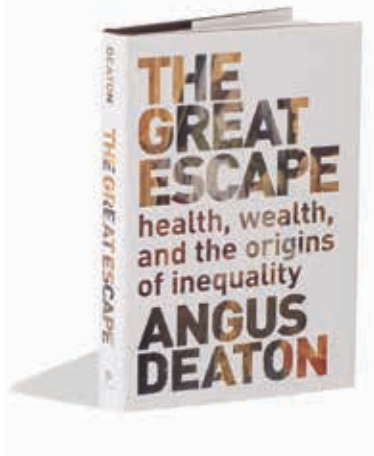


Aiding and Abetting



Angus Deaton

The Great Escape

Health, Wealth, and the Origins of Inequality

Princeton University Press, Princeton, New Jersey, 2013, 360 pp., \$29.95 (cloth).

Princeton University economist Angus Deaton has written an elegant, wide-ranging, and fascinating book on the history of U.S. and global progress in health and material well-being from prehistory to modern times.

The Great Escape of the title is the escape from poverty and ill health that some of the world's population has already largely achieved, most of the world is undergoing, and an unfortunate few have yet to begin. The book is an accessible and enjoyable journey narrated by a world authority on global health and income data, and the discussion of the assumptions, biases, and flaws of such statistics makes for a wonderful read. Much of the book amounts to a warning: there are unavoidable uncertainties and compromises in all economic and health data, so don't believe any of it *too* much.

With that caveat, Deaton concisely outlines the history and extent of global progress, as well as its major causes. Not least, he argues that the escape from high mortality was only weakly connected to the escape from poverty. In the West, it was not primarily greater private wealth that led

to improved health. Instead, better public services such as water and sanitation were the proximate causes. In developing economies over the past 50 years, the answer to the question "Do faster-growing countries have faster rates of decline in infant mortality?" is clearly "No." Perhaps the book should have been titled *The Great Escapes*.

Along the way to progress, Deaton points out, unnecessary evils were committed in the name of international population control. This highlights yet another great escape: all countries have exited the Malthusian trap of the preindustrial era, when population growth was routinely associated with lower incomes and worse health.

Returning to Deaton's focus on the limits to our understanding, those looking for simple policy pointers on promoting income growth in countries at the wrong end of global divergence or on sustaining worldwide health progress will be disappointed. Writing of the foolishness of searching for a "key to growth"—or indeed, a key to stagnation—Deaton suggests that such efforts attempt to "make fatuous generalizations based on coincidence. Etruscan and Roman haruspices did the same with entrails of chickens." Still, Deaton does argue that institutions tailored to the elite are "inimical to growth"—one reason for the book's focus on inequality.

The Great Escape does elaborate on one policy recommendation for helping the world's poorest: cut aid budgets. Aid, Deaton suggests, doesn't promote growth. Copious aid is in fact "a roadblock to development" that can corrode institutions—allowing rulers to rule without consent because they do not need to tax their citizens. He does support some aid and ways of providing it: financing the development of new technologies, including drugs, for example. He also notes that "external aid has saved millions

of lives in poor countries"—especially by lowering childhood deaths from infectious disease. But even aid's role in health is limited by the fact that it does not help build basic health systems.

It is hard indeed to make the case that aid, on average, has done much for economic growth in poor countries. As Deaton suggests, other more powerful world policy tools do more to support such growth, including migration, trade liberalization, and subsidy reform. Much—perhaps most—aid has been wasted in the past.

But evidence of the *negative* impact of aid is not that strong, either. Recent IMF staff analysis (IMF Working Paper 12/186) suggests that in poor countries with weak institutions, aid substitutes for taxes about one for one, but in the average recipient country, a dollar of extra aid reduces taxes collected by the government by only nine cents. And there is evidence that even in poorly governed assistance-dependent countries, aid can sometimes help build basic health systems. From 2004 to 2010, life expectancy in Afghanistan increased from 42 to 62 years, thanks in no small part to a program funded by the U.S. Agency for International Development and run through the ministry of health. This program delivered basic health services to 90 percent of the population.

