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# Global Poverty:
## An Overview of the Challenges for Measurement and Policy

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How are we doing against poverty?

Is the policy “status quo” sufficient?

What else is needed?

# Two messages

1. Yes, there has been good overall progress against absolute poverty. But there are continuing challenges in reducing relative poverty and in making sure that “none are left behind.”
2. Poorer countries have relied less on direct interventions against poverty; economic growth has done the bulk of the work. This may need to change, but there are some challenges ahead.

# Message 1: Overall progress against poverty + continuing challenges

# Poverty monitoring must be socially relevant

- An exclusive focus on counting absolute poverty is not consistent with social thought and the aims of social policy.
- Two main challenges:
  - incorporating social effects on welfare and
  - monitoring whether the poorest are left behind.

# Social effects on welfare

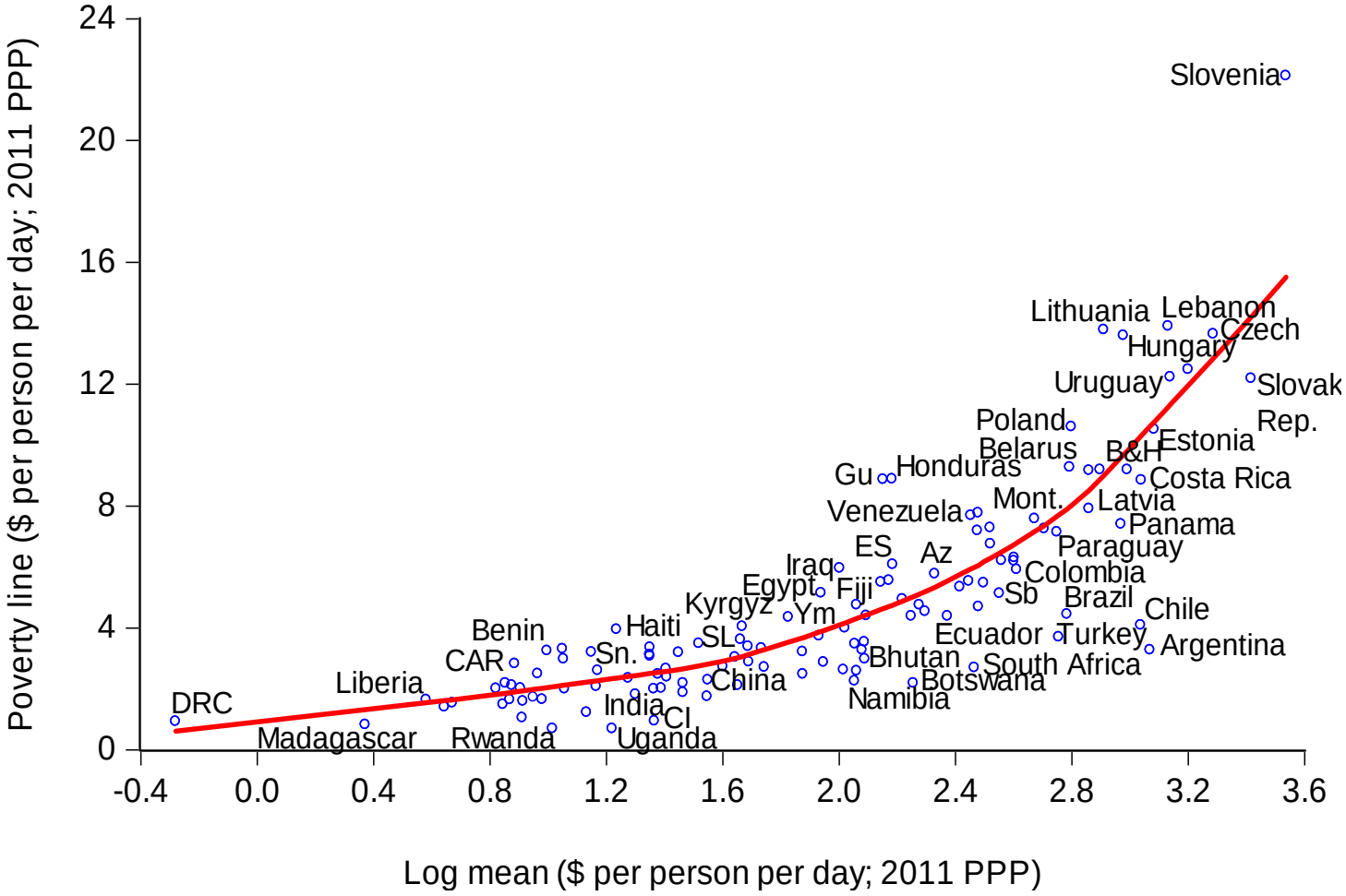
# Poverty is absolute in the space of welfare

- People everywhere are concerned about relative deprivation, shame and social exclusion. Specific to place and time.
- The overriding principle: poverty is absolute in the space of welfare: *"…an absolute approach in the space of capabilities translates into a relative approach in the space of commodities"* (Amartya Sen, 1983)

# Poverty measures appropriate to the global reach of SDGs

- Comprehensive global definition of poverty:
- Someone is not poor if:
  1. She is not poor by the global international line (subsistence needs), and
  2. She is not poor by the standards of the country she lives in (social inclusion).

