

The poverty of the concept of 'poverty eradication'



Much has been written about 'poverty eradication' in recent years. The extent of poverty is of great concern in South Africa (SA) and globally, given the social implications of so many people living under atrocious conditions.^[1] Three Carnegie conferences over several decades have addressed poverty in SA. The most recent attracted a large audience, and most of the presentations were on microeconomic approaches to poverty alleviation.^[2] Macroeconomic problems and tentative solutions received minimal attention.

Despite the complexity and magnitude of the macroeconomic task, there is evidence that 'alleviation of extreme poverty' can be achieved both locally and globally *if the goal of doing so is limited to the current parsimonious World Bank (WB) definitions of poverty and economic groups*. The swing towards optimism that extreme poverty can be significantly reduced has been boosted by what are (dubiously) deemed by some to be signs of 'global convergence' in wealth and health outcomes.^[3] Such optimism was also expressed at the recent Davos meeting, where the goals of 'action 2015' to 'end poverty in all its forms' was discussed.^[4]

It is, however, clear that the WB definition of poverty is outdated and requires revision.^[5] A brief review of how poverty and income levels are defined is offered here to provide insight into the shortcomings of such definitions and into what 'eradicating poverty in all its forms' would mean if considered within more realistic boundaries.

The WB's definition of extreme poverty in 1991 was USD1 per day, rising to USD1.08 per day in 1993, USD1.25 per day in 2005 and most recently USD1.9 per day. These levels of extreme poverty are calculated from standards of absolute poverty in the world's poorest countries and from consumer price indices that take into account purchasing power parity in various countries – a process not without complications.^[6]

The lowest income group described by the WB has an annual per capita gross national income (GNI) of USD1 025 or less in 2011.^[3] Most in this category are considered to be living in extreme poverty, defined as 'a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information'. The reduction in the number of people living in this category from 3.1 billion in 1990 to 0.82 billion by 2011 is what has been described as 'lifting billions out of poverty'.^[3]

In SA, social grants to 16 million people have similarly reduced the number of people living in 'extreme poverty'. However, 45% of South Africans continue to live on about USD2 per day, with over 10 million of these under the food poverty line of USD1 per day. Relative poverty in SA, as reflected in the Gini coefficient, has increased from 0.6 in 1995 to almost 0.7 in 2009^[7] – the widest in the world. Such relative poverty is damaging to social wellbeing over and above absolute levels of poverty.^[8] It was predicted many years ago that the civil unrest and conflict over political power that was curtailed by SA's transition would recrudescence if socioeconomic disparities were not adequately addressed in the new SA.^[9] Sadly this is now evident, and it is also of global relevance.

The next level in the WB definitions is the low-middle income group that comprises those with annual per capita GNI between USD1 045 and USD4 124 (a four-fold range). In 1990, 0.67 billion people were in this category. By 2011, 1.76 billion had been added, increasing the number to 2.5 billion.^[3] This group does not meet the criteria for extreme poverty, and raising their incomes is not part of the poverty eradication endeavour. It does not take much

imagination to wonder what the standard of living must be like for those living at the lower levels in this category. What does their diet comprise? What housing conditions do they live under? To what standard of healthcare do they have access? What level of education can they reach, and what work can they hope for or do?

The upper-middle income category includes those with annual per capita GNI of between USD4 036 and USD12 475 (a three-fold range). The number of people herein increased from 0.74 billion in 1990 to 2.5 billion in 2011.^[3] Many in this group are probably clustered at the lower end of the range. It should be noted that before they went on strike demanding almost a doubling of their earnings, Lonmin's Marikana miners were earning about USD7 000 per year.^[10] By WB criteria this would (incredibly!) locate them in the upper-middle income category!

The high-income category, defined as an annual per capita GNI of over USD12 474, included 0.87 billion people in 1990, increasing to 1.1 billion by 2011.^[3] The distribution of income in this category ranges from USD36 per day to many thousands – a minimum of an eighty-fold difference. The USA is a high-income country, yet 20 million people there live on less than USD2 per day!

In the absence of data regarding the distribution of income within each of the above categories, one could speculate that all of the changes between 1990 and 2011 could have been achieved by annual per capita increments of as little as USD400 - 800 at the upper end of each category. These increases do elevate more people into the lower part of the range in the next-highest category. However, such 'economic advancement' cannot be credibly labelled as 'lifting out of poverty', other than in terms of the ludicrously low levels of income defined as poverty by the WB.

Since the 2008 global economic crisis, it is becoming more widely acknowledged that efforts to address diverse critical local and global problems, including poverty, are frustrated by a misguided, inadequate development ideology and agenda.^[11] While global institutional efforts in support of international development targets have been stepped up, current economic trends globally and in SA are preserving privilege for a minority of people while simultaneously intensifying inequality, poverty, starvation, violence and abuse of the environment.^[12]

In SA, 20% of people earn 75% of the total annual national income, with heads of parastatals and government officials (in particular the President^[13]) receiving bloated salaries, while the bottom 80% earn 25%.^[14] Similarly, at a global level 20% of people acquire 76% of annual global income while 80% survive on 24%. In SA, 54% of people are food insecure while an estimated 795 million people globally in 2012 - 2014 were chronically undernourished.^[15] This is surely an intolerable situation in a world with enough food, and in which human rights are hailed as highly valued!

Poverty should also be viewed in the context of its causal pathways, determined *inter alia* by the distorted structure of the global political economy,^[11,12] one effect of which is a net flow of resources from the global south to the global north. For every USD1 of so-called development aid, USD6 is extracted – much of this is payment towards total debt that can never be repaid.^[16] Aid to sub-Saharan Africa (SSA) amounted to USD21.2 billion in 2000. This is counterbalanced by debt repayments insufficient to reduce total debt, with resulting increase in total SSA debt from USD275.6 billion in 2002 to USD413 billion by 2013. The combined stock of developing countries' external debt rose from USD4.4 trillion in 2010 to USD4.9 trillion at the end of 2011.^[17]

