

Ending world poverty: is the debate settled?

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Poverty reduction strategies look strikingly similar, even for countries that face very different challenges. This could suggest that the debate on poverty has been settled – that achieving the Millennium Development Goals is merely a matter of applying ‘good’ policies at the country level (Vandemoortele, 2004).

In essence, the emphasis on ‘good’ policies asserts that social and economic rights are best realised within the context of rapid growth. But not everybody shares this faith in the power of economic growth or sees poverty reduction as an automatic by-product of macro-economic stability.

Recent data on China, for instance, show that growth and poverty reduction do not always go hand in hand. Although its economy expanded very rapidly, the number of China’s poor remained unchanged between 1996 and 2001. It is a moot question why such a stunning record of growth for five consecutive years failed to make any difference for the estimated 212 million people who struggled to survive on less than \$1 per day.

The centennial anniversary of flight offers a relevant analogy. The main protagonists in the race to invent the first flying machine were Samuel Langley and the Wright Brothers. Langley’s strategy was to focus on power to get his theoretically stable machine aloft. The Wright Brothers focused on design to become airborne. Similarly, there are two paradigms for Human Development: one that believes in the overwhelming power of economic growth, another that emphasises the design of pro-poor policies.

Evidence shows that global progress towards the Millennium Development Goals has not been pro-poor. The one-sentence summary of the global database is that progress since 1990 should have been twice as fast for the world to be on-track to achieving the 2015 targets. Progress was particularly disheartening for basic education.

In addition, much of the progress has bypassed the very people most in need of it. Indeed, evidence indicates that the poorest people benefited little from the progress in health, education and nutrition. No matter how it is measured, it is increasingly difficult to deny that disparities are widening in most countries.

Yet, the prevailing economic model pays little attention to inequalities, maintaining that everybody benefits from growth. But to argue that ‘growth is good for the poor’ is beside the point.

The question is not whether poor people would be better off without growth; it is whether growth produces the most dramatic and lasting reduction in human poverty.

History shows that it does not. A key lesson from the pursuit of gender equality is that one should not assume that what works for men will automatically benefit women. That lesson applies equally to the assumption that the poor will benefit in a fair way from aggregate growth.

The poverty debate has *not* been settled. Distinctions among policy options and choices have *not* become extinct; particularly in the areas of job creation, taxation, public investment, trade reforms and financial sector liberalisation.

Most economists are reluctant to admit it, but the profession has only a partial understanding of what causes rapid economic growth, let alone what makes it pro-poor. Our knowledge about important aspects of growth and distribution equals, at best, our ignorance.

Conventional wisdom often recommends sweeping one-size-fits-all solutions that invade the national policy space and inhibit tailor-made approaches. But workable solutions are always home-grown and context-sensitive. Additionally, such solutions depend on a new partnership between developing and developed countries and between poor and rich people.

Currently, the dimension of ‘money changing hands’ dominates that partnership – centred on foreign aid and domestic transfers. It is time to shift the focus from ‘money changing hands’ to ‘ideas changing minds’. This shift will require a quantum leap in imagination.

As long as developed countries and better-off people are unable or unwilling to change their theories, perceptions and convictions, the Millennium Development Goals will remain elusive. A missing ingredient on the part of the better-off partners is their ability and readiness to listen.

Repeating standard recipes and lamenting about poor implementation will only extend the legacy of broken promises.

Reference:

Jan Vandemoortele, “The MDGs and pro-poor policies: related but not synonymous”, International Poverty Centre, Working Paper No. 3, Brasilia: UNDP, 2004.