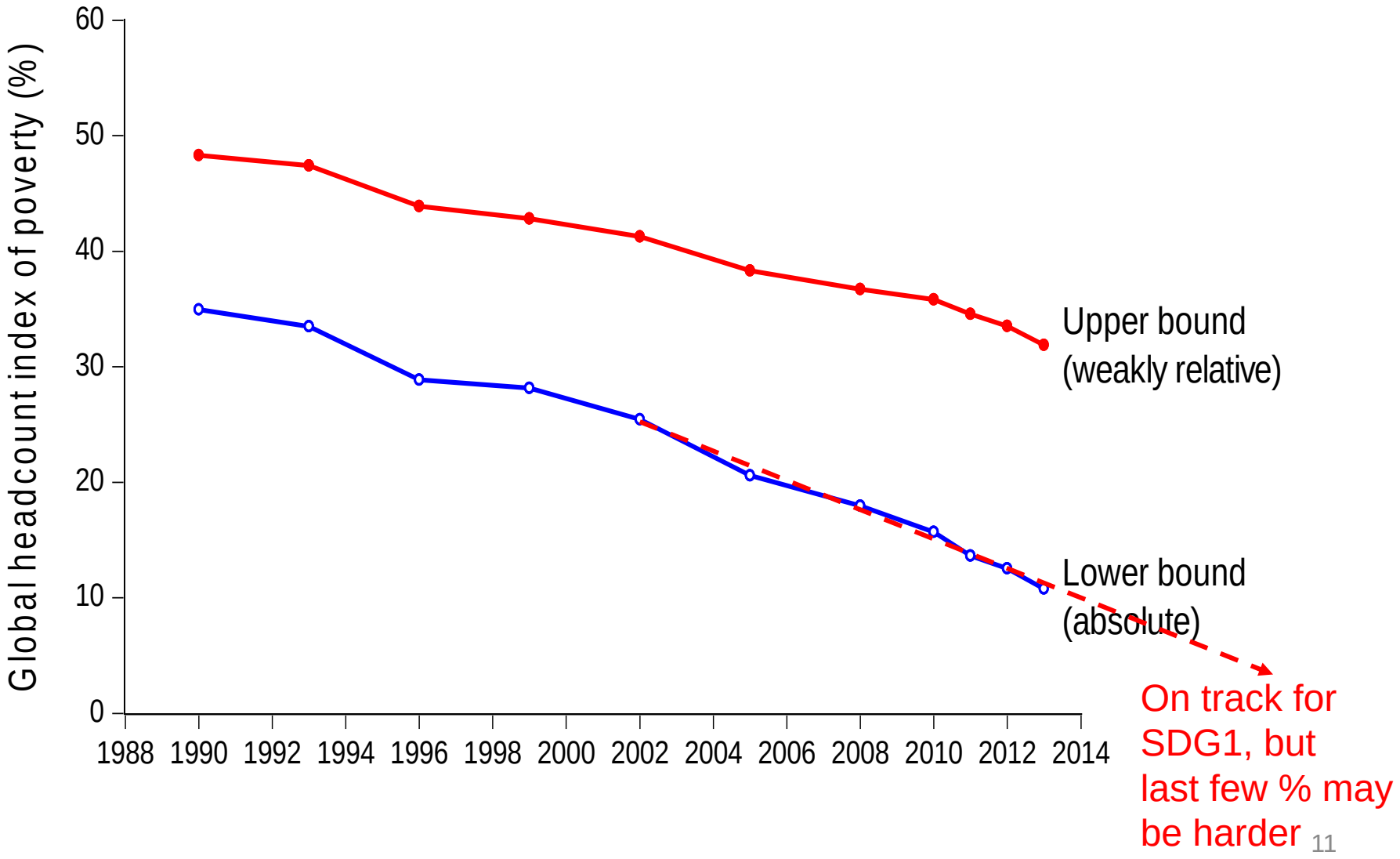
# Why do we see higher (real) poverty lines in richer countries?



