

MAGAZINE | IT'S THE ECONOMY

Is It Crazy to Think We Can Eradicate Poverty?

By ANNIE LOWREY APRIL 30, 2013

At a news conference during the spring meetings of the International Monetary Fund and the World Bank in late April, Jim Yong Kim held up a piece of paper with the year “2030” scribbled on it in pen. “This is it,” said Kim, the genial American physician who took over as president of the World Bank last summer. “This is the global target to end poverty.”

It sounds like the sort of airy, ambitious goal that is greeted by standing ovations but is ultimately unlikely to ever materialize. Development experts don't see it that way, though. The end of extreme poverty might very well be within reach. “It's not by any means pie-in-the-sky,” says Scott Morris, who formerly managed the Obama administration's relations with development institutions. When I asked Jeffrey Sachs, the development economist, if the target seemed feasible, he said, “I absolutely believe so.” And Nancy Birdsall, president of the Center for Global Development, the powerful Washington policy group, told me, “In many ways, it's a very modest goal.”

In part, this is because the bar is set very low. The World Bank aims to raise just about everyone on Earth above the \$1.25-a-day income threshold. In Zambia, an average person living in such dire poverty might be able to afford, on a given day, two or three plates of cornmeal porridge, a tomato, a mango, a spoonful each of oil and sugar, a bit of chicken or fish, maybe a handful of nuts. But he would have just pocket change to spend on transportation, housing, education and everything else. The 1.2 billion people living in such extreme poverty, according to researchers at the Massachusetts Institute of Technology, might own land, but they are not very likely to own durable goods or productive assets — things like bicycles — that might help them raise themselves out of poverty. In such families, about half or three-quarters of income goes toward food.

Fortunately, this deadly and cyclical form of poverty is already on its way

toward obsolescence, and much faster than many development economists expected. The first Millennium Development Goal — to halve the proportion of the world population living in dire poverty by 2015 — was met five years early, as the rate fell to an estimated 21 percent in 2010, from 43 percent in 1990. Some economists had feared that the recession would arrest or even reverse the trend, given how interconnected the global economy is, but the improvement continued, unabated. Annual growth dipped for developing economies in 2009 but has since rebounded to about 5.3 percent a year, a figure dragged down by weaker peripheral European economies.

52

Recent Comments

Justice Holmes May 1 at 11:22 a.m.

The World Bank has rarely looked at its actions in terms of real human impact. Like the man who loves the crowd but cannot stand individua...

Andrew Peck May 1 at 11:22 a.m.

A recent Harvard study says the Iraq - Afghan war will cost taxpayer 4 to 6 trillion dollars. It must have cost our opponents something too...

Jack Doubleyou May 1 at 11:21 a.m.

It is stupid to think you can eradicate poverty, yes. Because a great deal of poverty is an unwillingness to work. You can get sentimental...

[Read all comments](#) [Leave a comment](#)

For much of the improvement, the world can thank one country: China, which alone accounts for about half of the decline in the extreme poverty rate worldwide. It has also driven significant gains across the region. In the early 1980s, East Asia had the highest extreme-poverty rate in the world, with more than three in four people living on less than \$1.25 a day. By 2010, just one in eight were. But other middle-income countries, like Brazil, Nigeria and India, have experienced significant growth, too — in no small part because tens of millions of the very poor have moved from rural areas to cities, where they become richer, healthier and more productive for their economies.

Since 1980, the proportion of the developing world living in urban areas has grown to about 50 percent, from 30 percent, and according to the World Bank, that migration of hundreds of millions has been instrumental in pulling down poverty rates — and will be for a broader set of countries going forward. Cities bolster access to health services and public resources; infant-mortality rates, for instance, are 40 percent lower in urban Cambodia than in rural Cambodia. And workers themselves become more productive, often by making the switch from labor-intensive work like farming to capital-intensive work like manufacturing. Urban poverty is hardly attractive — slums are cramped, unplanned, unhygienic places — but it is, in many cases, less deadly. (Except when it's not. A recent factory collapse in Bangladesh killed dozens of workers — a reminder of the sometimes-catastrophic human costs associated with rapid, unchecked urbanization and

industrialization.)

Social assistance has also improved in many middle-income countries and a number of low-income ones as well. In the past decade, for instance, Brazil and Mexico have pushed down their poverty rates in part by simply giving money to the poor — making direct transfers, as economists call it — and India is trying the same. Lant Pritchett of Harvard Kennedy School, a former World Bank economist, notes that by this logic, the world could eliminate extreme poverty for about \$45 billion a year, or roughly the amount spent on movie tickets annually worldwide.

Of course, making it above the \$1.25-a-day mark doesn't guarantee a white picket fence and a Caddy in the driveway — indeed it doesn't even guarantee a proper meal. For that reason, some economists have criticized the bank for setting its targets too low. "It's small," Pritchett says. "It's penurious. It's charity-like. It's not development." He says that the billions who live on a bit more than \$1.25 a day are still deeply impoverished by any reasonable standard. "Why are we focused on a line, above which nothing happens, set by some technocrats in Washington?" Another 1.2 billion live on between \$1.25 and \$2 a day, an only slightly less dire form of deprivation.

For the poor living in poor countries, particularly the profoundly unstable ones, gains have been harder-fought and slower, a trend that the World Bank's own economists describe as worrisome. But that is not to play down the successes so far. In 2008, for the first time since the bank started measuring the statistics, the number of people living in dire poverty and the dire-poverty rate fell in every region around the world. Extreme poverty in sub-Saharan Africa has at last dipped below the 50 percent mark. Still, many within the development world doubt the ability of NGOs to cure the world's most troubled nations of their woes. "I don't think we have a recipe for fixing the Congo or South Sudan or Afghanistan," says Birdsall, of the Center for Global Development.

In an interview, Kim sounded energetic and optimistic about the prospect that the great brute force of growth would keep on lifting hundreds of millions out of poverty — and about the bank's role in nursing the process along. Given how big the world is, how big the goal is and how diverse economies are, it would take a multipronged approach, he said. For parts of sub-Saharan Africa, it would mean huge electrification projects. For China, it would mean smarter urbanization and clean energy. For India, it would mean enormous infrastructure investments that the World Bank could help finance. It also might mean replicating what has

worked for those big, quick-growing emerging economies in poorer, poverty-stricken developing ones.

More slums — as horrible as they are — could be a good thing.

Back in Washington, while Kim delivered a sunny forecast for the developing world based on the premise that growth would continue, his counterpart at the I.M.F., Christine Lagarde, seemed stuck talking about problems — in particular, the economic malaise of the richest countries on Earth. Would the Bank of Japan's plan to end deflation by bathing the economy in yen work? Would Congress delay some of the sequester cuts? Might Germany cool it with the austerity? Call them first-world problems if you like. They are, but they do tend to find their way into the streets of Hyderabad, Accra and Lima. "The developing world has gotten its act together," Birdsall says. But poverty reduction "depends on the advanced economies getting their act together, too."

Annie Lowrey is an economics reporter for The Times.