

**The Poverty Cure**  
**Guest: Michael Matheson Miller**  
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**WOODS:** You and I have met in the past at the Acton Institute, but I first became aware of Poverty Cure—I'm sorry for being so dense and out of it—because somebody posted on my Facebook page that, I really ought to have someone from this organization on my program.

I looked at it and said, “Holy cow! Of course, I should feature someone from this organization.” You're talking to a guy right now who once said, “I would support foreign aid only if I hated the human race.” Then somebody went and started a Facebook group called I Would Support Foreign Aid Only If I Hated the Human Race. Then I looked at these wonderful stories as examples of ways that don't involve government-to-government aid that have really transformed people's lives, so I thought, all right, we're definitely doing this.

So before we get going on the substance of foreign aid—why, why not—and entrepreneurial solutions—why, why not—first tell us a bit about what Poverty Cure—povertycure.org is the website—is all about.

**MILLER:** Well, part of the idea of Poverty Cure is we wanted to really engage the question of how we think about poverty. How do we think about poor people in a different way? So, one of the things we do—I think this comes out of good intentions—is we see poverty, and we say, “Oh, my goodness. What am I going to do? What can I do to help? How can I alleviate poverty?”

As I said, I think this comes from a good heart, but I don't think it's the right question. I think a better question is how do people in the developing world create prosperity for their families and communities. Now, it sounds like a little shift; okay, that's not a big deal. But, actually, if you think about it, it has tremendous impact because it takes the focus off of us and what we're going to do to come in and save or help people, and help build their economies, and puts the focus where it belongs, on people who are the subjects and the protagonists of their own development.

You know, Pope Francis, before he was elected Pope, had this line when he was Archbishop of Buenos Aires. He said, “We can oftentimes make people into the objects of our charity, instead of the subjects of their own development.” And I think, unfortunately, despite good intentions, this is across the board, so many well-intentioned people have tended to make poor people the objects of our charity, as if they're somehow different from us.

So, part of the goal of Poverty Cure is to reframe the debate and talk about entrepreneurial solutions to poverty, rooted in this creative capacity of the human person, created in the image of God with creative capacity.

So, what does this mean? How does that mean we engage with people in the developing world? And also, the other thing we wanted to do—I think you can see this in our video series; you can see it on our website; now we have a documentary that will be out early next year—is that, too often, poor people are portrayed as somehow incapable, like sitting there with flies on them, like objects, like we’re looking at them as objects, instead of as competent, capable, energetic people.

We did about 150 interviews for this project, Tom, and we interviewed people all over the world. We interviewed everybody from the development economists like Hernando de Soto; to the Director of the Center for International Development at Harvard, Ricardo Hausmann; Paul Collier, who wrote *The Bottom Billion*; the President of Rwanda, Paul Kagame.

We also interviewed a guy called Joshua Omoga, who lives in the second-largest slum in Africa outside Nairobi, called Kibera. He borrowed eight dollars from a friend to start a business. We talked to him.

I talked to a Ghanaian entrepreneur called Herman Chinery-Hesse, and I’ll tell you some of his stories later. But he said something very powerful. He said, “Look, there are so many people that are stuck in a hole with all their skills and all their talents, and that’s unfortunately just the way it is.” He said, “The people here are not stupid. They are just disconnected from global trade. That’s all.”

So, one of the things at Poverty Cure is that wanted to represent poor people, not as something different, but just like us.

**WOODS:** Of course I love to hear stuff like this, yet I want to start with the bad and get to the good. I want to start with what has not worked. And, of course, what has not worked is a policy that does exactly what you are telling us to avoid, and that is the state-led development programs that involve a transfer of wealth from the West to these developing countries.

This was the conventional wisdom in the ’50s and ’60s. Then, by the 1980s, people were beginning to abandon that conventional wisdom. Although, starting in the 2000s, now we hear about the new economics of foreign aid—which, if you look at it closely, sounds an awful lot like the old economics of foreign aid.

