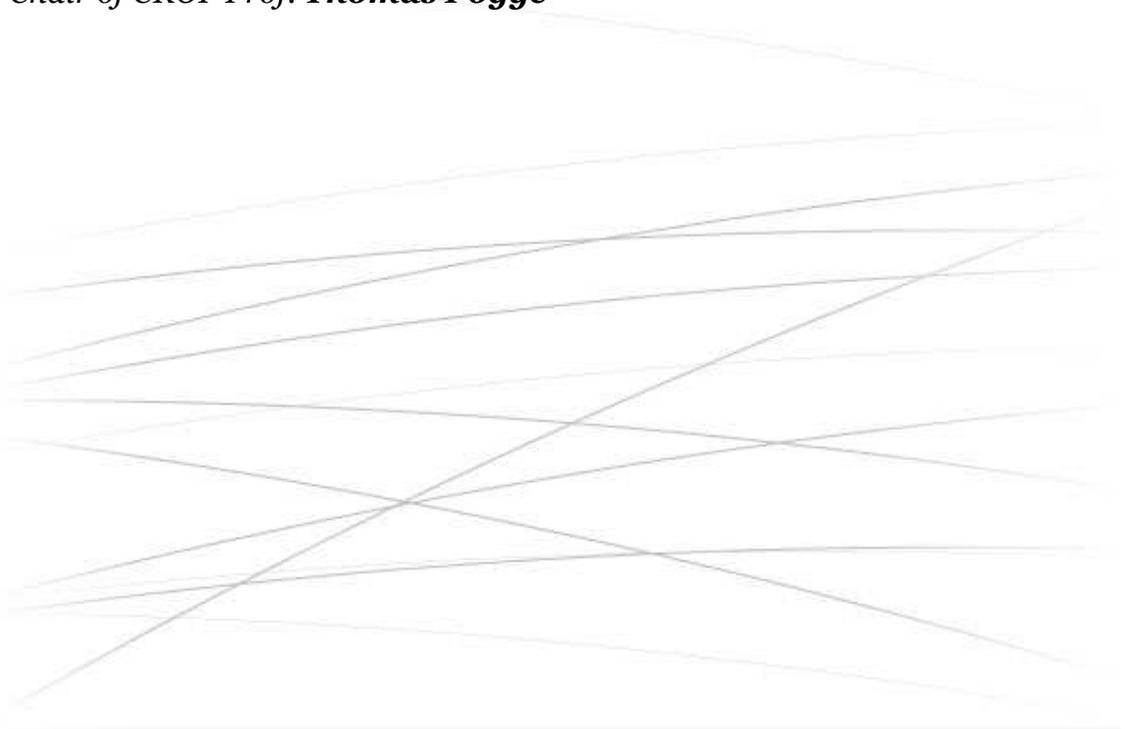


# Poverty, Human Rights and the Global Order: Framing the Post- 2015 Agenda

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# **Poverty, Human Rights and the Global Order: Framing the Post-2015 Agenda**

Having spent trillions of dollars on combating the severe financial crisis of 2008–09, the affluent North Atlantic states and their citizens have found themselves constrained to generate similarly massive savings and new revenues in order to sustain their substantially enlarged public debts. In this context, the World Bank's recent update from the global poverty front has been especially welcome. Released on 1 March 2012, this wonderful news has been extensively reported and celebrated by hundreds of news media around the world. Annie Lowrey's report in the New York Times is representative:

## **Dire Poverty Falls Despite Global Slump, Report Finds**

WASHINGTON — A World Bank report shows a broad reduction in extreme poverty — and indicates that the global recession, contrary to economists' expectations, did not increase poverty in the developing world.

The report shows that for the first time the proportion of people living in extreme poverty — on less than \$1.25 a day — fell in every developing region from 2005 to 2008. And the biggest recession since the Great Depression seems not to have thrown that trend off course, preliminary data from 2010 indicate.

The progress is so drastic that the world has met the United Nations' Millennium Development Goals to cut extreme poverty in half five years before its 2015 deadline.

"This is very good news," said Jeffrey Sachs, director of the Earth Institute at Columbia University and the United Nations' special

adviser on the Millennium Development Goals. “There has been broad-based progress in fighting poverty, and accelerating progress. There’s a lot to be happy about.”<sup>1</sup>

Having read dozens of reports in the mainstream media about the news from the World Bank, I have yet to find one expressing even a scintilla of doubt. Many news reports about new data or findings provided by physicists, climate researchers, astronomers or biologists show some journalistic effort to find other experts who are unconvinced and perhaps prepared to offer alternative findings, data or estimates. But the World Bank’s data from the poverty front are treated as beyond all reasonable doubt — reported as straightforward unassailable facts on a par with the current temperature at Kennedy Airport.

What triggered all the celebration was a 6-page briefing note<sup>2</sup> — three pages of tables showing the 1981–2008 evolution of the number and percentage of poor people in various regions and countries, plus three pages of comments *inter alia* conveying the additional good news that extreme poverty has declined even further in the 2008–10 period as well: “Using the \$1.25 a day line, the developing world as a whole reached the MDG1 in 2010” — referring to the First Millennium Development Goal of halving the proportion of extremely poor people by 2015. We have reached our principal goal five years early and so surely deserve to relax a bit after all our great work in the fight against severe poverty.

Before we do so, however, let us look a little more closely. According to the Bank’s latest figures presented in the “Update,” over one third of all human beings — 2471 million — live on less each day than what \$2 could buy in the US in 2005.<sup>3</sup> Pause for a while and reflect on what it

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<sup>1</sup> *New York Times*, 7 March 2012, page A4. Also available at [www.nytimes.com/2012/03/07/world/extreme-poverty-down-despite-recession-world-bank-data-show.html](http://www.nytimes.com/2012/03/07/world/extreme-poverty-down-despite-recession-world-bank-data-show.html).

<sup>2</sup> Shaohua Chen and Martin Ravallion, “An Update to the World Bank’s estimates of consumption poverty in the developing world,” available at [http://siteresources.worldbank.org/INTPOVCALNET/Resources/Global\\_Poverty\\_Update\\_2012\\_02-29-12.pdf](http://siteresources.worldbank.org/INTPOVCALNET/Resources/Global_Poverty_Update_2012_02-29-12.pdf).