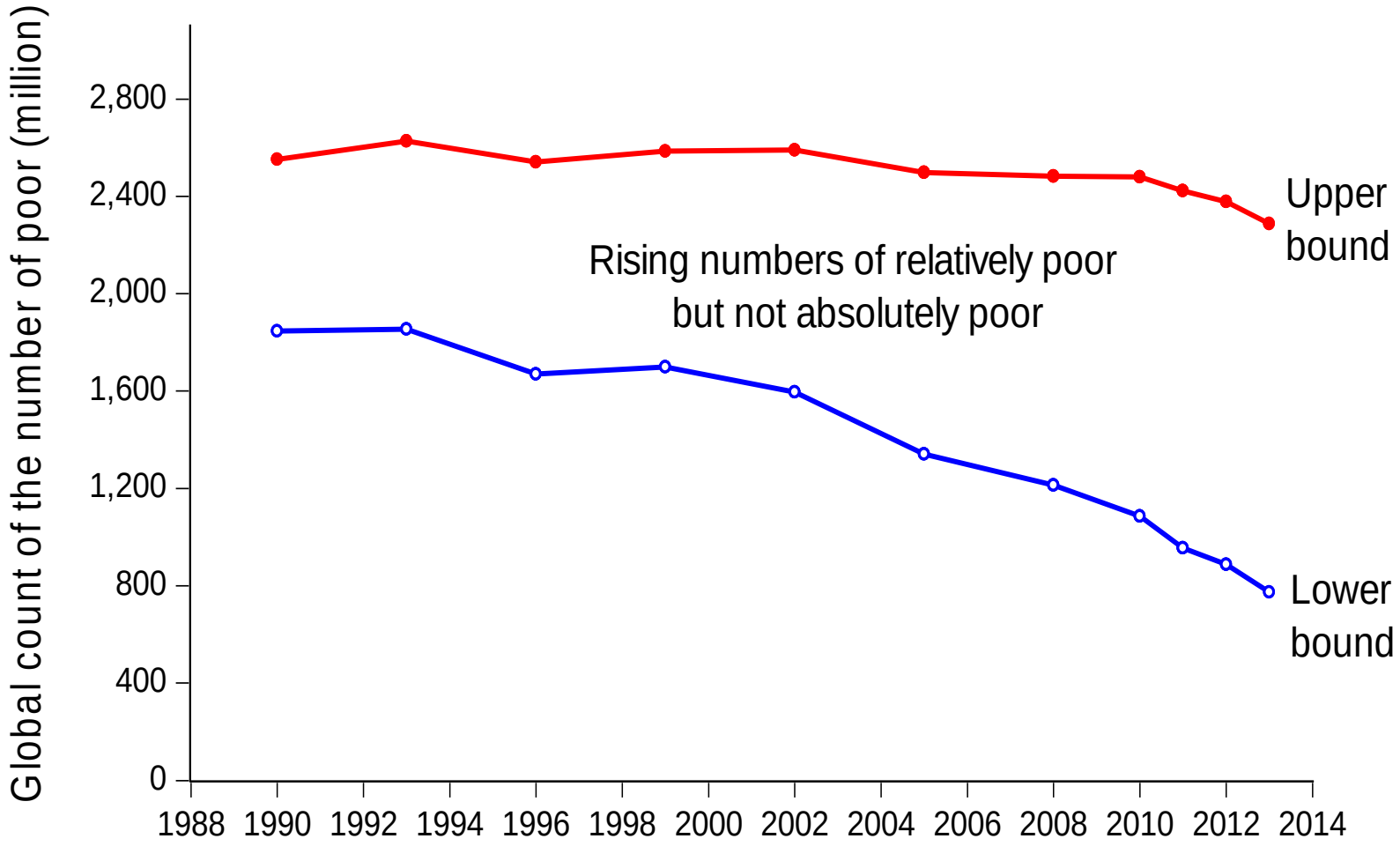
# Upper and lower bounds to the true welfare-consistent measure

- Absolute poverty measures can be interpreted as the lower bound to the true welfare-consistent measure.
- A weakly relative measure of poverty provides its upper bound, allowing for social effects on welfare.
- Strongly relative measures (e.g., 50% mean/median) are highly implausible globally. Very low lines in poor countries.
- The true welfare-consistent absolute line lies somewhere between the two bounds.