But what went wrong initially when they tried what, as you say, seemed to be well-intentioned, and seems to be superficially what you would think needs to be done? These people don’t have capital. Let’s hand it to them. These people don’t have money. Let’s hand it to them. What went wrong with that?

**MILLER:** I think some of it, as you point out, begins really with this kind of modern concept of the last 70 years, of this idea that, if we could just marshal large sums of money and send it

over to the developing world, we could jumpstart economies. They could make the jump into industrialism and take off.

Some of this comes from the Marshall Plan. You know the Marshall Plan was that after World War II we're going to rebuild war-torn Europe, and the United States contributed some money to this. Now, there's debate about the Marshall Plan, which we could get into, but I don't want to get into that. Let's just assume the Marshall Plan worked, whether it did or not is another story.

**WOODS:** Yeah, right.

**MILLER:** You know it's only about two percent of GDP to highly developed economies. What has been given over to foreign aid is sometimes up to thirteen percent or fifteen percent of their economy.

You point out something very important. People think of foreign aid—now, let's make some distinctions here, all right? I know your listeners are all on top of this stuff, but—sometimes we think of foreign aid as just money that we give to the developing world. But foreign aid, as you alluded to earlier, is tax dollars that go to our governments, which then send money to either international organizations, and those international organizations and our governments, European and the United States, send money to governments over in the developing world.

So these are government-to-government transfers. They're for things like infrastructure, roads, healthcare, electricity, etc. So this idea, somehow, that we can jumpstart economies, that was behind it because a big problem of poverty needs a big solution. Right?

The problem is that several things went wrong. Number one, this money oftentimes would subsidize corrupt governments, who would actually take the money and not give it to the people in need. Number two, it began to create a big industry around it, not only international organizations like the United Nations and the World Bank, but a whole group of what are called nongovernmental organizations—NGOs or charities, who actually get money from foreign aid money to either implement projects or work with people in the developing world.

For example, Catholic Relief Services gets about seventy percent of its budget from foreign aid money, which is public money. There is a consulting firm called Chemonics; they got about five hundred million dollars in government grants from U.S. aid money.

A big industry began to develop that includes government agencies like U.S. Aid, or British O.D.A., or Swedish Aid, or Japanese Aid—JAICA—big organizations like the U.N., the World Bank, IMF, and then nongovernmental agencies or private charities, like Catholic Relief Services, World Vision, etc. A lot of them are taking this government money.

So what happened? Well, a couple of things happened. One, foreign aid can subsidize dictators. Clearly you've seen that, especially in the case of Mobutu in Congo, Zaire. But it also delays the

development of business in Africa because, when we give away free things, we actually crowd out local entrepreneurs. And the other thing that I think, called the public choice problem, is that, how do people get out of poverty?

What do they need to get out of poverty? Well, they need things like private property, free exchange, free association, the ability to start a business. They need justice in the courts. They need all these things. And who provides that? Well, local governments in the developing world. They provide that. And they have an incentive to provide that because when people create prosperity, that creates taxes, a tax base. So governments rely on people for a tax base to be able to survive.

Well, Tom, what happens when you don't need a tax base, because foreign aid substitutes for your need for a tax base? One of the guys interviewed, Mike Fairbanks, said that "Foreign aid cuts the sovereign link between a government and its people." The government no longer has an incentive to create private-property regimes, and make it easy to register a business, and provide for justice in the courts. Instead, the government gets involved doing all these things it shouldn't be doing, and doesn't do the things it should be doing, because the aid system creates incentives for them not to do those things. Then what happens if poor people get out of poverty, Tom? Your aid industry goes out of business.

Unfortunately, despite good intentions, we didn't really pay attention to economic incentives and to human action. We didn't pay attention to how people actually operate in a marketplace. Economics is not just mathematics. Economics is how people operate in a marketplace, and we take incentives seriously.

So what happened is this foreign aid system has created the incentives for governments in the developing world not to build the institutions of wealth creation. And it has created incentives for all these people in the poverty industry to stay in the business. Let me give you one other example. Here's another thing that aid does. It delays development of business. It also creates deep-seated crony capitalism.

