

Geo Factsheet



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POVERTY – A GLOBAL PROBLEM?

“The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.”
Franklin Delano Roosevelt

Key Words

Extreme poverty:	This is the most severe state of poverty. It is defined as living on \$1 or less a day.
Absolute poverty:	A person is absolutely poor if his/her income is less than the defined income poverty line. This will vary from country to country and from region to region depending on the cost of living.
Relative poverty:	This refers to falling behind most others in the community, determined by inclusion in a bottom income group, such as the poorest 10%.
Primary product dependent:	countries that rely on one or a small range of primary products for most of their exports.
Least Developed Countries: (LDCs)	“the poorest and most economically weak of the developing countries, with formidable economic, institutional and human resource problems, which are often compounded by geographical handicaps and man-made disasters” (UNCTAD).

Introduction

A huge anti-poverty movement came together in 2005 under the banner **Make Poverty History**. People were urged to pressurise politicians and other decision-makers, particularly with regard to such issues as trade justice, the debt burden of poor countries and international aid.

For most of human history, the vast majority of people have endured such a poor quality of life that today we would describe it as living in considerable poverty. *Fig. 1* shows the relationship between global poverty and GDP since 1820, the early days of the industrial revolution. In 1820 the wealth gap by world region was very limited compared to today (*Fig. 2*). However, as the pace of industrialisation increased in what is now the developed world the gap widened significantly. The huge increase in world trade with large volumes of raw materials flowing from the developing world to the developed world with manufactured goods and services moving in the opposite direction benefited the rich world to a much greater extent than the poor world. In addition the very large volume of trade within the developed world itself was a potent driver of economic growth in the advanced economies.

The world’s poorest countries today are all heavily **primary product dependent**. In contrast the success of the Newly Industrialised Countries over the past 40 years has resulted from rapid development of their manufacturing and service sectors and their reduced reliance on the primary sector. This has broadly mirrored what happened in the MEDCs from the early 1800s.

The United Nations has identified the poorest nations of the world as the Least Developed Countries (LDCs). The fifty or so nations in this grouping are the worst-off sub-set of the LDCs. With 10.5% of the world’s population, these countries generate only one-tenth of 1% of its income. LDCs are being increasingly marginalised in the world economy. Their share of world trade is declining and in many LDCs national debt now equals or exceeds GDP.

Fig. 1 Relationship between global GDP and global poverty.

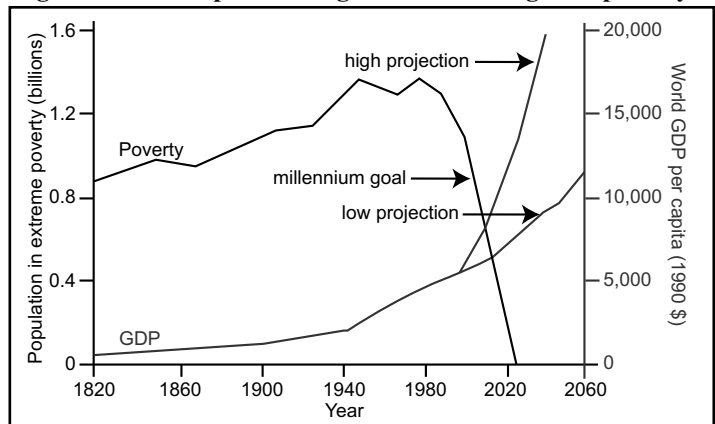


Fig. 2 The growth in GDP per capita per region.