<sup>3</sup> All World Bank poverty lines are denominated in “international dollars.” These are US-dollars of a certain base year, which get converted at that year’s purchasing power parities (PPPs) into local currency units of that same year. For example, while 90 Indian rupees were required to purchase 2 US-dollars in 2005 (market exchange rate),

would be like to live on this sort of a budget, equivalent in 2012 to \$16.50 per week or \$71.70 per month or \$860 for the entire year. Think here about what you could buy in the way of food, shelter, clothing, medical care, water and other utilities. Ask yourself whether you would consider such an existence to accord with what is affirmed in Article 25 of the *Universal Declaration of Human Rights*, that “Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services.” And then realize that, if you and your household did indeed subsist on such a meager *per capita* budget of \$2/day (2005 value), you would be living **fully 60 percent above** the \$1.25/day (2005 value) poverty line that is actually used, within MDG1, for tracking the world’s progress against poverty.

Can it be argued that using the higher \$2/day poverty line would be overly ambitious because, by classifying nearly 2.5 billion people as poor, it would make the goal of poverty eradication unrealistically demanding? This is not a plausible argument. At market exchange rates, those living below the \$2/day line have a collective annual shortfall of about \$300 billion from this line — about 0.8% of global household income. A mere 1.2 percent of the income of the richest tenth of humanity, which collectively receive nearly 70 percent of global household income, would theoretically suffice to cover this shortfall.<sup>4</sup> It would not be asking too much of the top tenth that they relinquish such a tiny fraction of their incomes for the sake of fulfilling the human rights of a third of humankind.

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a mere 31.20 Indian rupees in India were deemed sufficient to match the purchasing power of 2 US-dollars in the United States. So the \$2/day (2005 value) poverty line is translated for India into an INR 31.20/day (2005 value) line, and from there further translated, by means of the Indian consumer price index (CPI), into Indian rupees of other years. By this method, currency amounts from any year and location are made mutually comparable by being translated first (via the local CPI) into local currency units of some base year and then (via this base year’s PPPs) into US-dollars of that same base year.

<sup>4</sup> Global household income distribution data for 2005 from Branko Milanovic, World Bank. See his “Global Inequality Recalculated and Updated: the effect of new PPP estimates on global inequality and 2005 estimates” in *Journal of Economic Inequality* 10 (2012), forthcoming.

## II.

Even if a great deal of very serious poverty remains, should we not be glad of its “drastic” decline? Well, certainly not without further thought! A reduction in the poverty might be due, for example, to many poor people having died. In our world today, the ranks of the poor are continuously thinned by some 50,000 deaths each day from poverty-related causes, such as communicable diseases exacerbated by undernutrition. These 18 million annual poverty deaths constitute about a third of all human deaths.<sup>5</sup> Given the World Bank’s method of tracking the evolution of world poverty by counting the number of poor, such deaths improve the picture: the poor person who dies at 4 or at 40 thereby improves the next poverty count. Any snapshot view of poverty has this perverse consequence that it ignores those who have died prematurely and thereby gives less weight to the fate of persons whose lives are short. If the poorest half of all human beings born live, on average, half as long as the rest, then they will all fit into the poorest third of the World Bank’s snapshot view. If the poorer half live only one-third as long as the rest, then they will all fit into the poorest quarter of the World Bank’s snapshot presentation. What looks like an improvement — a smaller proportion of human life time is spent in poverty — actually turns out to hide a disaster: those born into poverty have fallen even further behind in terms of life expectancy.<sup>6</sup>

Leaving behind this immensely important and yet widely ignored flaw in the World Bank’s poverty measurement exercise, let us examine more closely the figures presented in the tables of the “Update.” We find there the number of people living below the \$2/day poverty line is reported to have been 2585 million in 1981. So the number of human beings living below this

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<sup>5</sup> WHO (World Health Organization). *The Global Burden of Disease: 2004 Update* (Geneva: WHO Publications 2008), table A1, pp. 54–9. To keep my estimate conservative, I have included only those causes of death which occur almost exclusively among the poor. Of course, many poor people die from causes that also kill affluent people, and often at earlier ages due to more severe disease vectors and inferior medical care. But no such premature deaths are included in the 18-million figure.

<sup>6</sup> For a more detailed statement of this point, see Thomas Pogge, *World Poverty and Human Rights* (Cambridge UK: Polity Press 2002), p. 98. For a full elaboration of the point in the language of economics, see Ravi Kanbur and Diganta Mukherjee, “Premature Mortality and Poverty Measurement,” *Bulletin of Economic Research* 59:4, 2007, pp. 339-359.

\$2/day poverty line declined by 4.4 percent in 27 years (1981-2008). Looking at this minuscule decline, it does not seem so clear anymore that we really have cause to celebrate or reason to relax in the fight against poverty.

But how can these two findings go together: that we have done poorly by reducing the number of very poor people by only 4.4 percent in a 27-year period and that we have been spectacularly successful by achieving a halving of poverty fully five years before the 2015 target date?

Well, it all depends on which numbers one picks from the tables and how one presents them. MDG1 tracks the poor not in terms of their *number*, but as a *proportion* of the population of the less developed countries. Because this population increases rapidly, the proportion of poor people declines even when their number remains constant. To illustrate, the very same 1981-2008 progress in regard to people living below the \$2/day poverty line can be expressed as a 4.4-percent decline in their *number* or as a 38.2-percent decline in their *proportion* (from 0.696 to 0.430 of the population of the less-developed countries).

