are degrees of freedom for national poverty assessment bodies or committees to interpret the guidelines in a manner that is appropriate to their individual case, while referring to the conception in order to maintain comparability and interpretability.

This central coordinating body you do not envision as being the World Bank since they would likely not be open to this kind of process?

From our perspective, we have no objection to any particular international institution providing the organizational or logistical support that this sort of a process would require. Our criticism of the $1 per day and $2 per day global poverty estimates is not fundamentally a criticism of the World Bank as an institution although the problems we point to certainly have origins in the flaws of that institution. It is a criticism of the way in which the Bank has gone about the task of global poverty assessment.

One important point I would make is that the International Comparison Program, which is the entity that has been constructing the purchasing power parity conversion factors that are used to characterize the rates of equivalence of currencies and which the World Bank uses in its poverty assessments, used to have its secretariat located in the United Nations. But that secretariat moved about a decade ago to the World Bank. One of the reasons that it moved is that the Bank had the financial resources that the United Nations lacked to support the secretariat. So the World Bank is already very actively involved in the production of global statistics of various kinds and has many more resources available for that purpose than the UN Statistics Division now does. That is not a reason for the World Bank to continue to have that privileged position necessarily, but it is certainly plausible that the Bank ought to have a role to play in the present environment.

What is indispensable is that the Bank should approach the problem with a greater degree of transparency and in a manner that does not allow a small number of people within that institution or any other institution effectively to decide how statistics will be produced. One of our recurrent themes has been that investment in the creation of statistics is systematically devalued but there is tremendous reliance on bad-quality statistics at the same time and that this has consequences. The cost of a program improving the quality of poverty statistics and other statistics related to human well-being is relatively small in relation to the potential harm that can be done by bad statistics or the potential benefit that could arise as a result of good statistics in forming assessments of national and world conditions and in guiding public discussions and choices.

One final point that I would make about our proposed alternative is that it does not constitute a substitute for what countries are already doing in the area of poverty assessment. On the contrary, our proposal offers a way for countries to improve the quality of their own national poverty statistics and at the same time make those poverty statistics internationally comparable. What we are proposing is simply that countries should construct poverty lines and should design their household surveys in a manner that permits international comparison of the income poverty statistics that are thus created. One could view our proposal as a proposal for the bolstering of the methodological and substantive basis of national poverty statistics with the bonus that the resulting national poverty statistics will be internationally comparable and will be susceptible to comparison and aggregation.

You have reviewed the most recent World Development Report *(2006) published by the World Bank and have pointed to a number of inadequacies from the point of view of developing countries. Did this report represent a significant departure from previous such reports? And could you elaborate what problems remain from the perspective of developing countries?*

As I commented in my review, the 2006 *World Development Report* (*WDR*), which was initially produced for the G-24 group of developing countries, was the product of what we might call the progressive face of the World Bank. In the last ten years or so, and certainly during the time that Jim Wolfensohn was the president of the World Bank, the Bank has shifted its substantive focus and its rhetoric toward many concerns that its critics have long emphasized, such as the importance of participation in development projects; the importance of attacking nontransparent and unaccountable government institutions; the importance of investing in human capabilities, in particular in the form of health and education; the importance of paying adequate heed to environmental concerns; and so on.

The subject of the 2006 *WDR* was equity and development. I was centrally concerned with the question of whether equity should be pursued as a means toward other development goals as well as an end in itself. The very asking of this question reflects the fact that the World Bank has very much evolved from the period in the 1980s when it was centrally dominated by economists, indeed by economists of a very particular stripe who would not generally have brooked a question of this kind let alone broached it. So from that standpoint I think this *World Development Report* ought to be commended. The report certainly contains many important points and some excellent proposals, which could be viewed as such by analysts outside of the bank including many of those who have criticized it for its past preoccupations and narrow concerns.

This having been said, the focus of the critical dimension of my review was that the *WDR* reads as if it was the product of an elaborate compromise between the orthodox and the more progressive elements within the Bank itself. For example, there is an extraordinary silence about many things that external observers would have thought it important to discuss, as well as very often rather simple-minded premises being exhibited. To give an example of the former, the *WDR* does not discuss at all the role of World Bank-sponsored policies in giving rise to increasing inequalities within countries and in some cases to increasing absolute deprivation. For example, the role of the World Bank in pushing for social sector reforms in many of the least developed countries (especially from the 1980s to the mid-1990s) was quite adverse. More specifically, the World Bank championed the introduction of user fees in the health and education sector, requiring that in some of the least developed countries in the world (for example in sub-Saharan Africa) users should be charged fees, which from their point of view were often prohibitive, for the use of primary health centers or for enrolment in primary schools. The Bank did an about-face on these issues in the late 1990s and now does not like to identify itself with its earlier positions, but the fact remains that many of the policy changes that were brought about in poor countries in the 1980s and the first half of the 1990s that could very plausibly be thought of as inequality-increasing or even deprivation-increasing were ones that the World Bank had a central hand in. Of course here I have referred to very specific sectoral policies, but there is also the broader question of the macroeconomic policies recommended by the Bretton Woods institutions and what role those policies were to play, especially in the early years when Structural Adjustment Programs were adopted in a relatively blind way without regard for the kind of protections and nuances that later came to be recognized as necessary to diminish their adverse impact on vulnerable persons. For the World Bank not even to mention this history in a report on equity seems to tell only half the truth. That is one example of the kind of blindnesses and errors in the report, and I do provide others in the review.

