

SUSTAINABLE, BROADLY BASED ECONOMIC GROWTH
or
HOW TO REDUCE POVERTY, HUNGER, DISEASE, IGNORANCE, MISERY,
POPULATION GROWTH, ENVIRONMENTAL DEGRADATION AND POLITICAL STRIFE
or
HOW TO ENHANCE FOREIGN MARKETS FOR AMERICAN GOODS AND SERVICES
or
HOW TO INCREASE INCOME, EMPLOYMENT AND SECURITY IN THE U.S.
BY HELPING POOR PEOPLE ABROAD FIND JOBS

These titles are all about the same thing. Achieving several of our more important national objectives depends on sustainable, broadly based economic growth in developing and transitional countries. This is bottom-up growth that emphasizes employment generation and participation by all segments of society, and not subsidized, protected, capital-intensive growth that benefits a privileged elite but keeps out the poor.

The economic welfare of a whole society depends on the welfare and productivity of the individual countries, firms and households that comprise the market. Economic progress for all of us depends on productive capital accumulation (including human capital), improved production technology and higher levels of specialization among all the producers and traders in the market. Therefore, what enhances the productivity and income of the poor farmer or family or firm in our own country or abroad also increases our own real income and well-being, as they produce more things or services at less cost while also earning higher income to buy what we produce. One cannot sell much to a poor man, nor can the U.S. trade much with a poor country.

Economic growth occurs when people learn how to earn more income by producing more and better goods and services. It is the only way out of the grinding poverty afflicting so many people today. It enables them to pay for better education and health services. The opportunities it provides encourage families to delay marriage and space children, thereby reducing population growth. It provides a welcome alternative to degrading the natural resource base for sheer survival. It enables countries to provide for many of their own disaster relief and humanitarian needs, relieving the budgetary burden on donor countries like the U.S. And when underprivileged social groups can count on a fair share of a growing economic pie, social and political tensions decline, violent conflicts are fewer, and the world is a safer place for democracies to flourish and for us all to live in.

Broadly based economic growth is a revolutionary phenomenon, with its emphasis on employment generation and increasing the productivity of the poor. It gradually empowers the poor against the rich by giving them higher incomes, better education, better health, greater financial security and the hope of a brighter future for their children. It inspires greater effort, greater

personal investment of time and energy as well as of financial capital, and less tolerance of oppression and exploitation. As it proceeds, it changes the pattern of effective demand, and thus the allocation of productive resources, away from the goods and services desired by the rich and toward things like basic food, clothing and shelter needed by the poor, who were previously unable to pay for them.

Opposition to the policy reforms and structural adjustments required for broadly based economic growth comes mainly from those business leaders, corrupt government bureaucrats and labor organizations who would rather continue the policies that protect their profits, "rents" and higher wage rates, respectively, from increasing competition or elimination. If we want to empower the poor and reduce poverty, we must support reforms that open up markets and stimulate investment in employment-generating, productivity-enhancing activities. We must help progressive leaders in their epic struggle to change the systemic political, economic and cultural biases against the poor for the general good.

Effective support of broadly based economic growth does not require large sums of foreign assistance. Such funds can help if used wisely--and the needs for infrastructure investment and human resource development are many; but unless they are tied to specific project costs they can be counterproductive by skewing exchange rates, domestic prices and investment resources away from sustainable activities. The policy reforms needed are in the developing countries' own best interest. Domestic decisions to move ahead require political understanding, leadership and commitment more than donor aid. USAID can often best help by building the necessary institutions and providing the technical analysis and training to develop that political consensus and commitment--and this does not require vast sums of money. It is more important to reallocate, through more appropriate economic policies, the much larger amounts of domestic investment resources available to each country than to provide a few more dollars of foreign assistance to support direct investment.

For those development assistance programs aimed at policy change, the measurable indicators of success must be the desired results of reform, e.g., 1) the growth of private investment in sustainable economic activities based on free market comparative advantage and not on protection, monopolistic advantage or public subsidies, 2) the growth of productive employment, 3) higher productivity in existing activities, such as agriculture, 4) the growth of non-traditional exports and efficient import substitution, 5) higher levels of sustainable public investment in critical social services, 6) manageable budgetary deficits and external debt levels, 7) low rates of inflation, 8) sound natural resource management and environmental protection, and, ultimately, 9) higher GDP per capita and 10) reduced levels of poverty.