



# The Global War on Poverty:

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“THE U.S. government declared war on poverty, and poverty won,” former U.S. President Ronald Reagan famously quipped, referring to the limited progress in reducing U.S. poverty in the aftermath of President Lyndon Johnson’s 1964 “war declaration.” Johnson said he had launched his War on Poverty “because it is right, because it is wise, and because, for the first time in our history, it is possible to conquer poverty.”

When was the *global* war on poverty declared, what are its goals, and who’s winning?

## Global goals

Reducing poverty around the globe—and particularly in the developing countries—has been a goal of governments and the international community at least since the Second World War. But in 1973 Robert S. McNamara, then president of the World Bank, announced a major escalation by calling for extreme poverty to be eradicated by the end of the twentieth century:

“It was Bob [McNamara] who, in his famous Nairobi speech in 1973, proposed the term ‘absolute poverty’ . . . as a condition of deprivation that ‘falls below any rational definition of human decency.’ For all of us in the development community, his call to action in the fight against poverty still rings in our ears,” said World Bank President James Wolfensohn.

In 2000, the international community, under the auspices of the United Nations, agreed on the Millennium Development Goals (MDGs), the first of which sets up a very explicit marker in the global war on extreme poverty:

**Target 1:** *Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day.*

## Victory at hand?

Thirty years after McNamara’s speech, reports from the World Bank and the United Nations Development Program (UNDP) suggest that, unlike Reagan’s characterization of the U.S. war, the global war on poverty has gone quite well.

Though McNamara’s goal of global eradication of extreme poverty by 2000 was not met, the UNDP noted in its 1997 *Human Development Report* that world poverty had fallen more in the last 50 years than in the preceding 500 years; humanity, the report added, is in the midst of “the second great ascent,” the first being the rapid spread of prosperity in the United States and Europe associated with industrialization, which had begun in the late eighteenth century.

The World Bank’s 2004 *World Development Report* projects that, by 2015, the global incidence of extreme poverty—the

percentage of the world population that is classified as having incomes of less than \$1 a day—will be under 15 percent, a halving from 1990. Thus, the poverty target of the first MDG is likely to be met (Chart 1, left panel).

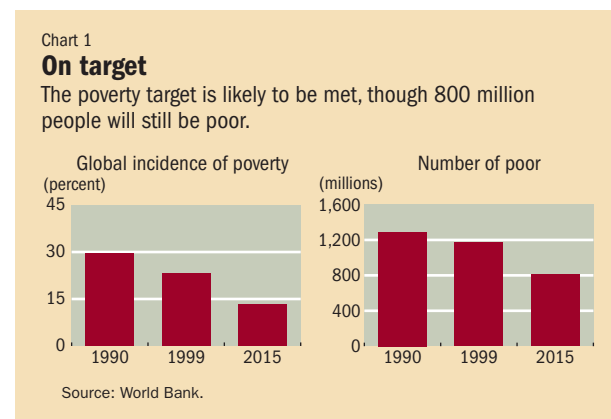
These reports from the front have provoked a variety of responses. Some accuse the World Bank of snatching defeat from the jaws of victory: the poverty target, they claim, has already been met (see Zettelmeyer, “Bhalla vs. the Bank,” *F&D*, June 2003). Others ask why successive World Bank reports have often contradicted one another on the extent of poverty reduction and urge that the data be open to outside inspection so “that the scorecard can be credibly tallied” (see Deaton, “Is World Poverty Falling?” *F&D*, June 2002).

But even before one gets to these debates, there are reasons to worry that the achievement of the MDG poverty target could well be treated by many in civil society as a hollow victory. Why? Because, according to Cornell University economist Ravi Kanbur and others, the basic concepts that economists use to think about poverty differ from those that seem natural to civil society. Three differences stand out.

## Counting the poor

First, while economists focus on the *incidence* of poverty, or the proportion of people who are poor, civil society activists may focus more on the *absolute numbers* of poor. Neither view is demonstrably the right one, and progress reports on the global war on poverty could be quite different depending on which measure one chooses to focus on.

If the World Bank projections turn out to be right, the number of poor people in 2015 will be 800 million (Chart 1, right panel). Coincidentally, this is the same figure that Robert McNamara used in his 1973 speech as an estimate of the number of poor 30 years ago. To most economists (and many others), the remarkable fact is that the number of poor would not have increased despite an increase of over 50 percent in the world’s population over the same time span.