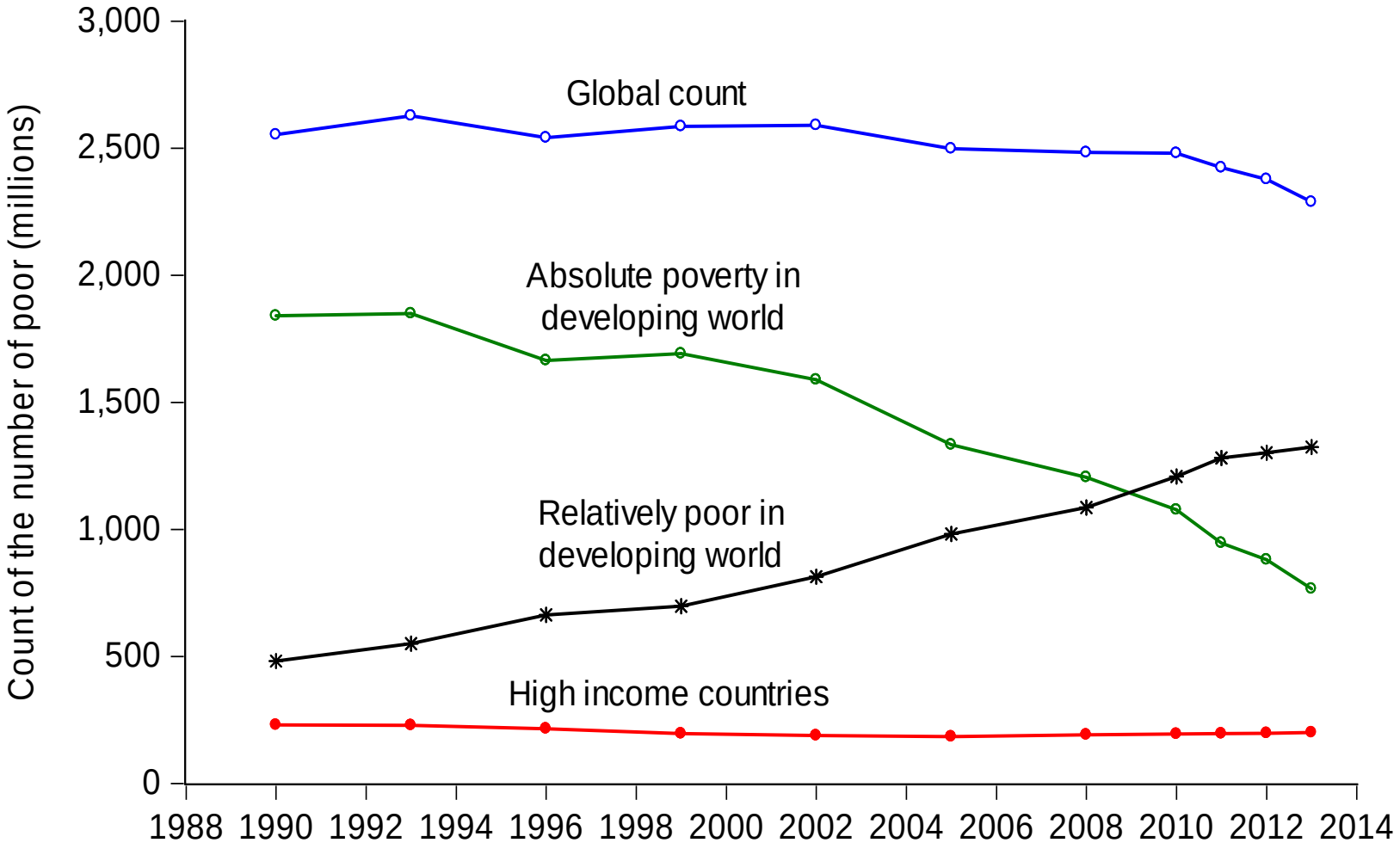
# Global poverty measures



# Numbers of poor



# Breakdown of the global count for upper bound



# Left behind?

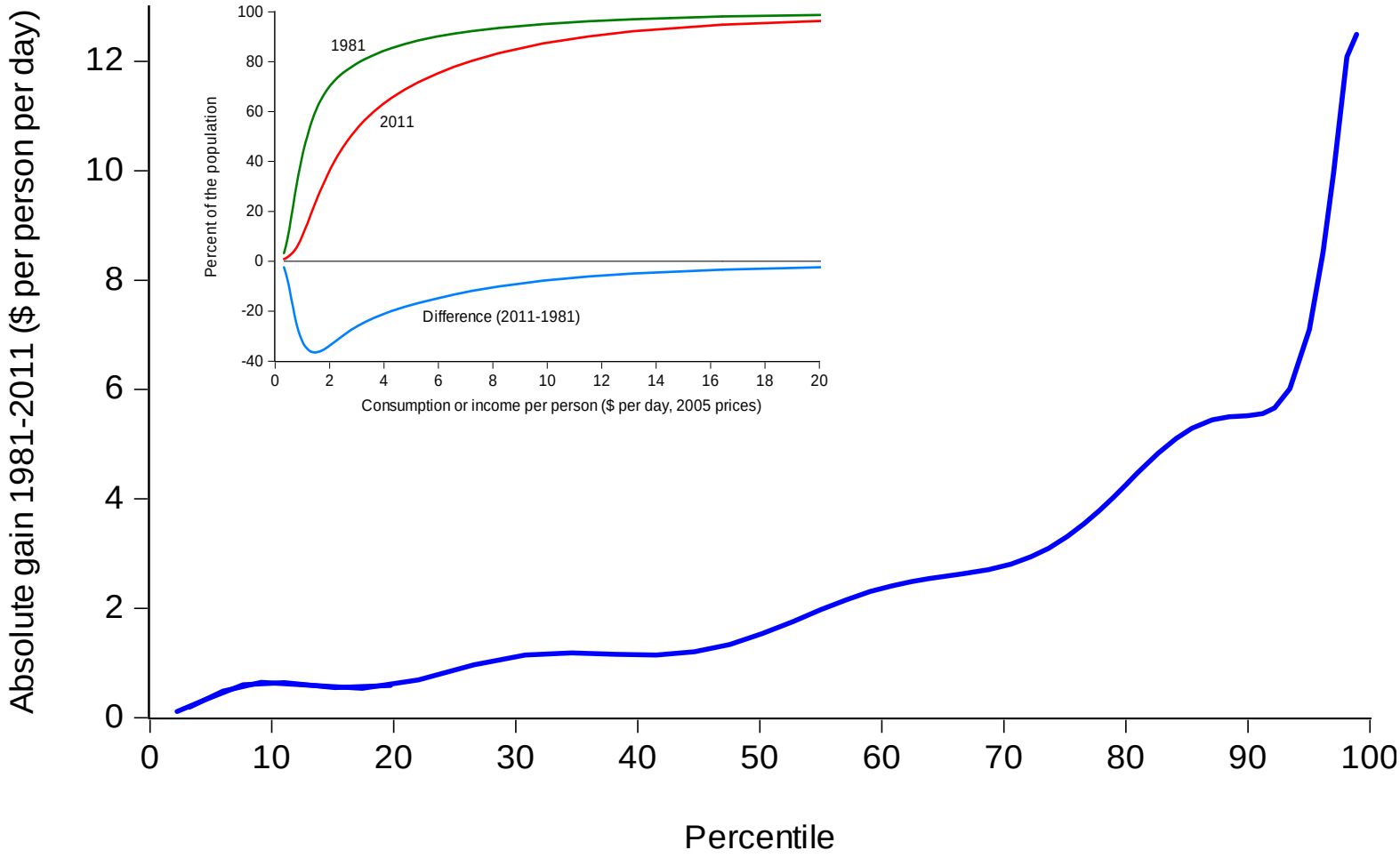
# A widely held view: the poorest are left behind

