

# The “End of Poverty” Illusion: Global and East Asian Realities in the COVID-19 Pandemic

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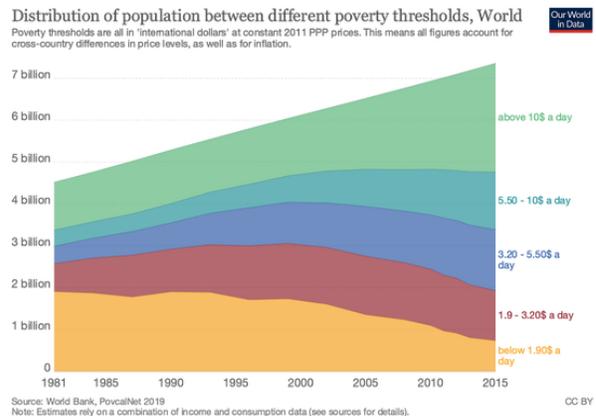
**Abstract:** The World Bank’s “International Poverty Line,” a politically driven standard, obscures the reality that, in East Asia as elsewhere, poverty is increasing alongside enormous wealth for the richest ten percent. The COVID-19 pandemic is driving tens of millions more people into poverty in East Asia than would otherwise be the case, challenging all governments to meet the crisis where it most counts: in health care, food, aid to small businesses, and income. For that to happen, however, requires a dramatically different approach to economic globalization by governments and international lending agencies. Two events, the COVID-19 pandemic and the climate crisis, are playing havoc with efforts by international organizations to reduce poverty. The United Nations, the World Health Organization, and numerous nongovernmental organizations (NGOs) are all engaged in poverty-reduction programs, but the World Bank stands out for obstructing a clearer understanding not just of how poverty should be defined, but also of what it takes to lift people out of it.

## The World Bank’s Poverty Illusion

Ever tried living on \$1.90 a day? That is the World Bank’s “International Poverty Line (IPL).” If your income is at or below that figure, you are living in “extreme poverty.” In fact, it’s a political benchmark, low enough that the Bank can claim global poverty has been reduced significantly. Which also means that if

you’re making two or three times that amount per day, you’re supposed to be overcoming poverty.

From a critical and human-interest perspective, the IPL is nonsense. Anyone living on \$1.90 a day—the World Bank for many years used \$1 a day to define extreme poverty—cannot possibly live a meaningful life no matter how defined. A figure even double or triple \$1.90 cannot possibly address inadequate nutrition, schooling, and health care, for example. By setting the figure so low, the Bank, other international lending agencies, and governments can pretend that citizens making the Bank’s next levels of income, \$3.20 and \$5.50, are poor but still better off than their poorest cousins. In short, the figure evades responsibility to act on behalf of the billions of people living in extreme poverty, including those in rich nations.



Fortunately, we have an impeccable source for calling out the World Bank's claim: Philip Alston, who recently left his post as the UN special rapporteur on extreme poverty and human rights. In his final report to the UN in early July, Alston said:

Even before COVID-19, we squandered a decade in the fight against poverty, with misplaced triumphalism blocking the very reforms that could have prevented the worst impacts of the pandemic. COVID-19 is projected to push hundreds of millions into unemployment and poverty, while increasing the number at risk of acute hunger by more than 250 million. But the international community's abysmal record on tackling poverty, inequality and disregard for human life far precede this pandemic. Over the past decade, the UN, world leaders and pundits have promoted a self-congratulatory message of impending victory over poverty, but almost all of these accounts rely on the World Bank's international poverty line, which is utterly unfit for the purpose of tracking such progress.<sup>1</sup>

The reality about global poverty, which the World Bank would prefer that we forget, is that *extreme poverty has hardly improved at all in recent decades*. "Even before the pandemic," Alston says, "3.4 billion people, nearly half the world, lived on less than \$5.50 a day. That number has barely declined since 1990." Alston called the Bank's \$1.90 poverty line, which it uses to claim that over 1.1 million people were lifted out of extreme poverty between 1990 and 2015, "scandalously unambitious." "The best evidence shows it doesn't even cover the cost of food or housing in many countries," he said. "The poverty decline it purports to show is due largely to rising incomes in a single country, China. And it obscures poverty among women and those often excluded from official surveys in many countries, such as migrant workers and refugees."

## The COVID Connection

In the spring 2020, the World Bank estimated that 40 million to 60 million people will fall into extreme poverty (under \$1.90/day) in 2020, compared to 2019. Again, the Bank used the same flawed measurement, which means we have to add in (by the Bank's account) anywhere from 70 to 180 million *more* people in the \$5.50 a day category.<sup>2</sup> These dire conclusions are consistent with trade trends. Two analysts write in *Foreign Affairs* that it will probably take several years for the global economy as a whole to recover from the contraction brought on by the pandemic. They cite a massive decline in exports (2020 will be "the worst year for globalization since the early 1930s"), very high unemployment, and an especially harmful impact on low-income people, who lack the education, job security, and health to survive without government support that will not be available in struggling economies. In the less well off countries, there are no stimulus payments because they are going to be even more debt-ridden than ever.<sup>3</sup> So far, it seems that only China has avoided this prediction on export decline.