# Who's Winning?

But civil society could see constancy in the number of poor as a sign of failure. With the absolute number of poor still so high, nongovernmental organizations (NGOs) and others working directly with the poor are unlikely to perceive much of a drop in the number of people turning up at soup kitchens, the number of homeless people who need shelter, or the number of street children. NGOs are likely to be incredulous about claims that significant advances have been made in reducing poverty because the reality they know is so different.

## Aggregates conceal

A second reason for dissatisfaction is that even though the global incidence of poverty is declining, there are wide regional, national, and subnational disparities.

In sub-Saharan Africa, the incidence of extreme poverty has actually increased in recent years, and in 2015 nearly one in every two people is expected to be poor: the incidence of poverty is projected at over 45 percent (Chart 2, left panel), essentially unchanged from 1990. In absolute numbers, sub-Saharan Africa is expected to have 400 million poor in 2015—an increase from 240 million in 1990—and account for half of the world's projected poor (Chart 2, right panel). In sharp contrast, both the incidence of poverty and the absolute number of poor in east Asia will have registered stunning declines by 2015.

Not only are such disparities across major regions of the globe likely to persist, but there are sharp disparities within countries that have done well in the aggregate. Some countries, like Ghana, have had years of declining overall poverty incidence but a sharp increase in poverty incidence around the capital. Other countries have seen trends in urban and rural poverty move in opposite directions; an example was the increase in the Chiapas region of Mexico at a time when national poverty rates were declining. In Sudan, declines in

poverty have been concentrated among the Christian-dominated minority population in the south while the Muslim-dominated majority in the north has lagged behind.

So, while it is useful to have widely aggregated measures of the incidence of poverty at the global and national levels with corresponding targets like the global MDGs, there is also a need to look beyond the broad picture at the more disaggregated level. The continuing rise in extreme poverty in sub-Saharan Africa is a tragedy, whether or not the MDG for poverty reduction at the global level is achieved.

## Shifting the goalposts

Third, progress in the war on poverty is much less impressive if one “shifts the goalposts” and defines extreme poverty as consisting of an income of less than \$2 (rather than \$1) a day. Under this definition of extreme poverty, the global incidence of poverty is currently over 50 percent and is expected to decline only to about 40 percent by 2015. In sub-Saharan Africa, the incidence of poverty in 2015 would be over 70 percent under this definition.

What is the income threshold beyond which people should no longer be considered extremely poor? Views vary across the ideological spectrum, and the question is not one that can be resolved on objective grounds. Some argue that poverty should be defined in relation to material conditions that prevailed in the past, a point made, for instance, by George Mason University economist Donald Boudreaux: “Material benefits enjoyed in the past by the super-rich are, in today's capitalist societies, enjoyed by nearly everyone.”

Others take a very different view. The European Union (EU), for instance, defines as poor anyone whose income is below 50 percent of the EU's median income. While this definition makes the war on poverty essentially unwinnable, it reflects the view that poverty should be defined relative to others in society rather than to an absolute level or a past reference point.

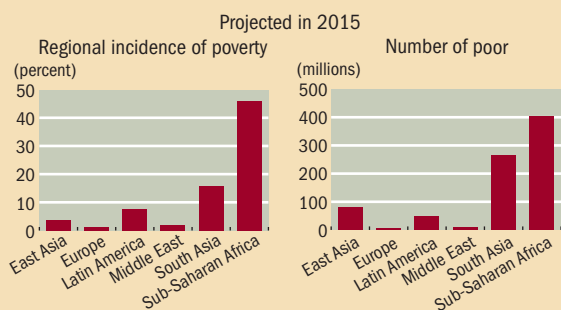
These differing positions explain why, for instance, recent increases in the U.S. poverty rate evoke such different responses. Those in the former group argue that, despite the recent increases in poverty, the material conditions of existence for nearly everyone in the United States far outstrip those enjoyed by even the richest people in the past. To those in the latter group, the increase in the poverty rate in the midst of affluence is a scandal, and particularly so because, as the United States becomes more affluent, a very small transfer of resources from the rich would counter any increases in U.S. poverty.

So, who's winning? Few would deny that progress is being made in the global war on poverty. But partly because of the three basic differences in perspective described above, we should be prepared for conflicting reports from the front on the extent of the progress and on how much remains to be done. ■

Chart 2

## Regional disparities

Poverty in sub-Saharan Africa is expected to remain crushingly high, in contrast to progress elsewhere.



Source: World Bank.

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