I was talking to Herman Chinery-Hesse, the Ghanaian entrepreneur I told you about. He told me this story. He said five companies got together to bid for a government project in Ghana. Everything was going very well. They were about to get the job. One of their competing bidders was a European company, and they got their government to make a soft loan to Ghana on the condition, of course, that they would get the business. "So," he said, "the government came up to us and said, 'We love you guys, but nothing beats free money.' So, we lost the business."

Here's another thing we do. We subsidize our agriculture. We overproduce, then we send free food over to the developing world, or unfair tariff food. We disempower local farmers, and then we blame free markets. Okay? What we have is deep-seated crony capitalism. I talked to Theodore Dalrymple, and I told him about Herman's story and he said, "Of course. I've worked on projects like that. I've worked on projects where there's no way the company would have gotten it in an actual market." So much of foreign aid actually becomes a subsidy to companies

who do the work. And Dalrymple said, “Yeah. Aid’s been very good to me. I bought my first house with the proceeds of aid.”

So what has happened is, despite the good intentions—and I want to be very clear here: most people who work in what I call the poverty industry are not out to make a buck. They’re out to actually help. But what has happened is we’ve created a system that excludes poor people, and prevents them from creating prosperity for their families and communities, and has created a deep-seated crony capitalist poverty industry where the poor are just excluded, and people who work in the poverty industry benefit.

**WOODS:** All right, let’s turn this around then, Michael. Let’s talk about what the good stories are.

In the beginning we said we need a complete paradigm shift. We need a change in the way we think about this. Instead of “Hey, what can I do? What can my government do?” Instead of “What can these people do?” What have been the fruits of trying to push the conversation in that direction? What are some practical fruits of your efforts?

**MILLER:** Well, I think some of the fruits of our efforts—you and I talked about this—Poverty Cure does basically three things. First of all, we are trying to shift the paradigm of how we understand and think about poverty. Two, we do training and engagement through the Poverty Cure DVD series which is a six-part, 152-minute video curriculum that tells a lot of these stories. And then the third thing is we have a network. We have about 250 partner organizations, and some of these are people who work with orphans, people who do micro-finance, people who do small/medium investment enterprise loans, etc.

So part of what Poverty Cure is doing is trying to reframe the debate, and then bring people together who are operating in a way that is not encouraging paternalism, but really going alongside.

One of our partners is a group called Partners Worldwide. They are actually here in Grand Rapids where we are located. Partners Worldwide, they help these develop. I’ve actually met some of the people they’ve helped. One company I met was in Haiti.

Two Haitian men started a group called Enersa, which produces solar panels. Most people are shocked to find that solar panels are actually made in Haiti. So they are hiring guys out of Cite Soleil, which I think in 2004 the U.N. said was the most dangerous place on the planet. They are hiring guys out of Cite Soleil. They are having jobs. They are taking care of their families. And they are transforming local economies.

There are two problems. One is, look, that’s exciting, but it’s not big, and we’re always looking for a sexy solution. We’re always looking for the next kind of cool thing that’s going to be the silver bullet to solve all poverty. But you and I both know there is no silver bullet to solve poverty. People get out of poverty when they’re enabled to exercise their God-given capacity,

and they take care of their families and their communities. So, what you see with this story of Enersa, the Haitian solar panel company, is precisely that.

But, guess what, Tom? Guess what one of their biggest challenges is? Besides a rough business climate in Haiti, one of their biggest challenges is free things given by foreign nations, so they can't actually sell their goods. They were selling fifty to sixty street lamps a month. They make solar panel street lamps. After the earthquake came in, there was an influx of free things, and they were selling five a month. So it's not only foreign aid that hurts people, it's actually private charity that hurts.

**WOODS:** I don't know. Part of me can't quite accept that. I mean, on a common sense level, I get it that it's hard for me to get going and get an industry going if free things are coming in. But, I don't know. Can free things really be bad? Surely somebody benefits from getting free things.