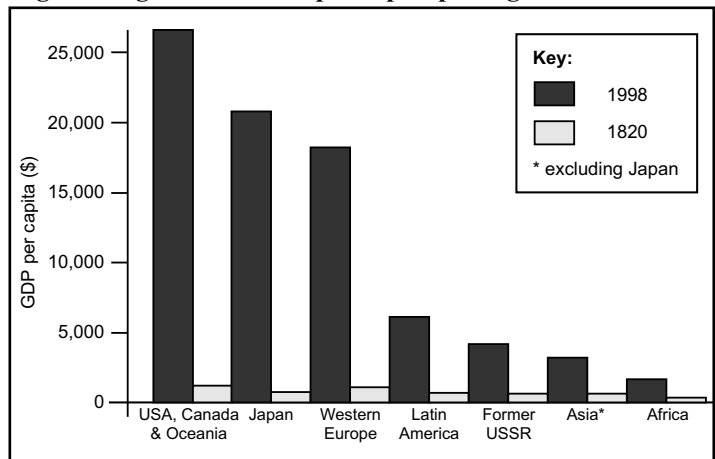
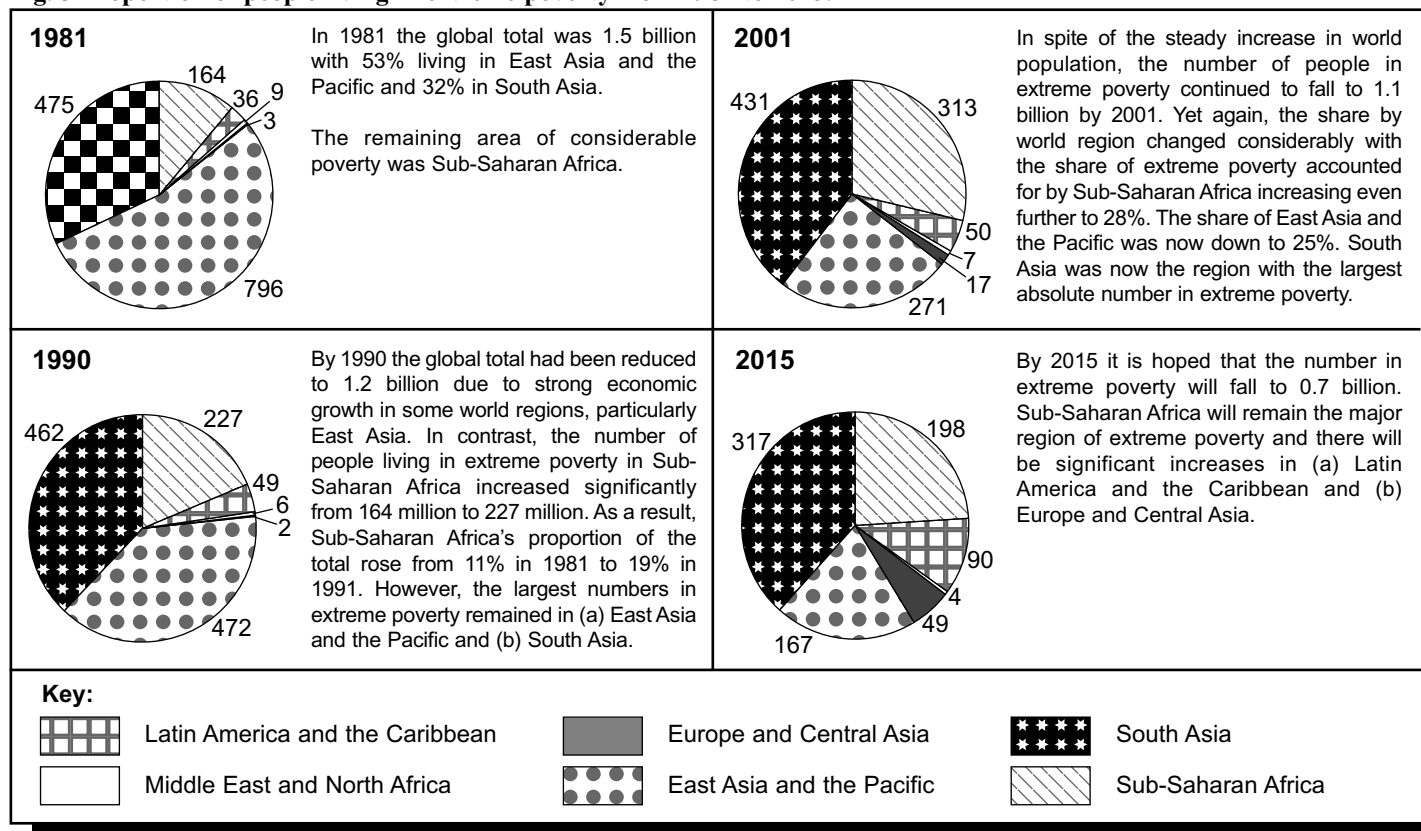


Fig. 3 Proportion of people living in extreme poverty from 1981 to 2015.



Extreme Poverty 1981-2015

Although the global poverty situation has improved significantly in recent times approximately one in six people worldwide struggle on a daily basis in terms of:

- adequate nutrition
- safe shelter
- access to basic health care
- uncontaminated drinking water
- adequate sanitation

These people have to survive on \$1 a day or less and are largely denied access to public services for health, education and infrastructure. People within this very low income range are said to live in extreme poverty. The U.N. estimates that 20,000 people die every day of dire poverty, for want of food, safe drinking water, medicine and other vital needs.

Fig. 3 shows the number of people worldwide living in extreme poverty from 1981 to 2001 and the projection to 2015.