I also spoke of premises that are implicit. An example is that the report emphasizes the importance of private property rights protection throughout as a criterion for assessing the quality of national institutions but also calls for a more equitable distribution of assets as a way to provide for "starting gate equality"—which is to say for the ability of individuals to have adequate resources to enter the game of market competition and potentially to benefit from market opportunities. So on the one hand the Bank claims that to some degree adequate asset ownership is required in order to benefit from market competition, and on the other hand it views sound institutions as being those that protect private property rights in their present form and do relatively little to disturb them. Even if we agree that certain protections for private property rights may be very important from the standpoint of creating appropriate incentives for efficient resource use and resource accumulation, it is still plausible that egalitarian distributive policies are also required in order to create conditions where more individuals can have adequate resources to overcome the liquidity constraints, credit constraints, or other limitations that may prevent them from even becoming market participants in the first place. A concrete example of this schizophrenia is that the *WDR* praises China for having in place "initial conditions" that were relatively equitable and therefore created conditions for a large number of ordinary Chinese to participate in the market process once market-oriented liberalization began. On the other hand the *WDR* fails to recognize that these so-called initial conditions were the product of a national revolution that disturbed the preexisting regime of property rights. Without taking a view on the merits of that revolution, one can certainly recognize that there is some methodological inconsistency here.

I would not like to present a litany of the detailed respects in which I, as a particular external observer, might differ from the analysis presented by the authors of the *WDR*. It is well known that few people read the report, and it is certainly not a document that is especially lasting. There will be very little reason to read the 2006 *WDR* in 2010. So the important issue doesn't concern the details of the report's contents, although those do have an importance in the shaping of the global development discourse from year to year. The crucial issue concerns how the World Bank's resources, and global development resources more generally, are being spent. The question that I end my review of the *WDR* with is that of who the report actually serves. In my view, it doesn't very clearly serve the interests of the world's people, although it is fairly clear that it serves the interests of the World Bank and the World Bank staff. The World Bank has one of the largest research budgets—indeed, *the* largest research budget of any development institution. Its research budget in development studies dwarfs that of any academic institution and may be larger than the research expenditures of academic institutions considered collectively. However, almost all of the research that it does is constrained by the prevailing conceptions of what are important subjects of study and by the prevailing wisdom within the World Bank. There are internal politics that influence the kind of research that is deemed acceptable and that is supported and lauded. A very simple example that is widely known is that certain researchers who represent the most orthodox and conventional face of the World Bank have been rewarded repeatedly within the Bank. Whereas other researchers in the Bank, such as Branco Milanovic, who have been doing very interesting work that has brought about widespread attention outside of the Bank, have received few resources within the World Bank to conduct that work and certainly have not been internally lauded and promoted to the same degree. So there are systematic biases in the way in which the World Bank research establishment conducts itself.

The central question I would ask would be: Would these resources not be better expended if they were provided to independent development institutions undertaking independent development research in a decentralized manner? Why is competition in the production of development policy analyses not as good an elixir as competition in labor markets, credit markets, or goods markets is supposed to be, according to the wisdom of the World Bank? There is far too little competition in the production of development research, and, as we know, development research establishments in many developing countries have collapsed. I regret to say that to some extent they have collapsed precisely due to the visible hand of the World Bank. One example that I would provide is that many of the universities in sub-Saharan Africa that were once working relatively well and certainly were homes to a domestic intellectual class that was asking its own questions about development and producing very interesting research on development (for example Makerere University and the University of Dar-es-Salaam) have been gutted, in part because in the 1980s and the first half of the 1990s the prevailing wisdom in the World Bank was that expenditure on universities was regressive and that it supported the domestic elites rather than the poor of a country, and that it would thus be best to redirect expenditures within the education sector from universities to primary and secondary education. That point of view was superficially plausible, but it failed to recognize the many profound linkages between the existence of functioning universities, the existence of a domestically oriented and domestically rooted intellectual class, and the production of ideas and expertise within developing countries from which they could ultimately reap enormous benefit. Most importantly, the ability of countries to articulate a program of their own at both the abstract level and the level of detailed strategies depends on the existence of such a class. Indeed, many of these universities, which were once well functioning, have been reduced to consultancy mills because the faculty cannot afford to make a life for themselves without doing consultancies for bilateral development agencies or the World Bank. And that has in various respects impeded the ability to articulate a conception of national development with a domestic perspective and to do so in a self-confident, indigenously rooted and pertinent way.

