

S Mehrota and E Delamonica
Eliminating Human Poverty: Macroeconomic and social policies for equitable growth.
London, Zed, 2007

This important book could not be more timely. The last few months have shown just how the neoliberal reforms of the last 30 years to our economic and social systems have been built on sand. Governments have, if hesitantly, rediscovered that it *is* possible to take leadership over global capital and the financial institutions to prevent further harm to people. Yet for three decades there has been a dismal consensus that health and welfare provision should be subject to market mechanisms, with little or no room for dissenting voices. As part of this consensus the International Financial Institutions (IFIs, e.g. the World Bank and International Monetary Fund) have subjected developing countries to policy prescriptions that aimed to energise economic growth – health and welfare being seen as secondary to this. Similar thinking can be found in the Core Capitalist Countries – in the UK for instance a continual refrain is that we cannot afford our health and welfare provision and that in addition to casualisation, rationalisation and competition we will have to consider making increased co-payments, despite having up to now pooled most risks through a taxation based system of funding.

Mehrota and Delamonica's book is concerned with effective policies to combat poverty in developing countries. Their fundamental thesis is that macroeconomic policies oriented to promoting economic growth do not reliably lead to poverty reduction. Instead it is necessary to integrate macroeconomic and social policy with the latter as an equal partner. Rather than economic growth leading in a linear fashion to poverty reduction and improvements in wellbeing they show that a more complex model of the interactions is required. To build their case they identify two sets of synergies. The first is among interactions to promote what they term "basic social services" (or BSS - interventions in health, nutrition, water and sanitation, fertility control and education). The second set of synergies is between what they term "enhancement of functionings" (i.e. the ability to lead healthy literate lives as a result of the provision of BSS), income poverty reduction, and economic growth. Policies should target all three ends since as they demonstrate, the greatest and most sustainable gains are made where all three are in place.

Mehrota and Delamonica base their argument on two sets of experiences. Firstly that of the early industrialising countries, Germany, France, the UK and the USA over the second half of the 19th century. Using time series data they demonstrate how it was government action that was associated with both economic growth and reductions in death rate, the reverse of the neoliberal model in which economic interventions are supposed to create improvements in living standards through a trickle down effect. Indeed the authors contrast the thinking of the two paradigmatic and contrasting thinkers on state and market

relationships from the middle of the last century, Hayek who has until recently dominated, and Polanyi who, in *The Great Transformation*, stressed the role that the state had in planning the market economy.

The second set of experiences is that of a group of high achieving low and middle income countries¹, that is countries that have, at least for sustained periods, outperformed countries in similar income groups in their health and education indicators. It is from these countries that the authors draw their key policy lessons. These countries, have contrasting political systems: the set includes Cuba, South Korea, the Indian State of Kerala, Costa Rica and Malaysia. In each the State intervened early on to ensure provision of BSS. This was not left to market forces and BSS had a high fiscal priority. The high achievers also demonstrate the synergies among the different areas of BSS – investment in universal primary education and basic healthcare preceded the breakthrough in mortality reduction. It matters not just how much is spent on education and health, but where it is spent. Those countries that invest in hospital services at the expense of primary care, or in university education in preference to universal primary education under-perform in terms of growth, poverty reduction and indices of population wellbeing.

The authors wrestle with some difficult questions. For example they recognise that due to population growth and weak industrialisation, the formal economy is not likely to absorb the surplus labour force in many developing country contexts. Accordingly they suggest ways of investing in social protection for those who will continue to depend on the informal economy. These would be industry-based but government-funded by means of a hypothecated sales tax. This is the kind of practical and effective economic reform the IFIs should be promoting rather than the continued mantra of deregulation, privatisation and user fees.

The book is impressive, amassing a great deal of data, well referenced, outstandingly well argued and written. If I have a criticism it is from an ecological perspective. Emphasising as they do economic growth as a goal and facilitator of improved human wellbeing, albeit in a far more sophisticated way than the spokespeople for the Washington consensus, the authors fail to address the key question of sustainability. How can human wellbeing be delivered without wrecking the natural systems that are necessary to it? The answer may not be far away. According to the World Wildlife Fund's Living Planet report (2006²), one of the high achieving countries in Mehrota and Delamonica's set, Cuba, is the only country worldwide that has managed to combine an acceptable level of Human Development with a sustainable ecological footprint.

¹ See also <http://www.unicef-irc.org/publications/pdf/iwp80.pdf>

² http://assets.panda.org/downloads/living_planet_report.pdf