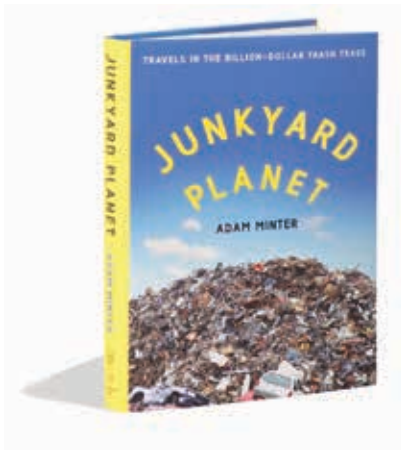
The millions who are saved by aid and the successful aid projects across many sectors in many countries—despite many failures—are reasons to reform, not retrench, the aid system. Such reform—alongside more migration and more equal trade—could help millions more join the great escape from penury and ill health that Deaton's research and writing have illuminated so well.

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Recycling a Better Future



Adam Minter

Junkyard Planet

Travels in the Billion-Dollar Trash Trade

Bloomsbury Press, New York, 2013, 304 pp., \$27.50 (cloth).

As we know from horror movies, vampires turn their victims into new vampires by biting them. Adam Minter's book contains an analogous example of environmental damage transforming innocent citizens into polluters. In his trash travelogue, which examines the global scrap industry, he visits Wen'an, China. Wen'an is the center of the Chinese plastic scrap industry. Plastic waste, not just from China but from the United States and Europe, is recycled here—a process that endangers the health of the local people. Reclaiming plastic releases toxins, and strokes, high blood pressure, and low life expectancy abound in the district.

The people of Wen'an remember when theirs was a green and pleasant land famous for its peach trees and clear streams. Industrial pollution brought by an unregulated oil industry poisoned the soil and dirtied the streams, farmers could no longer grow their crops, and the population took to dealing with plastics to survive economically. Minter notes that it is probably the most polluted place he has ever visited, and much of the plastic comes from his home

country, the United States.

The son of a Minnesota scrap dealer, Minter, a journalist based in Shanghai, loves junkyards and takes obvious pleasure in his career covering waste disposal. While some would conserve whales and bears, he defends junkyards as part of the beauty of our planet. However, while *Junkyard Planet* isn't a tale of environmental horror, neither does it belong to the genre that touts green business as a solution to all our ills. It is a thoughtful examination of recycling, showing that while recycling is vital and is a practice that draws in creative entrepreneurs, it is also inevitably dirty and destructive.

Recycling materials saves energy. Substances such as aluminum, for example, are hugely energy intensive to produce from ores, but require far less power if reclaimed from scrap. Minter also notes that mining for metals often displaces communities and wrecks local ecosystems. Most controversially, perhaps, he rejects the idea that shipping U.S. and European waste to China is intrinsically exploitative. Chinese companies are eager to take scrap because it provides a raw material for their vast manufacturing base, he argues. Despite examples such as Wen'an, both regulation and better techniques of recovery are making the industry less damaging.

Nonetheless, while Minter's affection for the varied scrap merchants he interviews and travels with is obvious, he notes that recycling is never environmentally cost free. (When we place cans in a recycling box we feel virtuous, but he notes that we are merely outsourcing to others our waste handling. Worse, he cites scientific studies that show that recycling leads us to be more wasteful.)

Reusing is better than recycling, and not using in the first place is best of all. While *Junkyard Planet* might be read as a celebration of the market, it is also critical of unbridled capitalism. For every entrepreneurial recycler,

there is a product that should not be thrown away in the first place—but it is profitable for manufacturers if we do. Minter argues passionately

Most controversially, perhaps, he rejects the idea that shipping U.S. and European waste to China is intrinsically exploitative.

that manufacturers need to make technological products that last longer and can be refitted rather than thrown away, if we are to significantly reduce our collective damage to the environment.

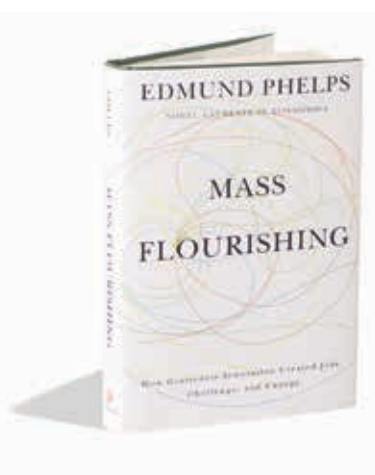
Adam Minter reminds me of the late Elinor Ostrom, the first female Nobel Prize winner in economics (see *F&D's* September 2011 profile). She studied the so-called tragedy of the commons and found that, far from being a tragic story, common land was often carefully conserved by local people. Instead of believing in a metaphorical model of environmental doom, she went out of her way to study the creative ways people deal with ecological problems. Minter, while not an academic, has an Ostrom-like eye, asking people how they get things done, rejecting preconceived ideas in favor of practical knowledge, and noting that easy solutions are often simplistic.