As we have seen, MDG1 also uses a much lower \$1.25/day poverty line, counting as poor only households that are living on less per person per day than what \$1.25 could buy in the US in 2005. This choice leads to an even steeper decline. Using as the baseline the poverty incidence of 1990, chosen as the base year for all MDGs, we find that by 2008 the proportion of \$1.25/day poverty had reportedly declined by 48 percent (from 0.431 to 0.224 of the population of the less-developed countries) while the proportion of \$2/day poverty had reportedly declined by only 33.4 percent (from 0.646 to 0.430 of the population of the less-developed countries).<sup>7</sup>

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<sup>7</sup> Previous communications from the World Bank had given figures also for a higher poverty line of \$2.50/day (2005 value), which always showed an even less rosy trend. The present "Update" provides no figures for this line, but they can be obtained at <http://iresearch.worldbank.org/PovcalNet/index.htm> (enter "\$76/month"). We find there that the number of people living on less per person per day than what \$2.50 could buy in the US in 2005 has *increased* by 7.4 percent: from 2784 million in 1981 to 3008 million in 2008.

Accepting for now the figures in the World Bank's tables, one can spin the news in very different ways depending on which data one selects and on how one presents them. Thus the tables support both of the following statements: (1) The period 1981–2008 has seen a 4.4-percent decline in the number of human beings living on less than \$2/day (2005 value). (2) The period of 1990–2008 has seen a 48-percent decline in the proportion of people in the less-developed countries living on less than \$1.25/day (2005 value). Given that the evolution of world poverty can be presented in such dramatically divergent ways, it is hardly surprising that our politicians and international officials prefer the rosier picture.

### III.

It is worth recalling in this context that the MDGs — though they supposedly originate in and derive their authority from the *Millennium Declaration* which the UN General Assembly adopted in the year 2000 — represent a substantial revision of this *Declaration*. Article 19 of the *Millennium Declaration* articulates the resolve of the world's governments “to halve, by the year 2015, the proportion of the world's people whose income is less than one dollar a day and the proportion of people who suffer from hunger.”<sup>8</sup>

There are three noteworthy discrepancies between this formulation used in the *Millennium Declaration* and the subsequent text of MDG1. First, the *Millennium Declaration* stipulates a poverty line of \$1/day in 1985 US-dollars, which is substantially higher in most countries than the MDG1 poverty line of \$1.25 in 2005 US-dollars.<sup>9</sup> As we already saw, a lower poverty line tends to produce a better-looking poverty trend. Second, MDG1 relates the number of poor not to the population of the world but to the faster-growing population of the less-developed

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<sup>8</sup> *Millennium Declaration*, available at [www.un.org/millennium/declaration/ares552e.htm](http://www.un.org/millennium/declaration/ares552e.htm).

<sup>9</sup> See Sanjay Reddy and Thomas Pogge, “How Not to Count the Poor” in Sudhir Anand, Paul Segal and Joseph Stiglitz, eds.: *Debates on the Measurement of Global Poverty* (Oxford: Oxford University Press 2010), 42–85. In the US, for instance, \$1 (1985 value) corresponds to \$1.815 (2005 value) which is 45 percent more than \$1.25. Expressed in dollars of 2012, the two benchmarks of \$1 (1985 value) and \$1.25 (2005 value) correspond today (April 2012) to \$2.13 and \$1.47, respectively ([www.bls.gov/data/inflation\\_calculator.htm](http://www.bls.gov/data/inflation_calculator.htm)).

countries. Third, all MDGs use 1990 as the base year while the *Millennium Declaration* uses the time of its own adoption: the year 2000. Back-dating the baseline to 1990 is triply significant because it increases from 15 to 25 years the time in which poverty reductions can be achieved, because it magnifies the increase in the base population to which the number of poor is being set in proportion and because it takes advantage of the substantial poverty reduction China achieved in the 1990s.<sup>10</sup>

Because the World Bank no longer provides figures for the old poverty line denominated in 1985 US-dollars, I cannot quantify the impact of the first discrepancy.<sup>11</sup> Using the new extreme-poverty line of \$1.25/day (2005 value) throughout, we can still concretely illustrate the significance of the other two ways in which the formulation of MDG1 departed from the text of *Millennium Declaration*.

Millennium Declaration	Millions of People in Extreme Poverty	World Population in Millions	Proportion in Poverty	Progress against Poverty in Percent
2000	1708.7	6123	0.279	
2008	1289.0	6740	0.191	31.5%
2015 target	<b>1016.1</b>	7284 est.	0.1395	50.0%

**Table 1: “Halving World Poverty” as Interpreted in the *Millennium Declaration***

<sup>10</sup> The World Bank’s “Update” reports that the number of Chinese living below the \$1.25/day poverty line has declined by 265 million or 39 percent during the 1990s. Thanks to this feat, the world’s most populous region, East Asia and the Pacific, actually achieved MDG1 already in 1999 — fully two years before the MDGs were even announced! See Kofi Annan, *Implementation of the United Nations Millennium Declaration: Report of the Secretary-General. A/57/270*, July 31, 2002. [www.un.org/millenniumgoals/sgreport2002.pdf?OpenElement](http://www.un.org/millenniumgoals/sgreport2002.pdf?OpenElement), pp. 8 and 22.

<sup>11</sup> But see the fourth paragraph of section II above.

MDG1	Millions of People in Extreme Poverty	LDC Population in Millions	Proportion in Poverty	Progress against Poverty in Percent
1990	1908.6	4431	0.431	
2008	1289.0	5753	0.224	48.0%
2015 target	<b>1351.2</b>	6270 est.	0.2155	50.0%

**Table 2: “Halving World Poverty” as Interpreted in MDG1**

Table 2 shows clearly how the latest World Bank data support the message that we can now relax on the poverty front: even a 62-million *increase* in the number of extremely poor people during the 2008–15 period would, thanks to population growth in the less-developed countries, still suffice to ensure that the relevant proportion of extremely poor people declines to less than half of what it was in 1990.