Progress and Problems

In assessing the progress made in reducing global poverty, the Human Development Report notes that:

- in the past 50 years poverty has fallen more than in the previous 500 years.
- poverty has been reduced in some respects in almost all countries.
- child death rates in developing countries have been cut by more than half since 1960.
- malnutrition rates have declined by almost a third since 1960.
- the proportion of children not in primary education has fallen from more than half to less than a quarter since 1960.
- the share of rural families without access to safe water has been cut from nine-tenths to about a quarter since 1960.

These are just some of the achievements made during what the HDR calls the ‘second Great Ascent from poverty’, which started in the 1950s in the developing world, Eastern Europe and the former Soviet Union. The first Great Ascent from poverty began in Europe and North America in the late 19th century in the wake of the industrial revolution.

On the negative side the HDR details the substantial problems still remaining:

- more than a quarter of all people living in the developing world still live in poverty with more than 1.1 billion living on less than \$1 a day. “In a global economy of \$25 trillion, this is a scandal – reflecting shameful inequalities and inexcusable failures of national and international policy.”
- for a significant number of countries per capita incomes are actually lower now than in previous decades.
- nearly a billion people are illiterate.
- some 840 million go hungry or face food insecurity.
- more than 1.2 billion people lack access to safe water.
- nearly a third of the population in the least developed countries, most of which are in Sub-Saharan Africa, are not expected to survive to the age of forty.
- Women are disproportionately poor. Half a million women in developing countries die each year in childbirth.

The HDR also notes that the face of poverty has changed considerably in recent decades. Compared with 1970, an income-poor person today is less likely to be:

- Asian
- a small farmer
- settled
- an adult male
- rural

And more likely to be:

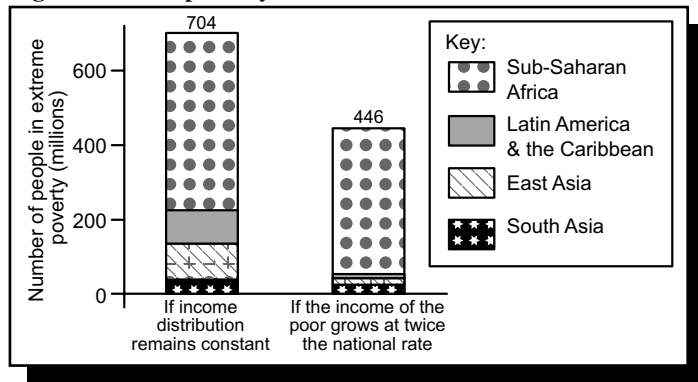
- African or Latin American
- a child, a women or elderly
- an unskilled, low-wage worker
- urban
- a refugee or internally displaced person

With increasing urbanisation, poverty is shifting significantly from rural to urban areas.

Key Pro-Poor Policies

The Human Development report 2005 argues that the 2015 estimate for extreme poverty could be reduced substantially by the adoption of pro-poor policies (Fig. 4). **Pro-poor policies** ensure that poor people contribute to the growth process through increased output and rising productivity and capture a larger share of increments to growth than they do now. In terms of public policy this means directing more attention to **small-holder farmers** and to public investments to build the assets of the poor and the infrastructure serving them. The private sector also has a crucial role to play in pro-poor growth, e.g. in Bangladesh, **Grameen-Phone**, the major cellular phone service provider, operates a rural programme serving more than 50 million people. This enables micro-enterprises to operate more efficiently by improving access to market information. The high costs of government regulation and limited access to credit are major barriers to the development of small-scale enterprises.

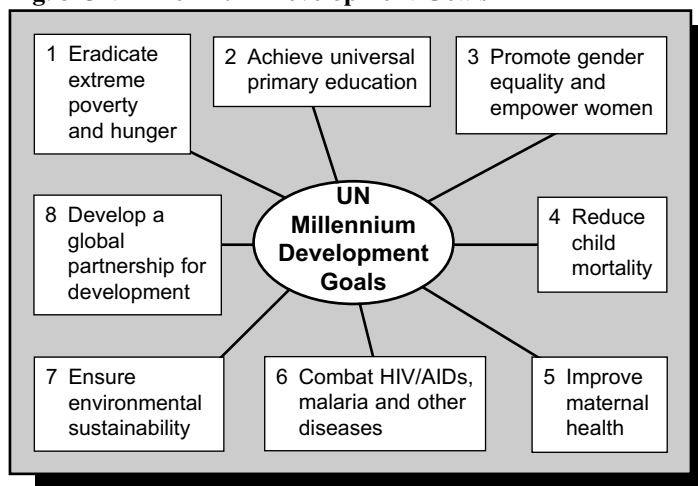
Fig. 4 Extreme poverty - two scenarios for 2015.