I think the issues are very complex, but it is clear that there is insufficient funding for development research done within developing countries and from a developing country perspective. A very good thing that the World Bank could do would be to provide resources to such institutions in a manner that makes them structurally autonomous of the Bank (which existing initiatives such as the World Bank's Global Development Network fail fully to do). Ultimately what is needed are not individual contracts for specific research projects but the equivalent of endowments that enable high-quality research institutions in developing countries to exist as alternatives to research centers in the North. It is of the utmost importance for the future of these societies to secure the conditions for the independent production of ideas.

In an op-ed piece you submitted to the New York Times *when the World Bank president was being chosen in 2005, you wrote that "The U.S. nomination of Paul Wolfowitz to head the World Bank is an insult to the world's poor." Now that Wolfowitz has been in office for over a year, do you stand by your claim? How do you rate his performance more generally?*

It was my view at the time that the nomination of Paul Wolfowitz to the presidency of the World Bank showed a remarkable lack of concern for the Bank's ostensible mission. Paul Wolfowitz had limited experience in the area of economic policy or of development policy more generally. Indeed, in his immediately prior role in the U.S. government, he had, in the view of many, shown a remarkable lack of concern for evidence-based or fact-based policymaking. My view then was that the nomination exhibited a form of high-handedness on the part of the country that has traditionally nominated the president of the Bank, and a lack of seriousness about the Bank's supposed mission, emblazoned in its headquarters: "Our dream is a world free of poverty."

My view about that has not changed, and it could not change as a result of Wolfowitz's performance in the office. His performance is conceptually a separate issue. Even if he had been the best president that the Bank had ever had, my view as to the process that led to his being nominated for the position would not be a different one. I do think now, as many other people do, that the presidency of the World Bank and other similarly important positions in development institutions should not be the prerogative of any individual country or indeed of any individual group of countries. This aspect of the World Bank's governance, like many other aspects of governance of the Bretton Woods institutions in particular but international institutions more generally, must be greatly pried open and democratized if these institutions are to be made more legitimate.

With regard to how Paul Wolfowitz has performed in office, I cannot comment very much except to say that the single-minded focus on corruption that he has brought to bear has been criticized by others and is not entirely out of keeping with what one might have expected ex ante from someone who primarily had experience in the field of political affairs and had very little experience in the area of economic and social development. But I am not ultimately qualified to comment on that since I have not been watching his performance very closely. The fundamental need is to institutionalize governance norms securing accountability and transparency.

You have said that the Millennium Development Goals (MDGs) may not be likely to be met in many countries, indeed in entire regions. Could you explain why?

The Millennium Development Goals, as you know, are quite diverse and encompass a variety of concerns. So it is difficult to make any sweeping characterization that brings all of them under its ambit. But that having been said, it's quite clear that the Millennium Development Goals are not likely to be met in certain regions. Let us take, for example, the first goal, which is to halve world income poverty from its 1990 level by 2015, where world income poverty is interpreted in terms of the proportion of the developing world's population that is poor. Now there is some ambiguity as to how this goal should be interpreted, and in particular whether it should be interpreted on a worldwide aggregate level or at the level of individual countries. In practice in the United Nations it is being interpreted at the level of individual countries, and that seems quite an appropriate thing to do.

It is true that certain countries—for example, China—have enjoyed an apparent remarkable reduction in income poverty since 1990. In other major countries that possess a large number of the world's poor, such as India, there is some reason to think that a considerable reduction in poverty has also taken place, although there is great debate about that and the jury is very much out. However, in other regions of the world altogether, for example in Latin America and in sub-Saharan Africa, the rate of poverty reduction appears to be very low. It is indeed possible that poverty has been increasing in absolute terms in both of these regions. Of course, fundamental uncertainties about what internationally comparable criterion to use for identifying the poor create difficulties in making such judgments, as Thomas Pogge and I have argued elsewhere and as I have earlier discussed. That having been said, it seems clear that the dynamics of income growth and poverty reduction are different from region to region in the world, and that there may be a relatively poor prognosis for reduction in income poverty in Latin America and in sub-Saharan

Africa. Indeed, if one takes a disaggregated view even of the regions of the world where poverty reduction appears on the whole to be taking place (such as South Asia) one finds a very different perspective from country to country. Notably the rate of poverty reduction in Pakistan appears to have been very poor, and indeed there may have been very little poverty reduction in Sri Lanka and Nepal as well. This kind of disaggregated view gives a similarly mixed picture elsewhere in the world. If one questions whether development is taking place on a worldwide basis, one is forced to come to a decidedly mixed conclusion.

In an article that I did with a coauthor, entitled "Has World Poverty Really Fallen?" we asked whether the number of poor persons in the world as a whole fell between 1990 and 2000. To try to answer this question, we juxtaposed different plausible scenarios as to what may have happened in Latin America, sub-Saharan Africa, India, and China, taking note of the controversies that exist concerning the recent trends of poverty in each of those regions. What we found is that although under most of the scenarios considered there has been aggregate poverty reduction, driven primarily by the reductions in poverty in China, there are at least some more pessimistic scenarios, which we cannot rule out because of the fundamental uncertainties as to what is actually taking place, in which the total number of the poor increased in absolute terms or indeed as a proportion of the world's population.

