

**November 27, 2004**

OP-ED COLUMNIST

## **Good News About Poverty**

By **DAVID BROOKS**

I hate to be the bearer of good news, because only pessimists are regarded as intellectually serious, but we're in the 11th month of the most prosperous year in human history. Last week, the World Bank released a report showing that global growth "accelerated sharply" this year to a rate of about 4 percent.

Best of all, the poorer nations are leading the way. Some rich countries, like the U.S. and Japan, are doing well, but the developing world is leading this economic surge. Developing countries are seeing their economies expand by 6.1 percent this year - an unprecedented rate - and, even if you take China, India and Russia out of the equation, developing world growth is still around 5 percent. As even the cautious folks at the World Bank note, all developing regions are growing faster this decade than they did in the 1980's and 90's.

This is having a wonderful effect on world poverty, because when regions grow, that growth is shared up and down the income ladder. In its report, the World Bank notes that economic growth is producing a "spectacular" decline in poverty in East and South Asia. In 1990, there were roughly 472 million people in the East Asia and Pacific region living on less than \$1 a day. By 2001, there were 271 million living in extreme poverty, and by 2015, at current projections, there will only be 19 million people living under those conditions.

Less dramatic declines in extreme poverty have been noted around the developing world, with the vital exception of sub-Saharan Africa. It now seems quite possible that we will meet the United Nations' Millennium Development Goals, which were set a few years ago: the number of people living in extreme poverty will be cut in half by the year 2015. As Martin Wolf of The Financial Times wrote in his recent book, "Why Globalization Works": "Never before have so many people - or so large a proportion of the world's population - enjoyed such large rises in their standard of living."

As other research confirms, these rapid improvements at the bottom of the income ladder are contributing to and correlating with declines in illiteracy, child labor rates and fertility rates. The growth in the world's poorer regions also supports the argument that we are seeing a drop in global inequality.

Economists have been arguing furiously about whether inequality is increasing or decreasing. But it now seems likely that while inequality has grown within particular nations, it is shrinking among individuals worldwide. The Catalan economist Xavier Sala-i-Martin looked at eight measures of global inequality and found they told the same story: after remaining constant during the 70's, inequality among individuals has since declined.

What explains all this good news? The short answer is this thing we call globalization. Over the past decades, many nations have undertaken structural reforms to lower trade barriers, shore up property rights and free economic activity. International trade is surging. The poor nations that opened themselves up to trade, investment and those evil multinational corporations saw the sharpest poverty declines. Write this on your forehead: Free trade reduces world suffering.

Of course, all the news is not good. Plagued by bad governments and AIDS, sub-Saharan Africa has not joined in the benefits of globalization. Big budget deficits in the U.S. and elsewhere threaten stable growth. High oil prices are a problem. Trade produces losers as well as winners, especially among less-skilled workers in the developed world.

But especially around Thanksgiving, it's worth appreciating some of the things that have gone right, and not just sweeping reports like the one from the World Bank under the rug.

It's worth reminding ourselves that the key task ahead is spreading the benefits of globalization to Africa and the Middle East. It's worth noting this perhaps not too surprising phenomenon: As free trade improves the lives of people in poor countries, it is viewed with suspicion by more people in rich countries.

Just once, I'd like to see someone like Bono or Bruce Springsteen stand up at a concert and speak the truth to his fan base: that the world is complicated and there are no free lunches. But if you really want to reduce world poverty, you should be cheering on those guys in pinstripe suits at the free-trade negotiations and those investors jetting around the world. Thanks, in part, to them, we are making progress against poverty. Thanks, in part, to them, more people around the world have something to be thankful for.