The two tables together show how the reformulation of our goal adds some 335 million human beings to the number of those whose extreme poverty in 2015 will be considered acceptable or even celebrated as success. Had we stuck to the *Millennium Declaration*, solemnly adopted by the General Assembly of the United Nations, we would be aiming to reduce the number of extremely poor people by 692.6 million between 2000 and 2015. Having switched to MDG1 instead, we are now aiming for a reduction by only 357.5 million. Nearly half the work against poverty promised in the *Millennium Declaration* was accomplished by a stroke of the pen, simply by moving the goal posts. The other half happened without much effort simply through ordinary growth in global average income. As Branko Milanovic has extensively documented, the world’s poor have actually done worse than humanity at large during the relevant period, suffering consistent declines in their share of global household income.<sup>12</sup>

<sup>12</sup> See note 4 *supra*. Milanovic’s data concerning the evolution of global inequality at market exchange rates are reproduced in Thomas Pogge, “Are We Violating the Human Rights of the World’s Poor?,” in *Yale Human Rights &*

The great ease with which this massive fraud against the poor could be perpetrated illustrates the most important point we need to realize: how utterly indifferent we more privileged people are to the fate of the world's poor. Perhaps it was to be expected that Kofi Annan would come under pressure to dilute the goal and that he would succumb to this pressure. But what about all the others? Thousands of government officials were involved in drafting the *Millennium Declaration*, thousands of journalists reported on it, thousands of economists, statisticians and other academics examined the goals it was setting forth. Many of these thought leaders knew, and all of them could and should have known, that the express resolution of the UN General Assembly was being subverted at the expense of the poor. But no one cared about 335 million additional people condemned to extreme poverty — not enough, anyway, to speak out or even just to let the real story be told.<sup>13</sup>

#### IV.

MDG1 also contains the additional target “to halve between 1990 and 2015 the proportion of people who suffer from hunger.” This target, too, is the diluted successor of an earlier promise. At the World Food Summit in Rome, the assembled governments had made this solemn promise: “We pledge our political will and our common and national commitment to achieving food security for all and to an on-going effort to eradicate hunger in all countries, with an immediate view to reducing the number of undernourished people to half their present level

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*Development Law Journal* 14:2 (2011), 1–33 at 22, available at [www.law.yale.edu/academics/Vol14-2.htm](http://www.law.yale.edu/academics/Vol14-2.htm). According to these data, the poorest quarter of humanity lost in the 1988-2005 period about one third of its share of global household income (declining from 1.16 to 0.78 percent).

<sup>13</sup> I tried in 2003–04 to interest news media in the deceit and was turned down by many, including the *New York Times*, *New York Review of Books*, and *London Review of Books*. I finally managed to place an 800-word essay in the *Frankfurter Rundschau* (12 February 2004) as well as an academic article: “The First UN Millennium Development Goal: a Cause for Celebration?” in *Journal of Human Development* 5/3 (2004), 377–397. Neither publication had any discernible echo.

no later than 2015.”<sup>14</sup> While this promise envisioned that the *number* of chronically undernourished people would be halved from the **1996** level, the MDG1 promise envisages halving the *proportion* of chronically undernourished people in the population of the less developed countries from the **1990** level.<sup>15</sup>

Rome Declaration on World Food Security	Millions of Chronically Undernourished	Progress against Chronic Undernutrition
1996	788	
2010	925	-17%
2015 target	<b>394</b>	50%

**Table 3: “Halving Chronic Undernutrition” as Interpreted in the *Rome Declaration***

MDG1	Millions of Undernourished	LDC Population in Millions	Proportion Chronically Undernourished	Progress against Chronic Undernutrition
1990	843	4431	0.190	
2010	925	5899	0.157	17%
2015 target	<b>596</b>	6270 est.	0.095	50%

**Table 4: “Halving Chronic Undernutrition” as Interpreted in MDG1**

<sup>14</sup> *Rome Declaration on World Food Security*, available at [www.fao.org/docrep/003/w3613e/w3613e00.htm](http://www.fao.org/docrep/003/w3613e/w3613e00.htm). The UN Food and Agriculture Organization is also the source for the number of chronically undernourished people as shown in Tables 3-5. See [www.fao.org/news/story/jp/item/45210/icate/](http://www.fao.org/news/story/jp/item/45210/icate/).

<sup>15</sup> It should be clear that, in highlighting this revision, I attach no importance at all to whether governments track poverty as a number or proportion. My concern is with the dilution of our goal and with the effort to obscure this dilution by retaining the “halving extreme poverty by 2015” language.

Once again, the effect of the reinterpretation is dramatic. Fully 202 million human beings are added to the number of those whose chronic undernutrition in the year 2015 will be considered acceptable or even celebrated as success. Instead of aiming to reduce the 1996 number by 394 million, we are now aiming for a reduction by merely 192 million — achieving more than half the initially promised progress against chronic undernutrition by a stroke of the pen, simply by moving the goal posts. Instead of admitting in 2010 a shameful 17-percent set-back in the fight against chronic undernutrition, we are announcing a 17-percent advance. And once again, this massive fraud against the world's poor is perpetrated without so much as a whisper from the more affluent populations with control and access to means of mass communication.<sup>16</sup>

## V.

Looking closely at Table 4, you will have noticed the massive divergence of the trend of chronic undernutrition from the extreme-poverty trend. While one would naturally expect these two trends to be strongly correlated, they in fact go in opposite directions. The next two tables present these reported trends in more detail.

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<sup>16</sup> It is worth noting that the creative accounting is not confined to MDG1. The annual MDG reports state generally that “the baseline for the assessment is 1990, but data for 2000 are also presented, whenever possible, to provide a more detailed picture of progress since the Declaration was signed” (e.g., United Nations, *The Millennium Development Goals Report 2011* [New York: United Nations 2011], p. 50; available at [www.un.org/millenniumgoals/11\\_MDG%20Report\\_EN.pdf](http://www.un.org/millenniumgoals/11_MDG%20Report_EN.pdf).) The year “1990” occurs hundreds of times in these reports but not one single time in the entire *UN Millennium Declaration* (n.8 *supra*). For example, in current UN phrasing, MDG4 and MDG5 require that we “reduce by two thirds, between 1990 and 2015, the under-five mortality rate” and “reduce by three quarters, between 1990 and 2015, the maternal mortality ratio” (ibid., pp. 20 and 24). What the UN General Assembly had actually agreed to promise is rather different: “By the same date [2015], to have reduced maternal mortality by three quarters, and under-five child mortality by two thirds, of their **current** rates” (*UN Millennium Declaration* (n.8 *supra*), Article 19, emphasis added).