Let me add one more thought here which is that although the United Nations system has been mobilized in favor of the Millennium Development Goals, it has not developed a coherent approach to promoting them. Professor Jeffrey Sachs, in his capacity as head of the UN Millennium Project, has presented a set of proposals as to how countries can best achieve the MDGs. Although these proposals are based on considerable evidence gathering and research, and are presented with the best of intentions, in my view and in that of my coauthor, Antoine Heuty, with whom I have written two papers on the issue, the proposals of the Millennium Project are unlikely to provide an ultimately successful basis for achieving the MDGs, or indeed broader development goals. Our fundamental concern about these proposals is their technocratic grounding and orientation. We believe that there has been insufficient recognition of the different means available potentially to achieve development goals generally. The technocratic perspective of the Millennium Project causes it to focus on a small number of physical interventions it views as especially important. For example, to reduce infant and child mortality, it has emphasized the role of certain technical interventions, such as the provision of insecticide-dipped bed nets that may diminish the prevalence of malaria in infected populations. We have no reason to doubt that such interventions are potentially quite valuable. However, the overwhelming focus on a small number of physical interventions of this kind with very little attention provided to the institutional arrangements that prevail at the national and world levels, and their conduciveness to promoting development, is, in our view, misguided. It is misguided both because those broader concerns are ultimately of considerable importance in determining development outcomes on the ground and because there are many potential interventions and potentially successful development policies that Professor Sachs and his team may have ignored. An example that we have given in the past in this connection concerns that of mid-day meal schemes for schoolchildren, which have proven effective at increasing school enrollment as well as improving child nutrition. The Millennium Project identifies such schemes as an example of what they refer to as a "quick win," which is a policy that, if implemented, is likely to provide very rapid gains. We point out, however, that when mid-day meal schemes were first pioneered on a mass scale in developing countries (in particular in India in the 1980s) they were criticized as a populist scheme that was likely to be ineffective. The legendary Indian economist (and then finance secretary of Tamil Nadu state, which had first introduced the largest such program) complained to me vociferously about them at the time along these lines, when I did research on the topic in 1989. Moreover, these programs were primarily viewed as a mechanism for improving child nutrition. It was only recognized subsequently that their primary benefit was in increasing school enrollment. Today very few development analysts are critical of such schemes, and most, like Professor Sachs, praise them.

This is an example, in our view, of the manner in which experimentation on the part of countries can potentially create substantial benefits over the longer term, both for the countries doing the experimentation and for other countries that can learn from their experiences. Rather than presenting a centralized menu of options and advocating that these be implemented a la carte or in toto in all countries, it would be better to create a learning environment within which countries could be supported in the construction of development plans and through which countries could learn from one another in that process. As a concrete mechanism for doing so, we have advocated what we call a mechanism of "peer and partner review" through which countries would periodically undergo a process of generating national development plans that they deem appropriate to achieving their development goals and would subject these plans to the friendly but critical perspective of peers and partners (namely, other countries at the same level of development as well as countries at a different level of development which are linked to them, for instance as donors or aid recipients). The peer and partner review process would serve as a basis for offering financial assistance for countries' national development programs.

The process of peer and partner review need not be confined to poor countries. We could imagine that certain developed countries would subject their programs of development assistance to the critical perspective offered by their peers and partners. A process of this kind would, in our view, be one example of a mechanism whereby countries could approach their development challenges in a more open-ended way, as well as in a manner that is participatory, consultative, and democratic, and which is ultimately learning-oriented. Such a proposal does not promise a magic bullet that will be guaranteed to achieve the MDG or indeed any other economic or social goals. However, it is our view that in the long run an institutionalized process that provides tangible support to countries in their development programs as well as creates opportunities and requirements for countries to experiment, and to learn from their own experience and from one another is much more likely to promote those ends over the longer term.

In an article entitled "Developing Just Monetary Arrangements," you argue that the details of international monetary arrangements must be taken into account in debates on international distributive justice. How so? And what kinds of monetary reforms do you advocate at the global level?

That article was really an effort to undertake an exercise that could probably be undertaken in various possible realms, which is to try to bring to bear normative reasoning as well as empirical reasoning to ask the question of whether the existing institutional arrangements in a particular area are really ones that could be rationalized on the basis of underlying moral principles, and whether, given what we know about human beings, about the workings of institutions and so forth, there are feasible reforms that we could imagine that would be desirable from a normative standpoint. So in that particular case, as you point out, my concern was with international financial and monetary arrangements. These, of course, encompass a variety of aspects.

