

The Poor: Not Always With Us

Gary Mead (www.impactinvestor.co.uk)

What does it mean to be poor? Different things to different people, obviously. Relative poverty is a slippery concept, but no one has improved over what Adam Smith wrote back in 1776.

He defined relative poverty as the inability to afford “not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without.” These are the poor who, according to Matthew 26:11, will always be with us – someone, somewhere, will always be without what it is considered decent to have. It is those who are trapped in absolute poverty that need help from us, and a helping hand to enable them to help themselves.

The universally accepted definition of absolute poverty is that of the *World Bank*, which defined it first of all as living on \$1 a day, and in 2008 re-set it (to take account of inflation) to \$1.25 a day.

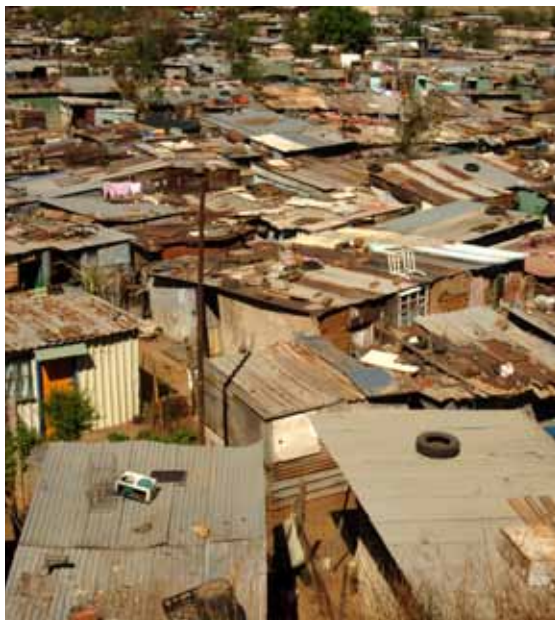
Trying to survive on \$456.25 for a year is incomprehensible to those reading this article. But extreme or absolute poverty is not just about lack of money. It’s about people having inadequate or no access to basic sanitation; people who suffer from insufficient energy resources; people whose educational opportunities are limited, and for whom all economic opportunities, on a national and individual level, are constrained. People subsisting in the absolute poor category die younger, are more likely to be illiterate and innumerate, and daily face impossible decisions for their survival. How many people are living today in absolute poverty? We cannot know with total precision but the best estimate is around 1.5 billion people.

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It is vital, however, not to be a moaning Minnie and present an incorrigibly gloomy picture. The alleviation of absolute poverty, remarkably enough, is happening, and it’s partly thanks to globalisation, freer trade between nations, and economic growth. According to the *World Bank*, around 43% of the developing



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world lived in absolute poverty in 1990. By 2010 that had more than halved. Partly this is explained by the tremendous economic boom of Asia (particularly China) and Latin America. China alone accounted for a 75% drop in absolute poverty over the last 30 years; in 2000 it officially declared that it had eliminated absolute poverty.

Nevertheless there are huge swathes of the world – particularly in Sub-Saharan Africa – where levels of absolute poverty remain high. The *World Bank* reported two years ago that “despite its falling poverty rates, Sub-Saharan Africa is the only region in the world for which the number of poor individuals has risen steadily and dramatically between 1981 and 2010. There are more than twice as many extremely poor people living in SSA today (414 million) than there were three decades ago (205 million). As a result, while the extreme poor in SSA represented only 11% of the world’s total in 1981, they now account for more than a third of the world’s extreme poor.”

How fast the absolute poverty rate continues to fall therefore depends primarily on economic growth, an uncertain prospect in the wake of the 2008 financial crash. There are hopes that, given average GDP growth levels over the next 15 years, then absolute poverty could be totally eliminated by 2030. But just as no-one could have forecast the astonishing drop in the absolute poverty rate back in 1990, no-one can have the foresight now to be sure that absolute poverty will disappear in the next 15 years – particularly in parts of sub-Saharan Africa.

But let’s be optimistic and assume that absolute poverty largely becomes a sub-Saharan Africa problem. By 2030 nearly two-thirds of the world’s extreme poor will be living in states now deemed “fragile”, such as the Democratic Republic of Congo and Somalia. Most of the rest will be in middle-income countries. This will be beneficial in two ways. The first is that it will become easier to target the very poor; and the second is that the cost of helping them will fall to levels that are, by

contrast with previous eras, extremely low – so the cost of bringing the final very poor out of poverty will be almost nugatory. Absolute poverty will disappear – it’s just a question of when.

The next stage – and perhaps the one that non-official donors and philanthropists should be concentrating on today – will therefore be the targeting and alleviation not of absolute poverty problems, but of specifics. What Africa really needs today is not just well-intentioned but perhaps misguided charity – not more subsidised goats – but regular major injections of capital into its physical and intellectual infrastructure: ports, roads, railways, housing, water, electricity, education. It also needs better banking, stock markets and access to finance. It needs a political class that is prepared to accept better standards of governance – and auditors capable of really going through the books to ensure that they are clean. Writing a cheque may make you feel good; it may even do some good; but what will really change sub-Saharan Africa is engagement, encouragement, and education.

Gary Mead is a former Commodities Editor of the Financial Times and currently is Editor of ImpactInvestor.co.uk; he writes here in a personal capacity.

2014: Editor, www.impactinvestor.co.uk

2013: Executive Director, New City Initiative (NCI)

2012-2013: Director of Media Relations, Institute of International Finance, Washington D.C.

2001-2012: Senior Analyst and Deputy CEO, VM Group, London

1998–2001: Head of Research, World Gold Council, London

1988–1998: Journalist, Financial Times

PUBLISHED BOOKS

South Africa (travel guide, published by Odyssey, 1997)

The Doughboys – America and the First War (Penguin, 2000)

The Good Soldier – Field Marshal Douglas Haig (Atlantic 2007)

Victoria’s Cross – (May 2015, Atlantic)