The Millennium Goals

It has proved much harder to eliminate poverty than was thought in the 1960s and 1970s. However, much has been learned from past mistakes and now there is a general feeling that foreign aid is being better used than in previous decades. The Millennium Development Goals (Fig. 5), established in 2000 by international agreement, is probably the most significant major attempt to defeat poverty ever undertaken. It is fitting that such a major initiative should occur during the First United Nations Decade for the Eradication of Poverty (1997-2006).

Fig. 5 UN Millennium Development Goals



Child Poverty

In 2003 the Townsend Centre for International Poverty Research completed a report on the most extensive sample of children from 46 developing countries. The report, commissioned by UNICEF, is the first scientific measure of child poverty in the developing world (Table 1). It concluded that more than a billion children are severely deprived of basic human needs, and 674 million live in conditions of absolute poverty.

Table 1 % of children living in poverty by region.

Region	% children in absolute poverty	% children severely deprived of at least one basic need
Sub-Saharan Africa	62	82
Central & West Asia	9	31
East Asia & Pacific	9	30
Latin America/ Caribbean	15	32
Middle East & North Africa	35	61
South Asia	54	81
Developing World total	34	57

According to the Human Development Report, “Income inequalities both reflect and affect wider life chance inequalities, starting with the chance of staying alive.” In Bolivia and Peru infant death rates are four to five times higher for the children of the poorest 20% of the population than the children of the richest 20%. With more births, the poor are heavily over-represented in the distribution of child deaths.

Differentiation in the Third World

Some of the more advanced Third World nations (the possible winners) base their status on strategic natural resources, others on successful experiments with industrialisation, while a third category combines one or both of these criteria with geopolitical power in the context of their own region (Fig. 6). Any future economic superpower is likely to emerge in the shaded area of the diagram, but how many serious candidates are there after China, India and Brazil? At the other end of the scale (Fig. 7) are those nations, the world’s poorest (the losers), sometimes termed the Fourth World. These countries invariably have two or more of the following characteristics:

- Identified by the United Nations as one of the 50 or so Least Developed Countries. This is the poorest sub-set within the LEDCs.
- Countries which are most seriously affected by natural hazards.
- Land-locked developing countries
- Island developing countries.

Fig. 6 The winners.

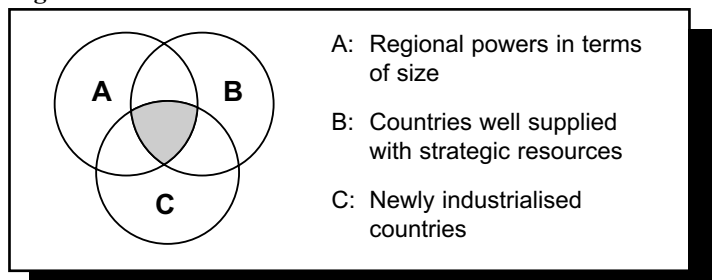
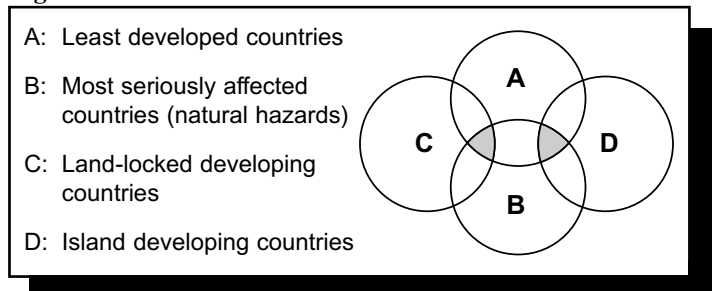


Fig. 7 The losers.



In the latter part of the 20th century a much more distinctive hierarchy of development has arisen in the Third World which is strongly linked to the concepts of interdependence and globalisation. The world’s poorest nations have largely been excluded from the positive forces of globalisation that has seen the development of successive generations of newly industrialised countries in the LEDC section of the world.

Poverty: Major Global Issues

• Trade Justice

Poorer countries have long complained that the way world trade is organised benefits the rich countries far more than the poorer nations of the world. The main issues are:

- Subsidies paid by MEDC governments to their farmers, for example the USA and the EU, encourage overproduction. Such unwanted farm produce is often 'dumped' (sold at below cost price) in LEDCs which can undercut the prices that local farmers need to charge to make a reasonable profit.
- Barriers to trade (tariffs, quotas, regulations) set up by MEDCs to protect their own farmers and other industries by limiting exports from LEDCs

According to the Human Development Report (2005), "The costs and benefits of trade have been unevenly distributed across and within countries, perpetuating a pattern of globalisation that builds prosperity for some amid mass poverty and deepening inequality for others."