To give you an example of what I meant by saying that monetary decisions have real effects of interest from the standpoint of international distributive justice, many of the developing countries went into debt crises in the 1980s in part as a result of the decision by the U.S. Federal Reserve to adopt a very contractionary monetary policy at the same time as there was an increase in government expenditures in the United States financed by borrowing (due to Ronald Reagan's heavy program of military expenditure, simultaneous tax cuts, and other factors). The consequence was a sharp increase in real interest rates, which made it very difficult for many of the large developing country borrowers to roll over their debt and to make timely repayments. The consequences of that debt crisis, which of course also had other causal roots, are still being felt in many of the developing countries. In some respects that debt crisis has never ended in at least some of the developing countries. This is an example of the manner in which decisions based on narrow considerations of the interests of particular groups in developed countries can have very large knock-on effects in the developing countries. Of course, often those knock-on effects are barely considered in the decision-making process to the best of our knowledge. Further, the knock-on effects in developing countries can have quite adverse distributional consequences within those countries, so it is not just a question of particular countries being unable to make debt payments, but of their being forced to undertake sharp limitations on government expenditure that can hurt the relatively poor within those countries.

The issue of distributive justice also arises in the context of inter- and intragenerational questions. In the case of countries, unlike individual persons, those who borrow and make promises to repay in the future are not necessarily those on whom the actual repayment burden will fall. In the case of countries, there are shifting populations, and often the very young will be forced to bear debt obligations contracted on their behalf by their predecessors. One issue, then, is whether the citizenry of a country ought to be made liable for the debts contracted by a particular government on their behalf. Obviously questions concerning whether the government is constituted in a manner that generates normatively binding obligations are important here. The debts contracted by Mobutu Sese Seko in the erstwhile Zaire (now the Democratic Republic of the Congo) may be thought not to create binding obligations upon the populace of that country, which cannot reasonably be held responsible for the decision to contract those debts or to have substantially benefited from the resources borrowed. In the recent academic literature as well as more broadly there has been a very lively discussion on this question of so-called odious debts and how to address them.

But quite apart from intergenerational issues of that kind, there are the intragenerational questions. What makes a child born today in the Democratic Republic of the Congo more responsible for the debts contracted ostensibly on that child's behalf by the prior government of Zaire than is a child born today in some other part of the world? What are the threads of interpersonal obligation that hold intergenerationally as well as intragenerationally is a very difficult question, which I think has never been adequately addressed in the literature on sovereign debt.

The existing institutional order doesn't seem to function in a way that adequately takes into account the interests of affected populations when particular decisions are made. The international economic order is difficult to rationalize even on the basis of uncontroversial moral principles. So there is, I think, a certain value to bringing critical scrutiny to bear on these issues.

You have pointed to the current debate regarding why poor countries are poor in an article in the Journal of Ethics. *You ask, "Did they come to be poor (or do they continue to be poor) because of choices that they have themselves made, or rather because of the features of the world order in which they find themselves, and because of the actions of other agents?" You then say that "The answer to this question will properly influence our judgments concerning the distribution of responsibilities for the alleviation of poverty." What do you think the correct response to this question is?*

It is fairly clear that if one looks at this problem on a world scale, the existence of mass poverty is evidently a phenomenon that cannot be understood simply in terms of the exercise or nonexercise of individual responsibility. There are clearly systematic factors that must be at play in the emergence and maintenance over time of mass poverty. It cannot then be sufficient to characterize individual disadvantage in terms of specific histories of individual responsibility, as some would like to do. I leave open the question of whether such a characterization is more plausible or more reasonable within the national setting in specific cases. There may be particular contexts, especially those in which it may be argued that individuals have been presented with adequate access to the means of pursuing individual advantage or adequate life chances, where one could plausibly make such an argument. However, it is not evident that that is wholly the case even in the most egalitarian of the developed societies, let alone on the world scale. This observation then opens up the question of whether there are systematic factors that account for individual disadvantage as a mass experience or mass phenomenon, and where the responsibility for those systematic factors can be placed. The answers to this question are complex, and in some instances, no definitive answer can be provided. Take, for instance, the question of the extent to which historical experiences of colonization are responsible at least in part for present-day distributions of advantage and disadvantage in the world. There are plausible arguments that can be made in various directions in regard to what the impact of colonization, and of European dominance in particular, on the prevailing patterns of advantage and disadvantage in the world has been. However, coming to a definitive conclusion in regard to this matter is difficult to conceive because it would require assessing a complex counterfactual, namely, identifying what *would* have happened if the entire history of the world had been different. Since we have had one world with one history and there are no alternative worlds or possible worlds that are directly observable through which this counterfactual can be identified, there are inherent inferential problems in coming to a definitive judgment on such a question.

The fact that there are always uncertainties in the ascription of responsibility, however, is fully compatible with there being reason to try to form judgments concerning whether particular actions by particular agents may have been responsible for present circumstances, or whether particular actions by particular agents could plausibly be beneficial now and in the future, whether or not those agents were causally responsible in the past. Our judgments concerning responsibilities for the alleviation of poverty will depend on diverse considerations: our understandings of whether particular past actions were important in determining the present distribution of advantages and disadvantages, nonconsequentialist considerations involving the nature of interpersonal obligations between human beings whether or not those human beings live in the same society or were tied by particular causal connections in the past, and whether particular agents at present have greater capacity than others to alleviate the disadvantages that exist. There is no single answer that can be given to this question other than to say that we must recognize that there are going to be a variety of considerations in different directions, and it is difficult for individuals to wash their hands of responsibility for the present situation in the world on the grounds that they were "not involved" in producing it.

