

Effective Economic Growth for the Poor Requires Going Deeper and Sometimes More Slowly

A Response
to Victor V. Claar

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I like the illustration of the backgammon set and its many lessons. The backgammon set is a constant reminder and opportunity to tell one's friends of our poor neighbors who live far away in very different worlds. It describes the reality of the poor, earning just enough to keep them within the cycle of poverty. The question is how do we together break it? Many years ago, I was given a beautiful rendition of the elderly Mahatma Gandhi, hand-carved from sandalwood by a craftsman in South India. The raw material, the exquisite work, and the reminder of one who constantly walked with the poor continue to energize me. The backgammon set reminds us of the potential of the poor, those who are part of the "abundant labor pool," as Claar describes them. There are two billion of them.

The statement, "poor people today are living on less than a dollar per day primarily because they currently have little value to contribute in the marketplace," is problematic. It suggests that this is just the way it is and little can be done about it. This is precisely where we need to engage the poor, working with them to develop their potential. It is in our long-term interest to do so. Instead of "little value," I believe it is more accurate to speak of little *recognized* value.

I agree that fair trade should be judged by whether it generates greater productivity, a greater customer base, or both. Similar standards need to be applied to many other development-aid projects. The reminder of the "drivers of enduring growth among the poor" is very helpful. The questions about coffee, the world's second largest traded commodity, are worth serious reflection.

Deeper and Slower

The need to go deeper and often more slowly is neither understood nor easily accepted. We live in a time when we demand instant results. However, we also know that the best results come from careful medium- and longer-term planning. Good economics is about efficiency, the efficient use of the factors of production. Speed can cause us to miss something valuable.

We take for granted the need to continually upgrade our education. Businesses are constantly training and are willing to build the cost into their products and services. Maintaining success in the marketplace demands it. Therefore, if we are to improve labor productivity and expand the marketplace for the poor, we need to educate, train, and provide learning opportunities. We also need to invest the time in understanding their environment and those limitations beyond their control. Deeper and a little slower is often the best long-term investment.

Fortunately, there are a few large retailers who are beginning to take the longer view, seeing the investment of time and resources in poor communities in India, Rwanda, and Tanzania as a good strategy. Developing a strong relationship with these suppliers is good business. The creativity of the poor is a huge, unrecognized resource. Our interaction might give us another backgammon or chess set. It is more likely to give us a utilitarian consumer product, such as drip irrigation suitable for the two dollar per day farmer. Imagine what we could do if we and they became partners on terms that allowed both parties to learn from each other and increase productivity, markets, profit, and income!

I remember the pride with which Rakesh Kaushal, owner of Archana Handicrafts in old Delhi, introduced me to a young man who had brought a carved wooden sample of Noah's ark to him for review. He said to me, "This young man now represents the third generation of the family who is learning this trade. I feel proud that we have been able to provide the family with an adequate marketplace so that they can continue to be the craftsmen they wish to be." It required patience and significant learning.

There is unquestionably a niche market for the beautiful Armenian backgammon sets in this country, but it will require learning the process, the limitations (adequate wood supply? Can the wood be kiln-dried to 10 percent?) and then marketing assistance to identify and access the market.

We must be willing to take the time to learn to know one another's circumstances, expectations, and limitations. Only then can we fill in the gaps, be they training, an understanding of color or quality demands, or short-term capital advances. Doing this successfully satisfies the two prerequisites missing in most

development work: participation by the poor themselves and ultimately more income in their pockets.

Charity can be a very good solution in emergency situations such as fires, earthquakes, and floods—provided it is short-term. Charity, however, is not a good solution when addressing chronic poverty. Nor is there enough charity to meet the needs of the two billion who live lives of very poor quality every day.

They rather need, and many want, a sustainable solution that enables them to be independent, proud, and responsible. Only the ability and opportunity to earn an adequate income will make this possible. Fair trade is an effective solution for chronic poverty.

