Appealing for peace 50 years ago, President John F. Kennedy told the Irish Parliament, “The problems of the world cannot possibly be solved by skeptics or cynics, whose horizons are limited by the obvious realities. We need men who can dream of things that never were and ask, why not?”

Today, more and more people are dreaming of a world free of poverty.

In April, the Development Committee of the World Bank set the goal of ending extreme poverty by the year 2030. More recently, the United Nations General Assembly working group on global goals concluded that “eradicating poverty in a generation is an ambitious but feasible goal.” As one who wrote in 2005 that ours was the generation that could end extreme poverty, I am pleased to see this idea take hold at the highest levels.

Are these errant dreams as the world barrels toward more confusion, conflict and climate change, or is there something substantial in the recent wave of high-level interest in the idea? The evidence is on the side of the optimists. And the evidence also supports both those who favor more markets and those who favor more public-private strategies. It’s all a matter of context.

The global picture will surprise doomsayers. According to the World Bank’s scorecard, the proportion of households in developing countries below the extreme-poverty line (now measured as $1.25 per person per day at international prices) has declined sharply, from 52 percent in 1980, to 43 percent in 1990, 34 percent in 1999, and 21 percent in 2010. Even sub-Saharan Africa, the region with the most recalcitrant poverty, is finally experiencing a notable decline, from 58 percent in 1999 to 49
percent in 2010.

The gains are more marked in health. According to the latest Unicef study this month, the mortality rate of children under 5 in Africa declined from 177 deaths per 1,000 births in 1990, to 155 per 1,000 births in 2000, to 98 per 1,000 in 2012. This is still too high, but the rate of progress is rapid and accelerating.

While the recent gains are undoubted, the question is how to ensure that progress on incomes, health and other dimensions of poverty eradication (including access to schooling, safe water, electricity, sewerage) continues until extreme poverty is vanquished. Debates rage on this question and often shed more heat than light.

Here are the basics: economic growth, and hence a market economy, is vital. Africa’s poverty is declining in part because its growth rate picked up from 2.3 percent per year during the lackluster years of 1990-2000 to 5.7 percent during 2000-10. Without economic growth, there cannot be sustained gains in income, health and other areas. Continued progress depends on heavy investments in major infrastructure — water, electricity, waste management — and these in turn depend on large-scale private financing, hence a suitable market framework.

So anti-market sentiment is no friend of poverty reduction. But neither is free-market fundamentalism. Economic growth and poverty reduction can’t be achieved by free markets alone. Disease control, public education, the promotion of new science and technology, and protection of the natural environment are public functions that must align with private market forces.

Consider two keys to Africa’s recent poverty reduction. The first is the introduction of cellphones, which have revolutionized communication and much else in both remote African villages and the streets of Manhattan. Smartphones are poised to transform education, health care, finance and agricultural value chains. Malaria control, made possible by new technologies,
including long-lasting bed nets, rapid diagnostic tests and a new generation of medicines, has also played a vital role in reducing poverty in Africa.

In both cases, the private sector has been essential, not only in developing breakthrough technologies but also enabling them to spread in a short time. Hundreds of millions of cellphones and hundreds of millions of bed nets have helped slash rural poverty in the past few years.

Yet the public sector is also critical. Public funds finance crucial scientific and technological breakthroughs. The Global Fund to Fight AIDS, TB and Malaria, an agency backed by international public funds, has financed the mass distribution of the bed nets. Malaria is down by at least 30 percent as a result. Smartphone applications for community health workers are now similarly being hugely scaled up with increased public as well as private backing.

One can say that the fight to end poverty is helping to forge a new kind of mixed capitalism. Old debates of public versus private are being superseded by new strategies that involve both the public and private sectors. The need for both will become more urgent as climate change and water scarcity intensify. Also, the idea of bold global goals’ driving bold actions is proving the cynics wrong. A global commitment to ending extreme poverty will spur creativity and action.

As Kennedy also declared a half-century ago, “By defining our goal more clearly — by making it seem more manageable and less remote — we can help all people to see it, to draw hope from it, and to move irresistibly toward it.”

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