- "*The poorest of the world are being left behind. We need to reach out and lift them into our lifeboat.*" U.N. Secretary-General Ban Ki-moon, 2011
- "*Poverty is not yet defeated. Far too many are being left behind*." Guy Ryder, ILO
- Yet economists appear to tell a very different story. Adages such as "*a rising tide lifts all boats*" or claims that "*growth is good for the poor*" or that there has been a "*breakthrough from the bottom*"

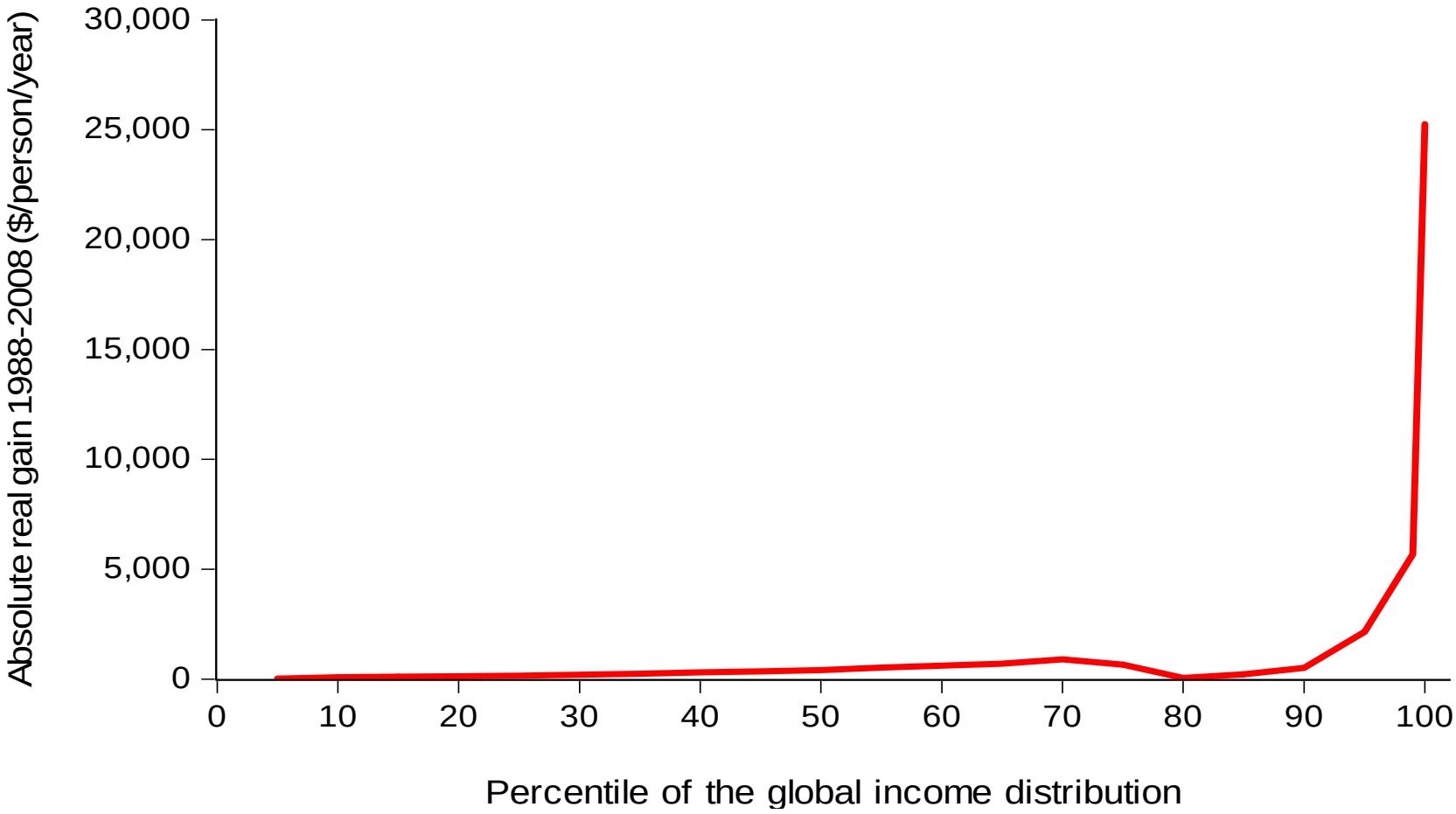
# Focusing on the floor gives a very different picture