You have shown that a very large number of developing countries have suffered extended periods of stagnation, understood as a sustained period of negligible or negative growth, and you say that it is very difficult to escape stagnation permanently. Why is this? And what changes in policy need to occur to alter this fact?

In this work, with Camelia Minoiu, we found that a very large number of countries in the world, as you say, have experienced long periods of sustained negligible or negative growth, and moreover, that whether they experienced stagnation, understood in this sense, in the 1960s was a very good predictor of whether they experienced stagnation in the 1990s. It appears, therefore, that certain countries are structurally disposed to experiencing bouts of stagnation because of their place in the world economy or their domestic institutional features or some other reasons that are longstanding and perhaps entrenched. Once countries experience lengthy periods of stagnation, they find themselves caught in poverty traps that make it difficult for them to avoid doing so subsequently, independently of whether or not there were any prior features of those countries that disposed them toward stagnation.

It is difficult to know what the causal pathways are that account for this finding. However, it does seem to be a finding that requires explanation. The idea that countries experience poverty traps is not implausible. Jeffrey Sachs, in a recent paper on sub-Saharan Africa in Brookings Papers on Economic Activity, has made some very good arguments as to why countries may find it difficult to escape poverty once they are in poverty for various reasons, including their being constrained from making certain kinds of investments that would be necessary to raise the productivity of labor and capital to a level that would enable them to escape their poverty traps. Of course, it has also long been noted in the development literature that there are features of the global economy that make countries that specialize in the production and export of primary commodities, for instance, especially prone to swings in economic conditions worldwide. At the present time, there is a commodity boom taking place that is benefiting many developing countries, but there was a very long period in the later half of the 1970s and the 1980s and even the 1990s in which many countries experienced a commodity bust and suffered very low prices for their primary exports, which were primary commodities. These structural features of countries may be of considerable significance in explaining why many countries have experienced stagnation since the 1960s and continue to do so. Certainly it is an important part of the explanation as to why particular regions of the world, for instance sub-Saharan Africa, have had very poor economic performance for lengthy periods of time.

As to what changes in policy need to occur to alter this fact, that is a complex question, and I think that there is a need to address various aspects of the world economic system as well as domestic political and economic choices in order to do so.

You have also distinguished between developmental aid and geopolitical aid and argued that the former has a positive effect on growth while the latter has a negative effect on growth. Could you define the two types of aid and explain why this is the case? How much aid dispensed by the United States, for example, falls into the category of geopolitical aid? What are the policy implications of your findings?

In this work (jointly written with Camelia Minoiu) we define developmental aid as aid that could reasonably be expected to promote development, understood as the expansion of people's choices through various means, including economic growth. We define geopolitical aid as aid that could not reasonably be anticipated to promote development understood in this sense. Obviously the distinction between these two forms of aid depends on specifying an appropriate threshold of expected impact on development that differentiates the two.

The reason we make this distinction is that, in our view, it is evident that certain forms of investment—for instance, investment in rural roads, basic infrastructure, and human capabilities, such as improved health and education—are likely to have an impact on development, both intrinsically and instrumentally. For instance, investment in better health and education helps both to promote an end that is directly valuable as well as to enable what has sometimes been called the accumulation of human "capital," which may make workers more productive and contribute to the economic output of a country in the longer term. On the other hand, other forms of expenditure (for instance, one might think of highways between military bases) are likely to be of interest to particular groups within a country but less likely to have an impact on development understood as a process that expands peoples' choices. Much economic aid is of the latter kind rather than the former. For instance, the country you mentioned, the United States, happens to provide a great deal of aid to countries that are its strategic allies, and at least part of the purpose of that aid appears to be to shore up the governments that it supports in those countries rather than to protect from external threats. It would not be entirely inappropriate to judge that a small proportion of the aid provided to those countries was developmental in the sense that I have defined it here, and a large proportion was geopolitical.