**MILLER:** Sure. Somebody does benefit from getting free things on a short-term basis. Let's take an example. I'm going to start with this really little, minute example, but I think it helps.

Peter Greer was in Rwanda, and when he was there, he got to know a guy named Johnno. Johnno had just started a business, an egg business, where he bought some hens, a chicken coop, and was selling eggs in the community. Now a church in Atlanta decided that they were going to help. This was after the genocide. And so, again, well-intentioned people, they sent over eggs to this community. What they didn't know was that Johnno had started this business. So, when the free eggs came in, you can't compete with free, and so Johnno was put out of business. A year later, the church said, "Okay, we've done our good here. Let's move to the next group; let's move to the next area." Here this community got free eggs for a while, but in the long run, they lost the productive capacity.

Let me give you another example, Tom's Shoes, which you've probably heard of. You buy a shoe in the United States and a free shoe is given to somebody in the developing world. So this is great. You get a short-term benefit because some child poor child gets a shoe. But what if there is a local cobbler in that area who also has children? What if local business is trying to develop, and this unpredictable donation of free shoes comes in? It can put people out of business for a long time.

Now, here's the thing where I think you're maybe saying, "Hold on a minute. What's happening?" And it's this. When this stuff comes in, it comes in erratically. It's not like a market operation where people say, "Oh, this is a lower price. It doesn't make sense for me to compete." Instead it's this kind of erratic shoe drop or medical supply drop or T-shirt drop that comes in and people have no method of information to discern how it's coming in. When is it going to come in next? So actually the free things, whether in the form of private charity or foreign aid, can often actually delay and undermine the development of business in Africa and Latin America and Asia. So I think that's one problem.

You know, there's another problem. Tom's Shoes—for example, he said, "We want to give away free shoes for life." But there's something fundamentally wrong with that. Would you want somebody to give your children free shoes forever? No, of course not. You can provide for your children yourself. So part of it is just the way we look at poverty. The way we think about free things.

There's a time for emergency help. There's a time when there's a crisis and there's an earthquake or after a war. We can come, and there's a time for us to give free things. Absolutely. But the problem is we've taken the emergency model and we've made that into a long-term model of development. And what that does is actually undermine the development of local business. So, that's why free things hurt, because it's not like you have this constant flow of free things and you know, "Okay, I don't need to go into that business because the free stuff is coming in." You don't know, and it's always erratic, and so it undermines local development and sustainability, and it creates unemployment for people.

**WOODS:** Let's say somebody said to you, "This sounds great. I'm all in favor of business enterprise developing, people starting businesses of various sizes in the developing world. That's great. We all know they need to do that. That's obvious. But they are too poor to do it. It's easy for you to sit here and talk about how wonderful the marketplace is, but, for heaven's sake, when you're earning three dollars a day, where do you get the capital to start a business?"

**MILLER:** Okay. Well there are a couple of things I'd say to that. I mean, first of all, I would encourage that person to go to the developing world, and go spend time with people who are making two and three dollars a day, and you'll discover that these people are entrepreneurial. In order to live on two dollars a day, you've got to be pretty entrepreneurial.

**WOODS:** That's a good point.

**MILLER:** There's a couple of things in this. First of all, there's the micro-finance issue. Micro-finance is developing. Micro-finance is not a panacea, but it helps people get really from abject poverty to poverty. It can be helpful unless it's done like commercial credit. So there's a lot of possibility going on with people who can really start small and grow a business. This is how economies have grown throughout history.

These people in Africa and Latin America and Asia are not somehow radically different from us. They are not somehow incapable. So the problem is—and this goes back to the key element; we go down to this question that you asked, and I know you're asking it hypothetically—are they somehow different from us? Are they somehow incapable of building economies on their own? And do they need us to come in and help them? How do you think we grew? We didn't grow with foreign aid. We didn't grow with another country's developing us. No, we grew with people working hard, exercising their capacity.