Year	Undernourished Persons in Millions	...as a Percentage of World Population
1969-1971	878	26
1979-1981	853	21
1990-1992	843	16
1995-1997	788	14
2000-2002	833	14
2005-2007	848	13
2008	915	14
2009	1023	15
2010	925	14

**Table 5: The Reported Evolution of Chronic Undernutrition Worldwide (FAO)**

These headcount figures are most comparable to those related to the lowest poverty line included in the latest World Bank “Update.” In regard to this \$1/day (2005 value) poverty line, the “Update” provides the following data.

Year	Persons Living below \$1/day (2005 value) in Millions	...as a Proportion of the Population of the Less-Developed Countries
1981	1545.3	41.6
1984	1369.3	34.7
1987	1258.9	30.1
1990	1364.7	30.8
1993	1338.1	28.7
1996	1150.0	23.5
1999	1181.9	23.1
2002	1096.5	20.6
2005	886.1	16.0
2008	805.9	14.0

**Table 6: The Reported Evolution of \$1/day (2005 value) Poverty Worldwide (World Bank)**

The striking discrepancy between the trends depicted in these two tables has long been ignored, with media attention focusing largely on the rosier poverty data — the FAO has nothing like the visibility, prestige or financial resources of the World Bank. But the latest *MDG Report*<sup>17</sup> does finally comment. After depicting the fall in reported poverty between 1999 and 2009 (p.10) and the rather less pretty evolution of chronic undernutrition (p.11), the *Report* comments with a carefully crafted sentence: “The disconnect between poverty reduction and the persistence of hunger has brought renewed attention to the mechanisms governing access to food in the developing world” (p.11). The sentence suggests a possible explanation for the discrepancy: food distribution systems in less-developed countries have been deteriorating so that poor people cannot find food to spend their money on. This speculation, wholly unsupported, defies common sense; and the *Report* is careful not to endorse it but merely to convey vaguely that some people apparently find this explanation worthy of attention.

Is there a better explanation of the discrepancy? The World Bank adjusts all incomes for inflation. So in judging how a household has fared over the 2005-10 period, the Bank compares its *per capita* income with the — typically national — inflation rate. If a household’s *per capita* income rises faster than the rate of inflation, the Bank will conclude that this household has become less poor.

Inflation is tracked by national consumer price indices (CPIs). These are sensitive to the evolution of the prices of all commodities that households consume, weighting each commodity in proportion to its share in national household expenditure. An increase in the CPI of, say, 15 percent between 2005 and 2010 reflects then a weighted average of the five-year price changes for thousands of commodities. Many commodities became cheaper over this period: consumer electronics, for instance, and real estate, while the prices of other commodities rose by much more than the rate of inflation.

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<sup>17</sup> United Nations, *The Millennium Development Goals Report 2011* (n.16 *supra*).

<b>World Food Price Index</b>	<b>Nominal</b>	<b>Real (deflated)</b>
2000	90.4	93.1
2005	117.3	109.7
2006	126.7	116.6
2007	158.7	139.6
2008	199.8	164.6
2009	156.9	135.0
2010	185.4	158.3
2011	227.6	200.2

**Table 7: The Evolution of World Food Prices 2000–2011<sup>18</sup>**

Here is then a better explanation of the poverty-hunger “disconnect.” In the 2005-10 period, food prices rose much faster than inflation. The FAO publishes detailed monthly food price statistics for the major food groups as well as an aggregate index that tracks world market prices in both nominal and inflation-adjusted (real) terms. As can be seen from the FAO data displayed in Table 7, food prices increased by 58.0 percent — 44.3 percent more than the general rate of inflation — during the 2005-10 period; and they underwent another massive increase in the period from 2010 to the release of the World Bank’s “Update” on 1 March 2012. It is clear that this dramatic doubling of food prices is bad for consumers and especially for the poor. But it may seem that the rapid increase in food prices is fully taken into account in the World Bank’s poverty measurement exercise: nominal changes in a household’s income are deflated by the rate of inflation which in turn takes account of the prices of foodstuffs alongside the prices of everything else that households consume. When a household’s income keeps pace with the national inflation rate, then the divergent price changes of the different commodities are a wash: even if food prices go up much faster than the rate of inflation, the household can

<sup>18</sup> See [www.fao.org/worldfoodsituation/wfs-home/foodpricesindex/en/](http://www.fao.org/worldfoodsituation/wfs-home/foodpricesindex/en/) for the FAO Food Price Index data. They reflect international food prices prevailing on world markets. National and local governments have various ways of cushioning the impact of rising food prices — subsidies and tax reductions, for example — and in many countries food prices have not risen as sharply as the Food Price Index suggests. Still, they have risen sharply in most countries and well above the rate of inflation.

still afford to maintain its accustomed diet. This is so because the expansion of the income share that it must now spend on food is compensated by the contraction in the income share it now needs for purchasing other commodities whose prices have not risen as steeply as the rate of inflation.

The reasoning displayed in the preceding paragraph is applicable to households that consume commodities in the same proportions as households in general do; the inflation rate, after all, weights the prices of the various commodities according to their share of national household consumption expenditure. But the reasoning is dubious when applied to poor households whose *per capita* income may be only one-tenth, say, of the national average. The income share that such very poor people spend on consumer discretions and services — on cars, stereos, DVDs, furniture, vacation travel, entertainment, computers, alcohol, cosmetics, handbags, taxis, domestic help, hairstyling and so on — is much smaller than the share of national household expenditure devoted to these commodities. The reason is not that poor people dislike such discretions and services, but rather that they must spend a larger-than-average share of their incomes on basic needs, especially food. Their nutritional requirements, after all, are the same as those of rich people — or even greater, as many of them perform heavy physical labor. To be sure, poor people can substitute cheaper foodstuffs and can then obtain an adequate diet for a third or perhaps even a quarter of what their average compatriot is spending. But they cannot get by on a tenth. If in a poor country a household subsisting on one-tenth the national average income were to spend no more than the nationally typical share of its income on food, its members would simply not survive.