• Debt Relief

Many poor nations have to set aside a significant proportion of the wealth they create each year to pay off debts. These debts are often loans taken out many years ago by inefficient and corrupt governments at high rates of interest. A number of high profile organisations are actively campaigning for MEDCs to write off the debts of the poorest nations. The British government has taken a significant lead in this respect.

• International Aid

The effectiveness of international aid has been the subject of detailed debate over a long period of time. The recent Human Development Report (2005) states that "International aid is one of the most powerful weapons in the war against poverty. Today, that weapon is underused and badly targeted. There is too little aid and too much of what is provided is weakly linked to human development. Fixing the international aid system is one of the most urgent priorities facing governments at the start of the 10-year countdown to 2015." Total official development assistance rose by \$12 billion from 2002 to 2004 with more and more rich countries recognising the global importance of improving the lot of the world's poor.

• Violent Conflict

The Human Development Report sees violent conflict as "the most brutal suppression of human development." Since 1990 more than three million people have died in armed conflict, almost all in the developing world. Apart from the huge loss of life, hundreds of thousands of people are left physically maimed by conflicts making it either impossible or extremely difficult for them to find work and care for themselves and their families. In addition, hard and soft infrastructure that has taken decades to build up may be destroyed very quickly in a war zone such as those in many countries in Africa.

Footnote: Poverty in MEDCs

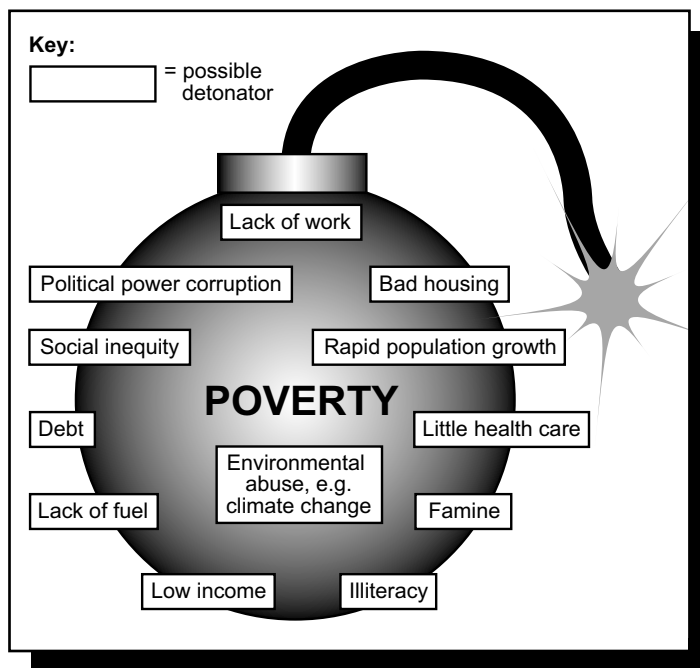
Poverty is not confined to LEDCs. All MEDCs have people living in relative poverty and in many MEDCs the gap between the wealthiest and the poorest is getting wider. Of increasing concern in countries like the UK is fuel poverty. With the recent large increase in the price of energy in the UK, **fuel poverty** has become a major issue.

A household is said to be in fuel poverty if it has to spend more than 10% of its income on energy to maintain a satisfactory level of household heating. 2 million households in the UK were in fuel poverty in 2003.

Conclusion

As Fig. 8 shows, the Poverty Bomb is likely to be set off by a number of interconnected detonators. This report has attempted to define poverty and explain its causes. It has explained the trends which, on the one hand, give cause for optimism but, on the other hand, suggest that the percentage of people remaining in poverty, largely concentrated in Sub-Saharan Africa, the Andes nations and the landlocked nations of central Asia, will only be 'made history' by concerted and well targeted efforts by the affluent MEDCs.

Fig. 8 The Poverty Bomb.



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Acknowledgements

This Factsheet was researched by Paul Guinness who teaches at Kings College, Wimbledon. Curriculum Press, Bank House, 105 King Street, Wellington, TF1 1NU. Tel. 01952 271318. Geopress Factsheets may be copied free of charge by teaching staff or students, provided that their school is a registered subscriber. No part of these Factsheets may be reproduced, stored in a retrieval system, or transmitted, in any other form or by any other means, without the prior permission of the publisher. ISSN 1351-5136