Just as Alston charged, women will bear a particularly heavy burden because of COVID-19. An Oxfam report notes:

Although the virus appears to be killing men at a higher rate than women, cutting down on child and elderly care and public health systems traps women at home, a home that is not always safe: girls who are forced to stay home from school are at increased risk of sexual violence and early pregnancy women will suffer more in other ways. Some 70% of the world's health workers - the most exposed to the virus - are women. Women workers are most likely to have precarious jobs without labour protections. In the poorest countries, 92% of women workers are

employed informally. Women also provide 75% of unpaid care, a burden that is expanding exponentially in the face of stay-at-home orders. The problem will also be compounded if this pandemic were to be followed by austerity, as with the 2008 financial crisis. Reports are already showing that domestic violence has doubled in provinces in China where restrictions have been imposed— and this pattern is being repeated all over the world.<sup>4</sup>

### Enter the Climate Crisis

The process of scientific discovery seems unable to keep pace with the crisis before us. As the world scientific community warned in November 2019: "we declare, with more than 11,000 scientist signatories from around the world, clearly and unequivocally that planet Earth is facing a climate emergency.":

Despite 40 years of global climate negotiations, with few exceptions, we have generally conducted business as usual and have largely failed to address [the climate crisis]. The climate crisis has arrived and is accelerating faster than most scientists expected. . . . It is more severe than anticipated, threatening natural ecosystems and the fate of humanity. . . . Especially worrisome are potential irreversible climate tipping points and nature's reinforcing feedbacks (atmospheric, marine, and terrestrial) that could lead to a catastrophic "hothouse Earth," well beyond the control of humans. . . . These climate chain reactions could cause significant disruptions to ecosystems, society, and economies, potentially making large areas of Earth uninhabitable.<sup>5</sup>

As environmental security worsens, so does human security. The reason is simple: the intersection of worsening climate conditions and the pandemic. Flood, drought, and other calamities compound the vulnerability of populations already hit by the virus, especially the poor, the elderly, the unemployed, ethnic minorities, and health care workers.<sup>6</sup> Governments are put under intense pressure in terms of emergency preparedness, public health facilities, long-term unemployment, and internal security.

Food security is likely to be especially hard hit by the combination of climate change and COVID-19. Arif Husain, chief economist for the World Food Program, writes that "the pandemic could drive 130 million more people [beyond the tens of millions already facing 'acute hunger'] into that state by December. More than a quarter of a billion people are likely to be acutely hungry in 2020."<sup>7</sup> People working in the informal economy and export industries; people dependent on remittances from relatives working abroad; people in the fossil fuel sector—these are among the groups whose access to food will be deeply affected by COVID-19. And if they also happen to live in conflict zones, or areas hard hit by climate change, they face insecurity that goes well beyond food.<sup>8</sup>

### The East Asia Picture

In general, the East Asia region's economic development, measured by human development indicators, was improving somewhat before COVID-19. I chose nine countries at various levels of economic development to represent the region (see Table 1). Most of the nine improved their human development index (HDI) ranking between 2009 and 2019—for example, Thailand, from 87 to 77; China from 92 to 85; and Malaysia from 66 to 61.<sup>9</sup> (Australia and

Japan slipped, while Vietnam and Philippines hardly changed.) Poverty, reflected in the rich-poor gap, remained a serious problem, however, despite the overall fairly low Gini coefficient.<sup>10</sup> The income share of the richest 10 percent of populations was much greater than the poorest 40 percent (Table 1, columns 2, 3 and 4), with the gap rising in four countries and falling in five.<sup>11</sup>

COVID-19 has severely impacted East Asia as it has every other region. The East Asia and Pacific region (fifteen countries and territories, including six added to those in Table 1) has had its share of infections and deaths, though as a proportion of world totals (as of mid-August 2020), the numbers are very low: about 2.6 percent of cases and 2 percent of deaths.<sup>12</sup> But infection and death tolls do not display the links between a health crisis and poverty. For East Asia and the Pacific, the World Bank estimates that COVID-19 will have a devastating effect on regional economic growth and therefore on poverty rates. The last five years of gains will all be erased, it says. Specifically, the Bank reports that whereas before the pandemic 35 million people in East Asia and the Pacific would have escaped poverty (at \$5.50), now some 25 million additional people will fall into poverty, plus another 11 million if economies continue to go downhill.<sup>13</sup> Malaysia, Philippines, and Thailand are all predicted to experience major economic *contractions* before recovering in 2021.<sup>14</sup>

