

**Lessons from the Poor:
Triumph of the Entrepreneurial Spirit**

Alvaro Vargas Llosa (Editor)

Foreword by James D. Gwartney

Oakland, California: The Independent Institute, 2008 (280 pages)

This book offers great reading for any person seriously dedicated to the elimination of poverty. Its very cover contains five good reasons for assuring this: the title's implication that the poor themselves can teach us by their own example how they were able to overcome their poverty; its further implication that the secret of their progress is "entrepreneurial spirit"; the editorship of Alvaro Vargas Llosa; the foreword by Liberty Index guru, Jim Gwartney; and the publisher, the respected Independent Institute. The chapter titles are rousing: "Amid Hopelessness, Hopeful Investment," and "Defeating Poverty Doing Business," to cite two. They give a fresh spin to the standard discussions on poverty and significantly add to our accumulated strategies for reducing it.

The jacket unsurprisingly turns out to be the preamble of an outstanding treatment unique among treatises on poverty that have crossed my path. Ostensibly, *Lessons from the Poor* tells us five stories about the unbelievable success of fledgling entrepreneurs under the most discouraging conditions. It relates the rise of a transnational cola empire, starting in the most hostile environment of Peru; again, in Peru, of the rise of a T-shirt colossus that sells via Visa cards, with offices in the United States and Europe; of the first modern supermarket (with all the up-to-date furnishings) in Kenya; of a clothing revolution both in technology and marketing in Nigeria; and finally of a score of spontaneous barter clubs in Argentina to supplant the disarray in the official markets. All this is topped by a fantastic essay (with econometric backing) on the need for entrepreneurship to create growth and progress

It is the story of how entrepreneurs seem to have appeared from nowhere. Some of the innovators were sufficiently well heeled, but others began, in the tradition of Horatio Alger, as car washers, farmers, or T-shirt hawkers on the streets with paltry educational preparation and working against all odds in the most adverse environmental settings.

Each of the articles aptly describe the hostile environments and the weak underlying social institutions that beleaguered these evolving enterprises, as well as the political obstacles: nationalizations, agrarian expropriation, complex regulations, exchange controls and prohibitions of all sorts, increased tariffs, social and environmental experimentation, and the requirement to endure 360 days of bureaucratic niggling in order to get an idea started or to enforce contracts.

How was it possible that innovative enterprises were created in this impossible atmosphere? These miracles occurred by steadfastly pushing the traditional innovational tools: lowering prices, bettering the nature of the products, direct selling, or relocating kiosks to the markets where the customers were.

This reviewer wants to take one step beyond extolling the merits of *Lessons from the Poor* by making some direct suggestions to the authors of subsequent antipoverty treatises. Our profession has suffered during a long generation of having been nurtured on sterile models that eliminated entrepreneurial elements, that stressed mathematical models over realistic studies, that gave us vague ideas about inputs of resources and technology, with dubious unwarranted principles such as convergence theory. Recently, however, many solid studies dedicated to the reduction of poverty have been published. It is urgent that we make the effort to recognize these studies and synthesize their positive proposals. In this manner, our efforts can be gathered together, and the findings of colleagues—both those of the free market and those of statist sympathies—can be installed in our lexicon. It is important for us to sift the good we have amassed in the past, but even more urgent to begin to summarize and classify our arguments, building one solid theory of poverty elimination.

For example, in *Lessons from the Poor*, the great mentor, P. T. Bauer, is not even mentioned except in the brilliant introduction by Vargas Llosa. Bauer should be our principal illuminator. Happily, in contrast, we do find several references to Hernando De Soto, especially to his analysis of the presence of unrecognized capital even in the poorer places of the world. There is nary a mention of Paul Collier's *The Bottom Billion*, with its detailed synthesis of the problems rampant in the undeveloped world and the four "traps" that undermine the potential progress of the poorest nations: conflicting ideologies, excess or lack of natural resources, geographical remoteness, and bad governance. Instead of each new treatise offering a minute and bewildering potpourri of these same negative factors, what we need is a catalogue of them, which can be used as the starting point for subsequent studies on the same subject. What we need is a *catalogue raisonné* that serves as the catalyst for later developments and that can be expanded and bettered as research proceeds.

A concrete example of this proposal would be a listing of the principles that have proven successful. Starting with the traditional market remedies (rule of law, lowering barriers, less taxation, eliminating privileges, protection of property rights,) we need a more comprehensive compilation resulting from recent studies. This might well include the fact that nascent industries do not need protection, and that low-income consumers can become a profitable market. Most useful would be a coordinated listing of the successful entrepreneurial tactics that our authors have encountered and made evident in *Lessons from the Poor*. What is also needed is a roster of the institutions that facilitate rather than hinder the initiatives of the would-be Anaños of Peru and of the world.

One example of what should deserve the minute attention of antipoverty writers is Paul Collier's brilliant suggestion that the theoreticians of the world get together to devise "Laws and Charters," creating norms that would promote internationally accepted standards. Collier suggests charters on natural resources and investment. Other charters might cover generally agreed upon levels of taxation, rules for legalizing new enterprises, or limitations on import and export restrictions, all of which resound in *Lessons from the Poor's* discussions.

As an example, internationally recognized rules should be formulated for mining non-replaceable resources. In Guatemala, the peasants and the clergy are presently demanding that a gold-mining concern either not be allowed to function or at least be required to share its profits with the country from which they are derived. There should exist accepted norms to resolve problems such as this rather than letting them fluctuate with the political whims of individual politicians.

This reviewer heartily recognizes the wealth of material created by authors such as Gwartney, Vargas Llosa, Stringham, Powell, Collier, and so many of their colleagues. Let us create a manual that synthesizes their findings, that will serve as the basis for later and better studies that will further our attempts to eradicate the poverty nightmare from the entire world—a challenge to the Independent Institute to advance this sorely needed objective.

—Joseph Keckeissen

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A Recipe for *Balanced* Tort Reform: Early Offers with Swift Settlements

Jeffrey O’Connell and Christopher Robinette

Durham, North Carolina: Carolina Academic Press, 2008 (222 pages)

He’s at it again.

Jeffrey O’Connell, co-author with Christopher Robinette of the 2008 book *A Recipe for Balanced Tort Reform: Early Offers with Swift Settlements*, has long been a proponent of no-fault schemes. Professors O’Connell and Keeton provided the impetus for motor-vehicle no-fault laws with their 1965 book *Basic Protection for the Accident Victim: A Blueprint for Reforming Automobile Insurance*. Professor O’Connell has long championed broad no-fault schemes for all injuries and, more recently, no-fault-choice schemes for motor-vehicle accidents.

In his current *Recipe* book, Professor O’Connell is again the inveterate reformer but this time not to replace fault with no-fault measures. Rather, his idea is to force tort claimants into swift settlements by making them prove gross negligence beyond a reasonable doubt (the usual standard is negligence by a preponderance of the evidence) if they reject early defense offers of compensation for solely economic losses. To the tort claimant, Professor O’Connell offers a Hobson’s choice (he calls it a “jujitsu maneuver”) of foregoing compensation for pain and other noneconomic loss (out of which attorney’s fees are also paid) or run the huge risk of no recovery at all under insurmountable proof burdens.

Professor O’Connell illustrates the asserted value of his proposed reform with double-amputee Steven Sharp’s protracted products-liability litigation against Case Corporation. He writes that the case “highlight[s] the huge problems and shortcomings inherent in the current tort system—specifically agonizing uncertainty, delay and transaction costs—that