Here's the key thing. We have this false idea that we can end poverty by giving people stuff. The people are not poor because they lack stuff. People are poor because they lack the conditions of justice that enable them to create prosperity for their families and communities. And these are things like private property.

You know, in some countries, 70 percent of the land has no title. You don't know who owns the land, number one. Number two, it's almost impossible to register a business. Hernando de Soto, whom I know you've read, did a study in Peru. He had four lawyers go out and try to register a business, just like a poor woman would, riding the bus, taking the time. It took two hundred and eighty-nine days to register a little business. Unless you know the Minister. If you know the Minister, you can do it in one or two.

Poor people are excluded from free exchange. You know, Tom, I'll talk in places and people are shocked when they hear that. And they're like, "Wait a minute. Don't we need to protect the poor from competition?" But think about this for a second. When a government heavily regulates an economy, who does the regulating? Big business, big government, and interest groups are the ones who dominate that. So what happens is, when there's no free exchange and a government is highly regulated, the poorest of the poor, they lack the political, the economic, and the social contacts to navigate a system that is dominated by big government, big business, and bureaucracy. And so they get excluded.

Unfortunately, what's happening in the developing world is that governments are doing all the wrong things. They are not actually helping to build the institutions of wealth creation. And so, the real problem is not that people are too poor, or they don't have enough stuff. The real problem is that there are what Daron Acemoglu and James Robinson, in their quite good book called *Why Nations Fail*, call "extractive political and economic institutions" that take from people instead of allowing poor people to create prosperity for themselves.

I'm sorry that's a long answer, but I think your question hits on like four or five misconceptions of why poor people are poor.

**WOODS:** I would like to think that people who, let's say, disagree with you politically, who might favor more government involvement in trying to alleviate poverty in other countries, I might say something like, "Somebody like Poverty Cure or this organization, their approach is incomplete. It doesn't have a substantial enough government role, but what they are doing, though, is valuable, and certainly I would like to see it succeed." Is that the attitude that people who might not be completely on board with you have? Or have you faced just outright hostility?

**MILLER:** Interestingly, we actually have around 260 partners. We have people from the right and left and the center. There are going to be some kind of hard left people who are just absolutely focused on the government who aren't going to listen. But I think a lot of people across the political spectrum—let me say two things they realize.



Number one, we actually do believe there's a role for government. There should be private property rights, and that requires the government to help get that title clear. We believe there's a role for government in enforcing justice in the courts so that it doesn't matter if, when we go into business, my brother-in-law is a judge. You know you're going to get fairness in the courts, and not have your things stolen from you because you don't know the right people. We believe that there's a role for government to allow for people to exchange freely, and that they're not ripped off. So, sure, we don't think there's no role for government. But we just think the government needs to do the things that they're capable of, and not try to corner the coffee market, for example.

Number two, I think people on the left and the right should all agree that crony capitalism is a problem, and when you see that a lot of foreign aid—I think when people who are authentic supporters of foreign aid because they think it helps the poor, when they realize that millions and billions of dollars in foreign aid money actually goes back to corporations in the United States and Europe, I think they begin to say, "Wait a minute. Something's wrong. Maybe foreign aid was a good idea, but the way it's worked out has subsidized dictators, benefitted big corporations, and the poorest of the poor, who we are trying to help, just aren't getting any of the benefits."

So I actually have found not hostility from people from different areas, but, in fact, a refreshing openness and willingness to discuss with us. And we have partners who we don't agree with on everything, but they've joined because I think there's an increasing recognition that the system is broken, and that it creates the conditions for crony capitalism, and people on the right and the left should be opposed to crony capitalism.

**WOODS:** Well, we are out of time, but I want to urge people to check out [povertycure.org](http://povertycure.org). It's incredible to me that you're on the verge of 1.2 million likes on Facebook, which is borderline impossible unless you have a TV series, or you're on the radio 24 hours a day. It's basically impossible to do that, so that's miraculous as far as I'm concerned.

Michael Matheson Miller, thank for your time today. It's wonderful work you're doing, and best of luck with it.