Junkyard Planet is an enjoyable and fascinating read. More like a novel than a dry tome, it is full of subtle insights. Neither incineration nor landfill is a sustainable solution to our apparent addiction to waste, but neither is recycling always the green alternative it appears to be.

Derek Wall

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Classical Advice for Modern Economies



Edmund Phelps

Mass Flourishing

How Grassroots Innovation Created Jobs, Challenge, and Change

Princeton University Press, Princeton, New Jersey, 2013, 392 pp., \$29.95 (cloth).

Edmund Phelps intends his unusual and bold book as a tract for our times, an alternative capitalist manifesto. The tone is sometimes inspiring, sometimes cantankerous and provocative. He celebrates Aristotelian virtues and principles, and the belief that the ultimate goal of a modern economic system should be eudaimonia—often translated as happiness but, in the opinion of many modern writers, more a sophisticated flourishing. Also central to the book is vitalism, the drive for innovation—fundamental to what Phelps considers a modern economy.

Phelps sees first 20th century Europe and then the United States after the 1960s as suffering from a proliferation of what he terms corporatism: an expanded public sector, increased transfer and welfare programs, and powerful unions that conspire with powerful employer groups and big corporations. The result is bureaucracy and a way of life that increasingly disdains innovation. At one stage, he makes the exaggerated claim that America is suffering the same problems as contemporary Greece.

The most obvious analogy for this book would be to Joseph

Schumpeter's gloomy *Capitalism, Socialism and Democracy* (1942).

As with that book, *Mass Flourishing* defies easy classification on a conventional political spectrum. It is sympathetic neither to left-wing advocacy of the welfare state nor to traditional values, by which Phelps seems to mean attachment to older, noncommercial values, such as altruism. In an empirical section, Phelps attempts to show how, for instance, traditional societies correspond to lower job satisfaction. He depicts the persistence of traditional values as a source of a dangerous proclivity for corporatism in advanced economies.

Each part of the book provides a different angle on the human capacity for innovation: a survey of economic history illuminates the “venture-some” basis of the speed of economic growth over the past two centuries; a more economics-focused part analyzes the performance (especially job satisfaction) of the three contrasting systems of capitalism, socialism, and corporatism; and finally, a more philosophical, or theoretical, section identifies a different ethos of capitalism or modernism and contrasts this with traditionalism.

Traditionalists fear change and crisis, Phelps says, and are overrepresented in government and in international organizations. At one point, he argues against policymakers and commentators who want “balanced growth.” He tells the IMF not to worry about global imbalances or focus on crisis prevention: thinking otherwise shows that “the IMF has lost sight of the rationale for a well-functioning modern-capitalist economy.”

Phelps's argument centers on culture and how it can be measured to explain economic growth. But he sees a lag: “modern thinking” began in 1500, the modern economy only after the Napoleonic wars. His argument is that only a new orientation, in which many people (not just a few entrepreneurs) pursue adventure and innovation, can account for modern economic growth.

Phelps launches a polemic against Adam Smith (who in 1776 could not really appreciate the possibilities for technical advance), German historical economics (for too much focus on institutions), Max Weber (for more interest in asceticism and savings than in “experimentation, exploration, daring and unknowability”), Schumpeter (for focusing on heroic entrepreneurs, in the German institutionalist tradition), and Joel Mokyr (for insisting too much on science and the origins of the Industrial Revolution). In line with the consensus of modern economic historians, the world before 1800 is seen as largely static, with little substantial income growth. But oddly, he ignores the most common modern explanation for the shift after 1800—the replacement of human and animal energy with energy derived from natural resources, above all fossil fuel.

Phelps finishes with a striking and uplifting conclusion that allows a multiplicity of value systems. Some will choose to live with a modernist ethos (which should include some redistribution to ensure a just outcome), but others will prefer traditionalism (devotion to families or communities). The latter should not benefit from any notion of redistributive justice. Those who want to pursue what Phelps believes is a non-Aristotelian concept of the good life should be excluded from a principle of redistribution based on John Rawls's arguments for social equality (because they are “not collaborators in the production of a redistributable social surplus”). This unusual twist aims to show how tradition can still be accommodated in a world that is modern. But it does not fit well with the more general impression the book leaves, an update of Schumpeter's reflection on the self-destructive dynamic of the modern economy.

Harold James

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