Because very poor people must spend more than the average share of their incomes on food, the national rate of consumer price inflation understates the impact on them of extraordinary movements — up or down — of food prices. The resulting error is magnified by the fact that the much larger expenditures of rich households dominate the national household expenditure pattern. In a typical poor country, the richer half of the population may spend 40 percent of its income of food and the poorer half 80 percent. But when the richer half accounts for 9/10 of national household expenditure, the average share works out to 44 percent of national

household expenditure devoted to food. Given the way a national consumer price index is calculated, it is all but guaranteed to be more inappropriate to the consumption of the poorer half of the population than to that of the richer half: When food prices rise much faster than inflation, then a poor household whose income keeps pace with inflation becomes much worse off while a rich household whose income keeps pace with inflation becomes somewhat better off.<sup>19</sup>

Could this be the explanation for the discrepancy between the FAO's shocking undernutrition statistics and the Bank's much rosier poverty statistics? In response to my hypothesis, the World Bank revealed that it is now measuring consumer price inflation in a way that takes account of the divergent expenditure pattern of the very poor — at least in China. This change in methodology has apparently raised the reported number of extremely poor people in China by more than 20 million to 173 million. But China is only a small part of the worldwide extreme poverty count of 1289 million reported in the "Update." And the World Bank is not yet prepared to reveal whether the methodological revision was also made in counting the extremely poor in other countries, such as India. The interested consumer of the World Bank's poverty statistics is, however, referred to a forthcoming methodology paper.<sup>20</sup>

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<sup>19</sup> I have made analogous points about the purchasing power parities (PPPs) that the Bank is using to convert 2005 US-dollars into 2005 local currency units of other countries. The Bank uses purchasing power parities for individual household consumption, which weight food prices according to the share of food expenditures in international household consumption spending. This is highly problematic because poor people do and must spend much larger shares of their meager incomes on food than consumers in general. Because foodstuffs are highly tradable, i.e. can easily be shipped across national borders, their prices tend to reflect market exchange rates more closely than commodities in general do. It is not surprising, then, that the PPPs used by the Bank understate, in each and every poor country, the purchasing power of local currency units in regard to food. Food prices in poor countries tend to be about 50 percent higher, on average, than the PPPs used by the Bank would suggest. This means that the local currency amount the Bank deems equivalent to \$1.25 (2005 value) will buy, in the typical poor country, only as much food as could be bought in 2005 for \$0.83 in the United States. For details, see Thomas Pogge, *Politics as Usual: What Lies behind the Pro-Poor Rhetoric* (Cambridge: Polity Press 2010), p. 68 with endnote 127.

<sup>20</sup> See the exchange on the blog of the World Bank's Chief Economist, Justin Lifu Lin, at <http://blogs.worldbank.org/developmenttalk/politically-filtered-views-on-progress-against-poverty>.

Poverty Line in 2005 International Dollars	Reported Millions of Poor in 2005	Reported Millions of Poor in 2008
\$1.00/day	886.1	805.9
\$1.25/day	1389.6	1289.0
\$2.00/day	2595.8	2471.4

**Table 8: The Reported Evolution in the Number of Poor 2005–08**

In advance of the promised methodology paper, all we have are the raw figures supplied in the recent “Update.” We cannot know to what extent they reflect real improvements in the lives of the world’s poor and to what extent they are due to the Bank’s failure — quite possibly due to missing data about the basic needs and consumption patterns of the poor — to take full account of the effect on them of the dramatic recent spikes in food prices. We cannot know to what extent the real situation of the world’s poor is captured by the FAO’s statistics, showing a rising number of chronically undernourished people, or by the World Bank’s statistics, showing a declining number of extremely poor people.<sup>21</sup>

It is very good, of course, that the World Bank’s exercise of counting the poor is beginning to take account of how national consumer price indices (and PPPs for individual household consumption? — see note 19 *supra*) may distort the prices of the basic necessities that the poor actually require to survive. The forthcoming methodology paper will show how comprehensive and how adequate the methodological revisions are. It will show for which countries the Bank managed to obtain the information needed to implement the methodological revision in a plausible manner.<sup>22</sup> To whatever (still unknown) extent the Bank lacked — for some or many

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<sup>21</sup> In the blog cited in the preceding note, the relevant World Bank researcher suggests that the FAO’s numbers may be inflated by failing to take account of the increasing amounts of food poor people are eating away from home, citing research by Lisa Smith purporting to show that India’s National Sample Surveys undercount the increasing number of calories Indians are consuming away from home. A powerpoint presentation summarizing Lisa Smiths work is available at [www.foodsec.org/web/newsevents/iss/presentations/16-january-surveys/en/](http://www.foodsec.org/web/newsevents/iss/presentations/16-january-surveys/en/).

<sup>22</sup> It is not obvious what information is needed here and how it should be deployed. In making the revision for China, the Bank is apparently weighting the various prices according to the actual consumption pattern of the Chinese poor. But this may not be plausible, in the case of urgently needed medicine, for example: the fact that poor people do not consume a certain medicine does not show that its price is unimportant to them — indeed, its exorbitant price may be the cause for their sickness or death. Conversely, the fact the poor people spend a portion of their small incomes on cigarettes may not show that fluctuations in the price of cigarettes affect how poor they are — cigarettes are not needed to avoid poverty. But then again, a rise in the price of cigarettes may increase

relevant countries — the data needed to make the adjustment, its latest “Update” will have overstated the world’s 2005–08 progress against poverty.

What we do know already is what importance the world’s affluent people are attaching to the missing knowledge: none. The World Bank published its triumphalist update in advance of a proper explanation of what the numbers mean. And the experts, media, politicians and officials celebrated on cue without a thought for all those who, on account of the food price explosion, cannot feed their families. Our response to the Bank’s “Update” shows once more in what contempt we affluent hold the poor and how utopian it still is to hope for a world in which the fate of a few billion very poor people gets as much critical attention as the Olympic Games, say, or research on cold fusion or cloning.

## VI.

What would we do differently if we paid critical attention to world poverty? Three things, especially, I believe. First, we would realize that the morally appropriate way for us to assess the immense extent of severe poverty today is by comparing it not to the severe poverty of the past but to the severe poverty (if any) that is today really unavoidable. Second, we would realize that our response to this vast poverty problem must not be confined to the small political space called development assistance, but that we must mainstream this problem so that the imperative of poverty avoidance is prominently taken into account in all political decisions about the design of (national and supranational) social institutions and policies. Third, we would respond to the unimaginable sufferings of global poverty not by proclaiming detached goals that commit none of the proclaimers to anything in particular, but with a determinate assignment of concrete responsibilities that manifests an international cooperative plan to eradicate severe poverty with all deliberate speed.