We entered a debate that already exists. Of course, recently people like William Easterly of New York University (and formerly of the World Bank) have become very prominent in arguing that aid is ineffectual. David Dollar of the World Bank, Paul Collier, Craig Burnside, and others have also argued in this direction. One of the targets of their contrarian perspective on aid has been another prominent economist, Jeffrey Sachs, who has argued for a large expansion of aid to developing countries, especially the least developed countries. I think it is fair to say that Professor Sachs's perspective is the minority perspective in the debate, and that the aid "contrarians" have been quite influential. Most recently, the just departed chief economist of the IMF, Raghuram Rajan, has, with his coauthor Arvind Subramaniam, written a very carefully constructed paper arguing that aid has been largely ineffective. Our view on this entire literature is that it has failed to distinguish appropriately between developmental aid and geopolitical aid. The reason this literature finds that aid is ineffective is that it is measuring the average impact of aid. Our finding is rather commonsensical, and it depends on not doing this. We find that developmental aid, which one could reasonably anticipate to have a positive impact on economic growth, does in fact do so, and that other aid does not have such an impact. In fact, in our statistical work on cross-country experience, we find that geopolitical aid, which we, following the literature, identify as aid that is predicated on the existence of strategic relationships, linguistic ties, ex-colonial ties, and so forth, is actually sometimes associated with a negative impact on economic growth. Why this is is something of a mystery, although there are some plausible explanations. For example, it may be that geopolitical aid helps to sustain governments that are not development oriented and that systematically fail to use resources efficiently or to make investments that would benefit their people and improve the productivity of national economies.

In an article entitled "Safety Nets for the Poor: A Missing International Dimension?" you ask whether there are shocks whose appropriate level of reme-

diation is at least in part international, and if so what form the arrangements governing such remediation should take. You discuss the possibility of establishing a global reinsurance fund. Could you elaborate this proposal here?

The observation made in the article is that there are many countries, especially smaller countries, that appear to be quite seriously affected by economic shocks of international origin, for example, the variations in prices of export commodities that I mentioned earlier. So there are many factors accounting for the economic performance of countries over time that are external to them. Countries should be enabled to cope better with the shocks and the volatility that they experience through an appropriate international mechanism providing them with some degree of insurance. The form that such insurance could take are various; Robert Shiller, the financial economist, has, for instance, argued that futures markets or derivatives products tied to national income should be created so that countries can hedge against variations in their own national income. That is a very interesting but rather exotic proposal, and my own paper offered a fairly modest suggestion as to a means by which the relatively poor within countries could be protected from fluctuations in their incomes which threaten their basic interests. One way to avoid treating the poor as a "shock absorber" of the international economy would be to create what I refer to as a Global Reinsurance Fund or a similar mechanism through which individual countries would be able to make claims varying with the extent to which demands on their national social welfare system increase as a result of economic shocks. I had in mind here the Indian example of establishing welfare programs and social insurance schemes that reach the mass of the rural poor. The Maharastra Employment Guarantee Scheme is an important early example of such an initiative, which guaranteed rural able-bodied persons a certain number of days of work at a certain wage and thereby provided an institutional safeguard against extreme poverty and famine. More recently in India this idea has been generalized to the entire country in the form of the National Rural Employment Guarantee Programme. Many other developing countries could benefit from putting in place standing social safety nets of this kind, which would offer an automatic mechanism by which individual poor or potentially poor persons would be protected from adverse shocks. Such standing social safety nets would be activated automatically, rapidly, and at relatively low marginal cost in the event of stresses that affect the poor and cause a large increase in uptake from such programs. Of course many smaller countries are weary of establishing such a standing social protection mechanism because they do not wish to open themselves up to the potentially indefinite fiscal claims that such a program could generate, particularly if they are subject to very severe or long-lasting negative shocks that could create large demands for social assistance at the very time that a government is most fiscally constrained.

A way to counter this fear is to create a global reinsurance mechanism by which, through the provision of appropriate premiums, whether paid by the country or by donors on behalf of the country, the country would be guaranteed the means to finance any increase in expenditures that was necessitated by unanticipated adverse shocks. A mechanism of this sort could generalize the example that has recently been initiated in India (through the hard work of social and political activists) to the world scale. Of course, the particular mechanism or mechanisms appropriate in each country will depend on the specificities of that country. The underlying principle, however, of creating standing social safety nets that can provide for people who are most vulnerable without having to be created anew when the time comes and of creating the means for countries to pay the attendant bill through global risk sharing (and subsidy as appropriate) is what is most important. Here, as elsewhere, my intent has been to show that there are feasible means of creating a world order that serves the ends of justice (such as that the less advantaged must not bear the brunt of aggregate volatility linked to financial speculation). There may of course be other and better means of promoting these ends.

In your work, you have argued for policy changes that would address the large and often increasing inequalities both within and among states. How would you rate the success of the development paradigm as it has been implemented in the last sixty years, and the record of the global institutions entrusted with ensuring its success? What possibility do you see of reform under present conditions so that these inequalities might be diminished? Do you believe that structural change at the global level might be necessary given the highly unequal distribution of power and resources? And how do you think it might be achieved?

The best for last I see! Existing perspectives on whether the prevailing development paradigm has succeeded are very diverse. Amartya Sen and others who have been critical of elements of that paradigm would nevertheless point to the fact that there have been significant improvements, for example, in life expectancy, literacy, and indeed in real income in many countries around the world. Indeed, from a broader historical perspective it may even be argued that these improvements have been unprecedentedly rapid and large.