# Yes, the poorest have been left behind!

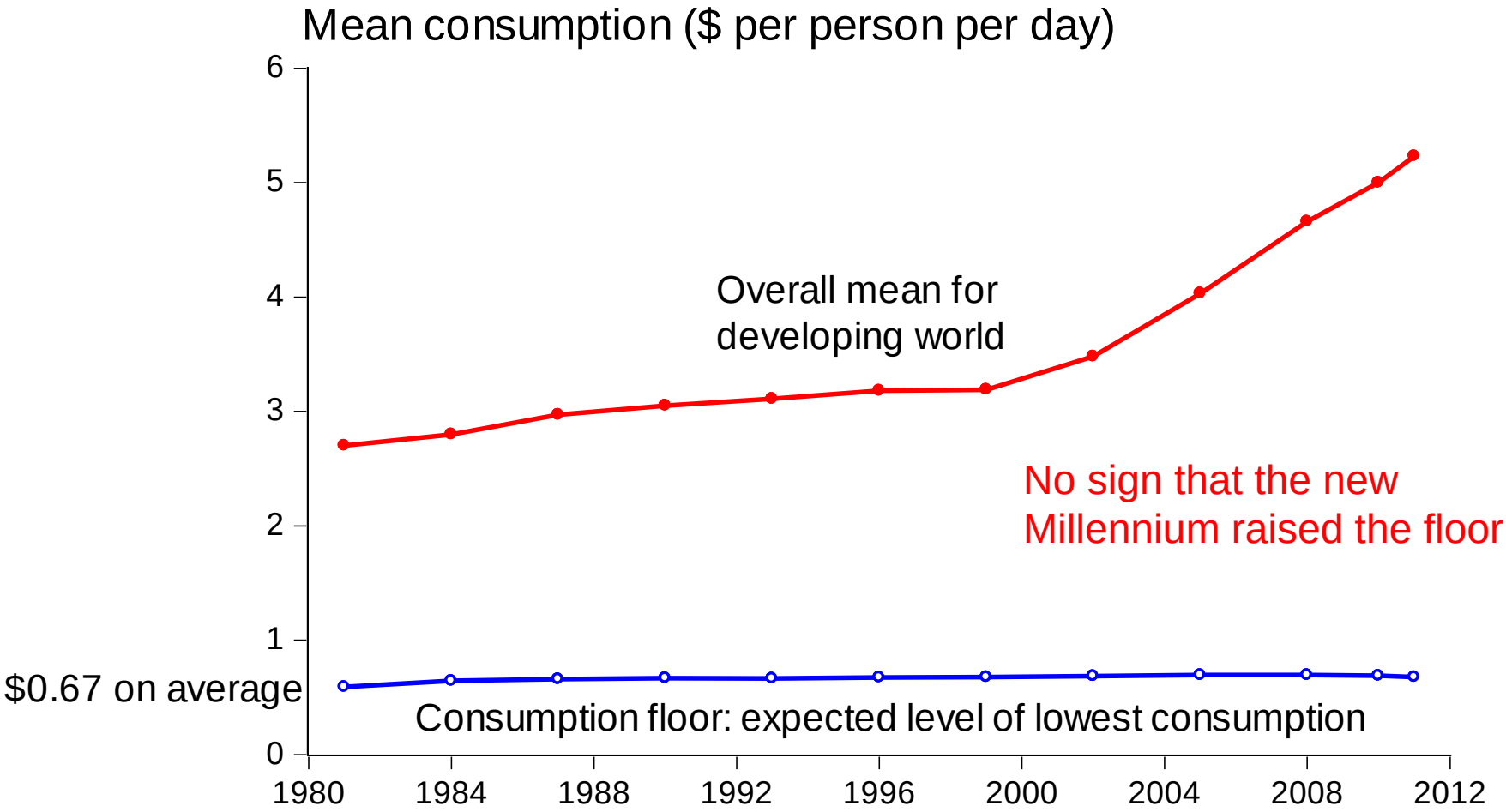
## Fewer people living near the floor, but little change in the floor