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malnutrition by diverting poor households’ resources away from food. How the incomes and expenditure budgets of poor households should be assessed against the background of fluctuating commodity prices is a complex question that requires not merely accurate price and consumption data but also morally informed reflection that is best developed in discussion with poor people themselves. Efforts in this direction are underway within the Oxford Poverty and Human Development Initiative ([www.ophi.org.uk/research/multidimensional-poverty](http://www.ophi.org.uk/research/multidimensional-poverty), led by Sabina Alkire) and in the Australian National University’s project “Measuring Poverty and Gender Disparity,” in which I am involved ([www.genderpovertymeasure.org](http://www.genderpovertymeasure.org))

To appreciate why, even if it were real, our progress against severe poverty is really beside the point, recall that there was a time when people talked about the actual or envisioned improvement of slavery — about legislative and cultural changes that would facilitate more tolerable living conditions by curbing rapes, beatings, and splitting of families, by reducing back-breaking labor, and by guaranteeing minimally adequate food, shelter, and leisure time. This sort of talk ended when slavery came to be recognized as fundamentally unjust. For those who shared this recognition, the only adequate response to slavery was abolition, that is, an institutional reform that effectively protects all human beings from being enslaved.

We need a similar recognition today in regard to severe poverty. We need to understand that, unlike severe poverty in times past, such poverty is today avoidable at little cost to anyone. Surprising to many, the world poverty problem — so unimaginably large in human terms — has become downright tiny in economic terms. At market exchange rates, the collective shortfall of all those living below \$2/day (2005 value) amounts to about \$300 billion or 0.5 percent of world income (the sum of all gross national incomes). And even the much larger shortfall of those 3.5 billion human beings living below \$2.50/day (2005 value) is only about \$500 billion, or 0.8 percent of world income.<sup>23</sup> With these figures in mind, reflect once more on the promise made at the World Food Summit in Rome: “We pledge our political will and our common and national commitment to achieving food security for all and to an ongoing effort to eradicate hunger in all countries, with an immediate view to reducing the number of undernourished people to half their present level no later than 2015.” Seeing that one third of all human deaths, some 18 million annually, are due to poverty-related causes, and seeing that life-threatening poverty can be eradicated through a one-percent shift in the global income distribution, even this most ambitious (and quickly abandoned) anti-poverty promise must seem ludicrously unambitious. Should our “immediate” goal really be to spend fully 19 years merely on halving a problem of this horrendous magnitude, to get it down to 9 million annual poverty deaths? Imagine an analogous response to the challenge of the deaths and suffering inflicted on Europe by the Germans 70 years ago: a commitment to halving the problem over the 1942–61 period. Such a commitment would seem grotesquely underambitious — and defeating Germany was vastly more costly than defeating severe poverty would be today.

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<sup>23</sup> See Pogge, *Poverty as Usual*, pp. 69–70, referencing the World Bank’s report on the state of world poverty in 2005. See also note 7 *supra* for the most updated World Bank figures from PovcalNet.

The World Bank's diachronic poverty statistics lure us into a false sense of normalcy, a sense that the poor have always been, and hence always will be, with us. Yes, there has always been a large proportion of humanity living in life-threatening poverty. Nonetheless, today's severe poverty is radically different from that of the past because today we have the resources — technical, economic and administrative — to end such poverty once and for all, without excessive cost to anyone. Given this new capability, this is what we must do, together, with all deliberate speed.

This conclusion is reinforced when we realize that the persistence of severe poverty today is a reflection not merely of local and national causes but also of supranational institutional arrangements that powerfully shape local and national factors as well as their effects. Such supranational institutional arrangements are designed through intergovernmental negotiations that are dominated by the interests of the more powerful governments and by those of the more influential multinational corporations, banks and industry associations that can effectively lobby these governments and their officials. The members of this small global elite generally have no animosity against the poor; but they naturally love themselves and try to increase their own wealth and power as well as that of their respective states and organizations. The unintended but entirely foreseeable results of their efforts are then supranational institutional arrangements that further expand the largest shares of global household income while compressing the remaining smaller shares.

Table 9 presents data from Branko Milanovic, providing evidence for such an inequality spiral. The table shows that, over 17 crucial years of rapidly increasing global governance, global inequality has increased sharply, with the poorer 90 percent of humanity losing ground while the top five percent gained greatly. Consider once more the \$500-billion shift in the distribution of global annual income that would bring the poorest 3 billion human beings up to the Bank's \$2.50/day (2005 value) poverty line. We can now see that this shift is considerably smaller than just the recent *gain* in the share going to the richest five percent of humanity. In fact, with less than 2/5 of this gain those 3 billion human beings living below \$2.50/day (2005 value) could all reach this level.<sup>24</sup> Such a shift would bring the poorer half of humanity up to 4.2 percent of global household income, still leaving the richer half with 95.8 percent and the richest five percent with over 100 times the average income of the poorer half.

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<sup>24</sup> \$500 billion is approximately 1.3 percent of global household income or 0.8 percent of world income, which also includes government spending.

