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Why won't the UN tell us what really reduces poverty?

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Earlier this month, the United Nations urged the world to celebrate the International Day for the Eradication of Poverty, advertising it on social media using the hashtag #EndPoverty. The UN noted the incredible progress on the issue:

Poverty has declined globally, from 1.7 billion people in 1999 to 767 million in 2013, a drop in the global poverty rate from 28 percent in 1999 to 11 per cent in 2013. The most significant progress was seen in Eastern and South-Eastern Asia, where the rate declined from 35 per cent in 1999 to 3 per cent in 2013.

Unfortunately, the UN seems to misunderstand the source of that progress. It argues that government action and top-down technocrat-led programs are to thank for poverty's remarkable decline. The UN statement continues:

Countries have taken action to end poverty... The Government of Tanzania, for example, started a massive overhaul of its current national programme, the Tanzania Productive Social Safety Nets, to reach people living below the food poverty line.

It is an accidentally instructive example. Tanzania has made impressive progress against poverty, but that is not because of increased government spending on food for the poor. In fact, Tanzania's government is today far less redistributionist than in the past — and those past policies of redistribution led to near-starvation for the poorest Tanzanians. In 2011, the most recent year for which the World Bank has data, just under half of Tanzanians lived in extreme poverty. That figure was 86 per cent in 2000.

The real cause of that reduction is pretty straightforward: economic freedom. Tanzania has gradually dismantled the socialist or “ujamaa” economic policies enacted by the dictator Julius Nyerere, since he stepped down in 1985. Nyerere was widely praised by leftist intellectuals in developed countries for his sincere belief in socialism, relatively low level of corruption, and not intentionally slaughtering his own people like so many other dictators.

But Nyerere instituted policies that, according to Dr. John Shao, resulted in intense food shortages, a collapse of agricultural and industrial production, deteriorating transportation infrastructure, economic crisis and “general distress of the population” by the 1980s. Nyerere also banned opposing political parties to consolidate his authority and prevent debate about his ruinous policies.

Post-Nyerere, Tanzania managed to speed up its economic growth rate by removing price controls, liberalising trade, and freeing its people to engage in private enterprise. The UN’s attribution of progress to government programs, and its insistence on the importance of foreign aid to development, is as worrying as it is unsurprising.

Nyerere was able to hold onto power for so long despite his disastrous programs thanks to billions of dollars of aid money. As my colleague Doug Bandow put it, “The World Bank, demonstrating that it lacked both a conscience and common sense, directly underwrote his brutal ujamaa scheme.”

Not only is government aid ineffective compared to market-led development, but aid programs often ignore the property rights of the poor and the need for institutional reform. Other examples of dictators who received aid money include Idi Amin of Uganda, Mengistu Haile Mariam of Ethiopia, Mobutu Sese Seko of Zaire (now the Democratic Republic of the Congo) and even the infamously brutal Pol Pot of Cambodia.

The money often props up authoritarian regimes while they pursue destructive policies such as stealing their citizens’ farmland through nationalisation. That was the case in Tanzania, which received billions of dollars in foreign aid while its socialist government nationalised hundreds of farms — slashing agricultural production and leading to the aforementioned massive food shortages. The store shelves were empty, and people waited for rations of food.

“When I first came to Tanzania in the 1980s, we used to have whole wards of kids very debilitated with malnutrition, some too far gone to survive,” recalls an aid worker for the World Food Programme, the food-assistance branch of the United Nations, “now there will only be up to one or two at any time, and we would usually find a social cause, such as an alcoholic father, or being orphaned, or inheriting HIV.” The page containing that quote goes on to claim that the U.N. food programme “made a difference”, but the reason far fewer children resort to using the food programme today compared to the 1980s is conspicuously absent.

Reducing trade barriers is far more effective at improving the quality of life for those in poor areas of the world than sending aid or technocrats to help design government programs. To get serious about eradicating poverty, countries should pursue policies of economic freedom. Because, ultimately, countries don’t fight poverty. Individuals free of excessive regulations and able to participate in global trade do.

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