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Original Articles

The ethical poverty line: a moral quantification of absolute poverty

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Abstract

Responding to the Millennium Development Goal challenge to halve 'extreme' poverty by 2015, it has been argued that we have a moral duty to ensure that economic growth benefits the world's poorest. However, this morality is only partial if absolute poverty is defined by the somewhat arbitrary $1-a-day poverty line. If this moral duty exists, then we need to develop a morally defensible poverty line. Drawing on established health literature, this paper innovates by linking an analysis of world consumption to life outcome data, all from current World Bank datasets, to derive such a poverty line, termed here the Ethical Poverty Line (EPL). The EPL is comparable to the $2-a-day poverty line increasingly quoted by the World Bank. At this level, the EPL not only quantifies the substantial scale of socioeconomic change needed to eliminate absolute poverty but also raises challenging questions about the scale of over-consumption in the developed world.

Notes

1 L Elliott & M White, 'Brown's Marshall plan for world poor', Guardian, 7 January 2005, p 2.

2 PovcalNet is available at http://iresearch.worldbank.org/PovcalNet/jsp/index.jsp.

3 Note that, since these curves are both standardised on 1993 levels, they differ somewhat from those presented, for example, by Dikhanov and Ward (2002) which are normalised so that the area under each curve equals unity. Standardising the curves to a single year, rather than normalising each curve, makes it easier to identify the locations of the true beneficiaries of global income growth.

4 The high-income median consumption level in 1993 was $8300 pp pa in 2002 PPP prices. Fifty-three percent of high-income country populations had consumption less than the $10 000 level in 1993 (55% in 2001).

5 For the authors of the Social Watch Report 2005 (Third World Institute, 2005: 14) this is no accident. They see the $1-a-day line as ideologically and politically motivated by allowing World Bank researchers to claim that the proportion of people living in poverty in the world as a whole is declining and hence that globalisation is good for the poor.

6 World Development Indicators are available on-line at http://www.worldbank.org/data/.

7 In line with World Bank practice when calculating poverty head-counts, the optimisation excludes high-income countries where $1-a-day, and even $2-a-day poverty, are essentially non-existent. One consequence of this is that any distorting effect of the simplifying assumption of constant life-expectancy at consumption levels above the kink-point is minimised. The optimisation was not population weighted, which would have led the analysis to be dominated by China and India rather than

representing a meaningful global averaging of national consumption:life-expectancy outcomes.

8 The countries omitted were Angola (18 years), Cote d'Ivoire (19 years), Lesotho (28 years), Namibia (19 years), Swaziland (25 years) and Zimbabwe (28 years). Figures in parentheses are number of years difference between the actual life-expectancy and the modelled life expectancy.

9 On mis-specification tests the Parabolic A and Semi-log functions listed in Table 2 were found to give the best specification matches. Mis-specification test statistics were essentially the same for these two functions. The Parabolic B and Double-log functions gave marginally worse mis-specification test statistics.

10 One of the anonymous reviewers rightly points out that a rich literature already exists on this theme of the implications of 'ethical globalisation' or 'fair globalisation', including policy proposals on global trade reform, intellectual property rights, global taxes for planetary survival, global economic governance, new financial architecture, debt relief, debt arbitration, etc. The EPL brings into focus just how much such reforms need to challenge and unpick the inequalities of existing global structures if they are to succeed in removing global absolute poverty.

11 If we adopt the rather more generous figure of $3.9-a-day (the highest kink consumption in Table 2) then we find that the developed world consumes seven times this level. This still implies that over 50% of global consumption is expended in developed world 'over-consumption'.

12 The following low- and middle-income countries are those that perform notably better than the model predicts (with years difference in parentheses): El Salvador (10 years), Venezuela (8 years), Costa Rica (7 years), Dominica (6 years), Armenia (6 years), Uzbekistan (6 years), St Lucia (6 years), Moldova (6 years).

13 I am indebted to Peter Rooney for introducing me to the phrase 'catch-down'.

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