Segment of World Population	Share of Global Household Income 1988	Share of Global Household Income 2005	Absolute Change in Income Share	Relative Change in Income Share
Richest 5 Percent	42.87	46.36	+3.49	+8.1%
Next 5 Percent	21.80	22.18	+0.38	+1.7%
Next 15 Percent	24.83	21.80	-3.03	-12.2%
Second Quarter	6.97	6.74	-0.23	-3.3%
Third Quarter	2.37	2.14	-0.23	-9.7%
Poorest Quarter	1.16	0.78	-0.38	-32.8%

**Table 9: Evolution of the Global Household Income Distribution at Market Exchange Rates**

Understanding how supranational institutional arrangements, as presently designed, contribute to the persistence of life-threatening poverty leads us to the second important realization: that we affluent citizens of the more powerful countries are not merely bystanders but also contributors to life-threatening poverty, in virtue of our shared responsibility for what our governments do in our names.<sup>25</sup> This fact entails that our duties in regard to world poverty are far more stringent than most of us realize. We do not merely do too little toward mitigating life-threatening poverty, but also (with many others) participate in perpetuating it — not merely

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<sup>25</sup> Many of us are also beneficiaries of injustices that harm the global poor: of the injustice of supranational institutional arrangements or of the injustice of our country's foreign policies. This possibility brings into play negative duties not to take advantage of injustice without some effort at adequate compensation. I leave this point aside in the present essay.

failing to fulfill human rights but collaborating in their violation. What we must do, then, is to help protect poor people from the harms we are also co-responsible for producing and to work through our government toward reforming supranational institutional arrangements so that they are, insofar as this is reasonably possible, conducive to poverty avoidance and more broadly to the fulfillment of human rights. An institutional injustice is not something to be gradually ameliorated at one's leisure. It is to be eliminated through institutional reforms with all deliberate speed pursuant to a negative duty (on the part of the citizens of the antebellum United States and on the part of us now) not to impose unjust social institutions and, in particular, ones that foreseeably give rise to a reasonably avoidable human rights deficit. In this regard, severe poverty and slavery are on a par: when social institutions avoiding these deprivations are reasonably possible, then the imposition of social institutions that perpetuate these deprivations constitutes a violation of the human rights of those who are enslaved or impoverished. In the words of the Article 28 of the *Universal Declaration of Human Rights*: "Everyone is entitled to a social in international order in which the rights and freedoms set forth in the Declaration can be fully realized."

When we recognize that severe poverty is not merely something that we can mitigate but also something that we continuously produce, then it becomes clear that we must not merely work for more and more efficient development assistance<sup>26</sup> but also stop producing the poverty that makes such assistance necessary. We should also work toward a mainstreaming of this imperative into all negotiations relating to the design of features of the emerging global institutional architecture that have any significant distributive effects. The evolution of world poverty is affected, of course, by the quantity and quality of aid, but it is also and far more profoundly affected by the other 99 percent of current national and especially international practices: by the foreign policies of the wealthier countries and by the supranational institutional arrangements these countries design and impose.

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<sup>26</sup> The UN Statistics Division reports that governments currently spend about \$129 billion annually (2010) on development assistance, of which about \$17 billion (2009) is devoted to basic social services, i.e. to poverty eradication (<http://unstats.un.org/unsd/mdg/Search.aspx?q=bss%20oda>). This is obviously a very tiny amount — about 1/30 — in comparison to the \$500 billion poverty gap relative to the \$2.50/day poverty line.

So we should think beyond the small niche of development assistance. The mitigation it provides is paltry compensation for the complete exclusion of the interests of the majority of humankind from supranational rule making. As a quick example, think of the requirement of greatly strengthened intellectual property rights which, as the so-called TRIPS Agreement, the rich countries forced upon all WTO members. Such strong intellectual property rights lead to much higher prices of new pharmaceuticals throughout the less developed countries and thereby greatly increase the aid poor people there need to safeguard their health. Rather than trying to compensate for this new artificial need for medicine subsidies, it would have been much better to anticipate this problem when deciding about how to incentivize pharmaceutical innovation in the first place. In this way, the side effects and full costs of the institutional transformation would have been taken into account, and we would most likely have found a better way of incentivizing pharmaceutical innovation, one that would not impose such huge costs upon the global poor.<sup>27</sup> Considering the world poverty problem only under the rubric of aid is highly inefficient because it is often much more expensive to mitigate adverse side effects on the poor (and on future generations) than to avoid them.

This brings us to the final point. The celebrated Millennium Development Goals were goals in the most tenuous sense of this word: pronouncements about what would be a good thing to happen, without any instructions to anyone as to how the desired state was to be brought about. The MDGs were goals of no one in particular, goals completely detached from all human agency, which did not specify any duties or responsibilities even in the small political space of development assistance. This complete detachment of the MDGs, even more than all the clever gaming of the targets and statistics, renders the whole MDG campaign a cruel joke upon the poor: the celebration of a vast crime against humanity.

The MDGs are perfectly suited to enabling us to celebrating our approval of them without lifting a finger to do anything extra toward protecting the poor. The rich countries and their

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<sup>27</sup> For an idea in this direction, see Aidan Hollis and Thomas Pogge, *The Health Impact Fund: Making New Medicines Accessible for All* (Oslo and New Haven: Incentives for Global Health 2008), available, with a great deal of further discussion, at [www.healthimpactfund.org](http://www.healthimpactfund.org).

organizations assumed the role of score-keeping spectators, talking about how well this or that country or region was doing in achieving particular MDGs. The elites of poor countries were complaining about rich countries lending too little support. Detachment of the goals ensures that blame for the failures cannot be pinned on anyone because no one had been assigned or had accepted any concrete tasks or duties.

If we are to do justice to the world poverty problem, we must set ourselves the goal of its elimination and must for the achievement of this goal make a robustly realistic plan that assigns specific roles and responsibilities to particular governments, intergovernmental organizations, corporations, and so on. Their foremost responsibility must be that of mainstreaming the imperative of poverty eradication, of reforming the social institutions and policies that have been sustaining severe poverty. This will require international collaboration among experts, practitioners and the media. Academics can foster such collaboration by working together across academic disciplines toward building a common understanding of the world poverty problem and a common methodology for tracking its dimensions and for assessing the prospects and actual results of new policies and reforms.<sup>28</sup>

In the midst of a massive food price spike that, fed by our greed for land and biofuels, is disrupting and devastating the lives of billions of poor people, we affluent are celebrating our wonderful concern for the global poor and our great success in diminishing their number — excuse me — proportion. It is unknown whether there has been any such success. What is clear is that we affluent have been remarkably successful at appropriating a rapidly increasing share of global household income — and at collective self-deception.

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<sup>28</sup> I hope that Yale's Global Justice Program can continue to deliver such academic contributions, especially through its Global Poverty Consensus Report (<http://academicsstand.org/the-global-poverty-consensus-report/>) and Health Impact Fund projects.