# And globally it looks like this!



# Much less progress in raising the consumption floor



# Message 2: Better anti-poverty policies are needed to complement growth

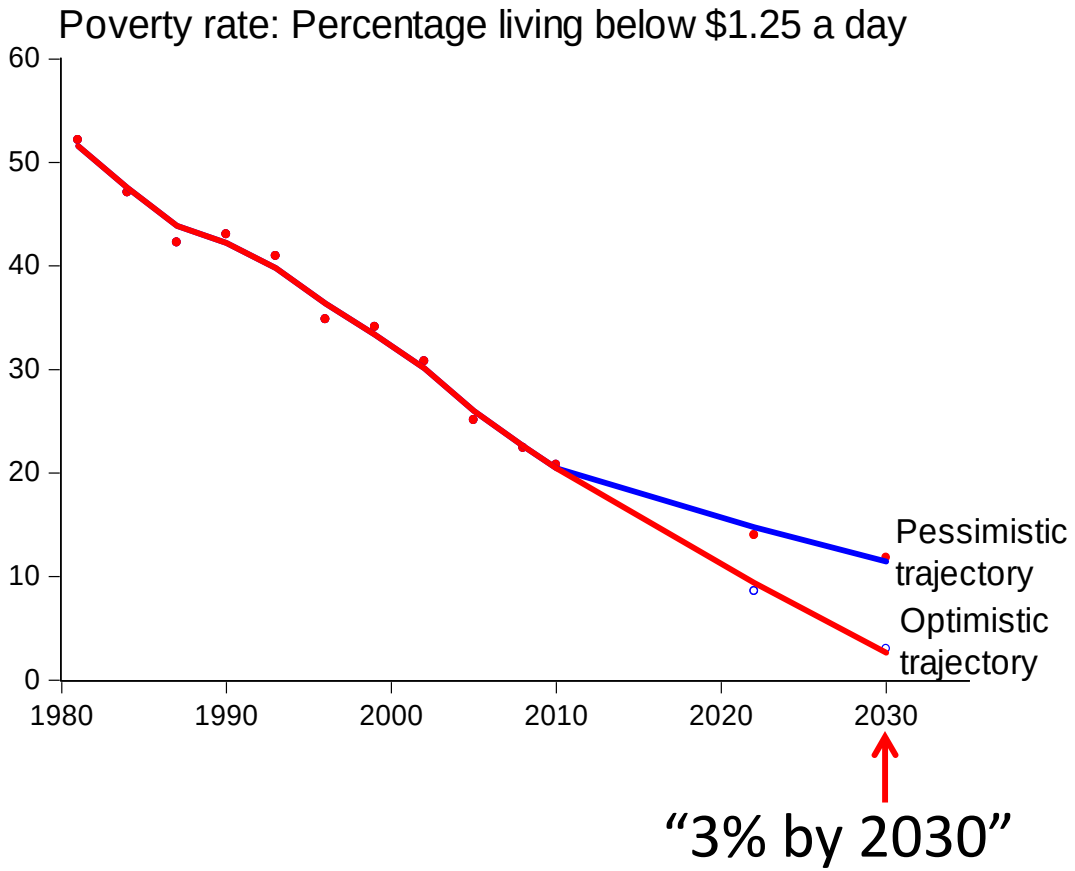
# Economic growth has been crucial, especially in poor places

- Growth has been distribution neutral on average: falling in some growing economies, rising in others.
- Growth has been the main proximate source of progress against absolute poverty.

- However, high and (often) rising inequality undermines future growth, and dampens its impact on poverty.
- Poor countries have a harder time growing their economy, and a harder time assuring that their growth is pro-poor.
- And uninsured risks galore, both macro and micro!

# Optimistic vs. pessimistic paths

- Maintaining the new growth trajectories since 2000 without a rise in overall inequality will lift about one billion people out of extreme absolute poverty over the next 15 years or so.