The Best Fair Trade Model

One of the Fair Trade Labeling Organization's (FLO) strongest contributions has been the awareness and interest in fair trade that it has raised. FLO branded coffee has put fair trade on the map. The Alternative Trade Organizations (ATO) have benefitted from the increased awareness. Over the past ten years, the price of coffee on the world market has fluctuated enormously from as low as fifty to sixty cents per pound to over three dollars per pound. This makes planning difficult. While the costs of applying for the FLO label plus the expensive annual costs of maintaining it are prohibitive for an individual small farmer, carrying the FLO label has provided a critical floor price during difficult times. At the same time, the FLO model has not been applicable to crafts nor to many other sectors because of the diversity of products, mediums, and styles.

Rather than an alternative, fair trade should be seen as the norm. We should call it the fair trade model. Every business regardless of product should be expected to trade fairly. *The best fair trade model is the one that treats everyone from supplier to consumer fairly.* The model treats the far-away "neighbor" fairly and transparently just as well as the next-door neighbor.

Fair trade work, whether by NGOs, for-profit groups, or many development groups has focused on the bottom two billion, those earning less than two to three dollars per day; those who have not been able to demand fairness from the larger, wealthier, more sophisticated trader. In the fair trade model, the big and the fast dare not dominate the small and the slow.

In India with its great wealth and education disparity, fair traders partner with the poor. They are the 200 million who neither have enough to eat nor to send their children to school. Because the poor have limited market access, unrecognized skills, and lack of formal education, we need to go deeper and slower, or at a

minimum to think differently from the traditional approaches to development if the cycle is to be broken.

The gap between us is such that it takes time to learn of the needs and possibilities of each other. To take the example of the high quality backgammon set, we need to learn, for example, what the production process entails. Is good dried wood available all year? How many could be produced in a month? How many hours do you need to make one piece? What would you need to sell it for in order to be paid fairly? If the result is too much, we will need to start over and see if another product of high quality with the same skills and raw materials can be produced at a price that permits me to resell it. Only then can I approach the market on their behalf to see if I can sell the product and give them another order.

Two Examples

Ten Thousand Villages visits over half its suppliers each year and goes through the above process hundreds of times. Sales at retail in 2013 will be in excess of 40 million dollars and have generated a surplus nine years out of ten over its sixty-seven-year history. It is a viable, sustainable business, working with the poor of our world. Ten Thousand Villages works hard to increase productivity and to increase the customer base of the supplier. It requires careful, and indeed sometimes slow, deliberate, caring work, but it is immensely satisfying.

About a dozen years ago International Development Enterprises (IDE) together with young Indian graduates developed simple, low-cost drip irrigation technologies that the smallest of farmers can afford and use. Their production and distribution are done through a market-based model. Today tens of thousands of linear feet are produced every week and sold, giving thousands of poor farm families a 100 percent increase in their annual income, thereby breaking the cycle of poverty.

Summary

The sophistication that poor producers achieve over time is often amazing. The poor simply need an opportunity. They know what to do with it. Their dignity grows because they have not been given charity or been ignored but because they were given an opportunity by caring people. They enrich our world. We gain new good neighbors. We must take time to learn to know the poor and their context, and they us and ours. If we do, we will be amazed at what we can build together. This produces the best economic results for everyone.

In the process, we give the poor hope and the belief that they can actually break the cycle of poverty: hope for the future of their children, their communities, and sometimes safety from violence because they have an outside partner.

Fair trade is honest and transparent. It neither controls nor manipulates. Everyone wins. Poverty is ugly. Poverty frequently leads to frustration and violence. There is much at stake for all of us. Let us reach out to our poor global neighbors and invite others to join us. Trade provides critical income to the poor as well as a chance to learn and grow when treated fairly and with dignity. As consumers, let us demand that our wholesalers and retailers buy more quality products from the poor so that still more can be ordered from them. This is how I can love my neighbor as much as myself.