That having been said, there are evidently many reasons for deep concern. First, this progress has been extremely uneven across countries and populations. That which has been achieved has still been too slow and too unevenly achieved. Second, the criteria for success have perhaps been overly narrow. There are many respects in which it is reasonable to argue that conditions have become worse. We can think here, for instance, of the intensifying local as well as national and global depletion of the commons, which has affected (or threatens to affect) livelihoods and the quality of life—in some instances profoundly. The basis for trust and cooperation within and between societies is in some instances notably diminishing. The international economic order remains deeply unequal not only in its outcomes but in terms of its governance. We have already commented on the fact that the Bretton Woods institutions and other important global institutions that affect people throughout the world continue to be disproportionately shaped by specific countries and perhaps by specific interests within those countries. We can think also of the breakdown of social relations and the increasing anomie that is a part of everyday individual experience in large parts of the world; urbanization, the emergence of posttraditional attitudes, and the creation of mass society have been mixed blessings in this particular respect. The widespread prominence of chauvinistic politics and of simplistic understandings of the demands of authenticity may be related to the massification of society and increased social anomie, although these connections are obviously complex and ones that more sociological insight is required in order to understand.

For all of these reasons and still others, it is very difficult to assess whether the development paradigm as it has been implemented in the last sixty years has been a success or a failure. I think it is fair to say that it has been a disappointment for a great many people, and they are not wrong to feel a sense of disappointment. In saying so, however, one must still remain cognizant of the facts concerning improved health, improved access to basic education, and the progress of democratization and social equality in many societies around the world. For instance, despite the many aspects of India's record that are mixed, it is clear that an increasing atmosphere of social equality—although it has brought many political and social challenges—is an important and creditable aspect of India's postindependence history. I am firmly of the view that the development paradigm should ultimately be assessed in regard to all of these different outcomes. It would not be enough to focus simply on the economic impact that it has had, even though much of my recent work has focused on that impact.

Of course, we have not defined what the "development paradigm" is, and I have taken it as given that you are referring to a certain set of conventionally held notions—for instance, that economic growth is desirable, that it should be promoted through appropriate means such as national development plans (earlier) and through market-oriented liberalization (increasingly now). There is no doubt that such ideas have been vastly influential and are widely held. However, the concept of a development paradigm should also be put under the spotlight. There have been many critics of the very idea of development who have argued that by its very nature it entails an inappropriate valorization of particular institutions and norms, especially those associated with modern capitalism and the European cultural world. Notwithstanding the pertinence of such foundational criticisms, I think that it is difficult to do without a term such as development (although the term itself is dispensable) under contemporary conditions. Certainly we need some language within which to articulate our collective aspirations toward progress, even if we do not believe in what Ashis Nandy has referred to as the inclined plane of history, the idea that history necessarily tends or ought to tend in a certain direction (for example, toward a certain set of institutional and social norms) in order for it to constitute progress. I think that we should aim toward a pluralistic conception of the desirable worlds that we could inhabit as a world society, and indeed as nations and groups of nations, or as communities within nations overflowing across nations (which they increasingly do). That pluralization is an important task for development thought which is largely ignored by development economists. I personally have no attachment to the language of development, which is so improperly redolent of historical stagism and biological evolutionism, but do think that it is important to find some way in which to articulate the shared aspirations toward common betterment.

As to the possibilities for reform under present conditions, I am not especially sanguine, but I also believe that there is no need to be wholly pessimistic. I think that there are possibilities for transformation, though of course these possibilities depend very much on there being adequate collective action. To offer an example: the worldwide movement for debt relief in the last decade has been quite heartening. It has been very uplifting to see large numbers of people, especially in the rich countries, who have pushed for their governments to provide meaningful debt relief to poorer countries. Often without understanding the details of the issues, millions of people, in particular young people, have joined this movement, and they have made of debt relief an issue that could garner votes for the mainstream political parties, and as a result, they have made significant debt relief a reality, although of course with strings and under conditions that one might have wished did not exist that were inevitably appended by finance ministry technocrats. I am not one of those who believe that all actions of governments always redound into the interests of the dominant classes axiomatically. An example of this kind is to me heartening, although very modest and imperfect indeed.

In some recent work that I have been doing with my colleague, Christian Barry, we have jointly tried to articulate some ways in which the international trading system could be reformed so that it would be more worker-friendly. In our view there are prospects for reforming the rules of the world trading system so as to enable countries to realize potential gains from trade while also promoting the interests of people more than they can do at present without adversely affecting their international competitiveness. Of course, whether proposals of the kind we are making will ever be realized is a very open question. I do not necessarily expect that they will be realized, but to articulate what such reform could involve and how it could operate is at least to provide a necessary condition for the actions that could actually bring about such reforms. Ultimately structural transformation, whether of international institutions or of national or local institutions, requires not only ideas but imagination and collective will, which intellectuals are not in a position by themselves to provide. This is not to say that our task is simply to wait, but it is to say that we should strive better to recognize what we can do and what we cannot do. What we cannot do is less than is often thought, and what we can do is more than is often thought. We can only discover the limits of what we cannot do, and more importantly of what we can, by testing them.