# How to assure the optimistic path?

- The optimistic path requires successful action in fostering the conditions for continued, reasonably rapid, pro-poor growth
  - Poverty-reducing economic reforms. Making markets work better for poor people
  - Assuring that poor people are able to participate fully in that growth, which will in turn require that they have access to schooling, health care, labor-market opportunities and financial resources when needed
- And it will need a measure of good luck:
  - Avoiding major crises (financial and agro-climatic)
  - Success in dealing with climate change
  - Continuing progress in global trade

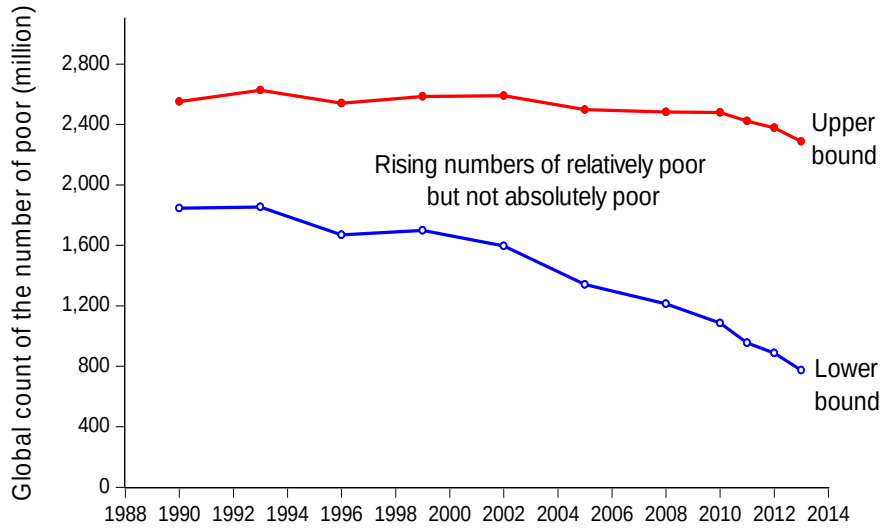
# How to achieve more pro-poor growth?

Literature and policy discussions point to the need to:

- Develop human and physical assets of poor people
- Make markets work better for them (credit, labor, land)
- Remove biases against the poor in public spending, taxation, trade and regulation
- Promote agriculture and rural development; invest in local public goods in poor areas
- Remove restrictions on migration
- Foster labor absorption from urban economies, esp., small and medium sized towns

# Even the optimistic path will leave over one billion people living in relative poverty

- Growth is less effective against <u>relative</u> poverty, judged by predicted national lines for each country/date:
  - Average elasticity of absolute poverty reduction to growth in the mean = -2.
  - Elasticity of weakly relative poverty = -0.4.

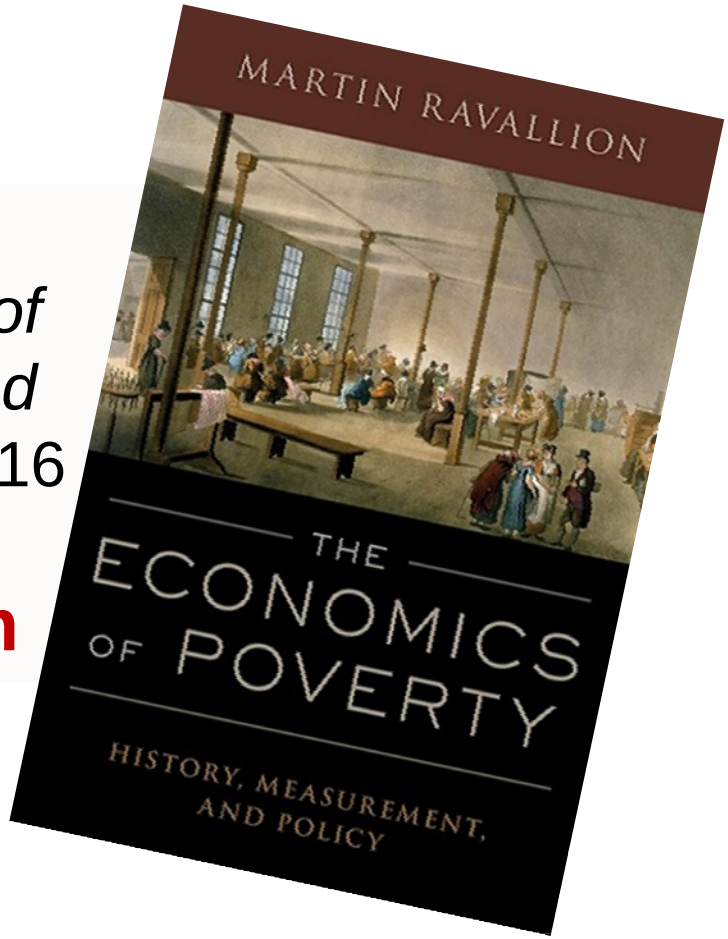


# A new role for redistributive interventions, but many challenges

- Success against relative poverty and in raising the floor will almost certainly require more effective redistributive policies.
  - Challenges: Information, incentives, fiscal, political economy.
  - Excessive emphasis on fine targeting. Menu of options should include basic (full) income.
  - Protection + promotion; role for smart social policies.
  - Monitoring + evaluation.
  - Learn from both success and failures.

Further reading:
Martin Ravallion, *The Economics of Poverty: History, Measurement and Policy*, Oxford University Press, 2016

**economicsandpoverty.com**




Thank you for your attention!