In East Asia specifically, average life expectancy and schooling were improving before the pandemic. As the last column in Table 1 shows, every country experienced growth in the HDI between 2010 and 2018, with China leading the way and the emerging middle-income countries such as Indonesia and Thailand also improving significantly. Even so, we are all aware that average figures may obscure as much as they reveal. Improvements in human development typically are not evenly distributed in any society because political

elites allocate resources to favored groups and locales, which are expected to return the favor in loyalty to officials. When the *next Human Development Report* is published, we can expect that income gaps will widen and other human development indicators for all countries in the region (with the possible exception of China) will reflect the pandemic’s impact on everything from public health and childhood education to overseas remittances and small businesses. It is already clear that food and income poverty in particular have worsened. A World Vision survey in 2020 of nine Asian countries, for example, found that “currently the most serious effects [of the pandemic] are increased food insecurity and poverty for vulnerable children and their families impacted by the pandemic. As families are struggling to cope with loss of income and livelihoods, meeting basic household needs is a growing challenge.” The survey found that over 60 percent of households—an estimated 85 million—in those countries were in deep trouble finding food, work, and income.<sup>15</sup>

**Table 1. Human Development Indicators for East Asia**

HDI Rank (2018)	1. Gross National Income per cap. (\$US, 2018)	2. Income Share of Poorest 40% (2010-17)	3. Income Share of Richest 10% (2010-17)	4. Income Share of Richest 10% (2007)	5. Life expectancy increase, in years (2007-2018)	6. Expected schooling in years, female/male (2018)	7. Average annual HDI growth,* 2010-18 (%)
6-Austral	44,097	18.8	27.8	25.4	+8	22.6/21.6	0.17
19-Japan	40,799	20.3	24.7	21.7	+6	15.2/15.3	0.42
22-ROK	36,757	20.3	23.8	7.8	+8	15.8/16.9	0.33
61-Malay	27,227	15.9	31.3	28.5	+10	13.8/13.1	0.49
77-Thai	16,129	18.4	28.4	33.7	+11	14.8/14.5	0.74
85-China	16,127	17.0	29.4	31.4	+8	14.1/13.7	0.95
106-Phil	9,540	16.8	31.3	33.9	+7	13.0/12.4	0.73
111-Indo	11,256	17.5	29.5	32.3	+1	12.9/12.9	0.74
118-Viet	6,220	18.8	27.1	29.8	+9	12.9/12.5	0.74

\*HDI composite index measuring “long and healthy life, knowledge and a decent standard of living.”

*Human Development Report 2019* Sources: United Nations Development Programme, *Human Development Report 2009*. (<https://www.undp.org/content/undp/en/ho>)

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 (https://www.undp.org/content/undp/en/home/search.html?q=human+development+report+2009)

United Nations Development Programme,  
*Human Development Report 2019*  
 (https://www.undp.org/content/undp/en/home/librarypage/corporate/annual-report-2019.html).

### Winners and Losers

A major omission from the World Bank's assessment is indicators of *who benefits* from poverty. The fortunes of the richest 1 percent and 10 percent never fall, nor do the tax havens that enable multinational corporations to hide a large percentage of their profits disappear. Again, Philip Alston, in his final report: "Instead, multinational companies and investors draw guaranteed profits from public coffers [such as through tax havens], while poor communities are neglected and underserved. It's time for a new approach to poverty eradication that tackles inequality, embraces redistribution, and takes tax justice seriously. Poverty is a political choice and it will be with us until its elimination is reconceived as a matter of social justice."

Alston's parting shots resonate with critical scholarship on globalization. For example, a recent study done for the Asian Development Bank affirmed Alston's conclusions on rising poverty even before COVID-19. The three authors found that although income in Asia generally was rising, its potential benefits were

being undermined by growing inequality in income distribution; that globalization was mainly benefiting people with skills, education, and regional resource advantages; and that inequality was adversely affecting economic growth, mainly by limiting productivity and consumption among low-income households, and by increasing the likelihood of social unrest.<sup>16</sup> Clearly, these trends were, and are, the result of political decisions.

We in the United States understand the politics of poverty very well. Robert Reich, the former labor secretary who often writes on inequality in America, says: "Over the last four decades, the median wage has barely budged. But the incomes of the richest 0.1% have soared by more than 300% and the incomes of the top 0.001% (the 2,300 richest Americans), by more than 600%. The net worth of the wealthiest 0.1% of Americans almost equals that of the bottom 90% combined. This grotesque imbalance is undermining American democracy."<sup>17</sup>

It does not take much imagination to come up with solutions to the current wave of poverty. Oxfam, for example, advocates direct cash grants to the poor, debt relief, subsidies to small businesses, and taxes on both private and corporate wealth. Similarly, the Asian Development Bank study urges government targeting of poor populations and poor districts within countries for educational, health, and work opportunities. But if "poverty is a political choice," as Alston says, redistributing wealth and providing the ingredients of human security will require nothing short of a political revolution. Quick fixes and "reforms" cannot correct the "grotesque imbalance" that is truly global in scope.

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(<https://www.amazon.com/America-Retreat-Foreign-Policy-Donald-ebook/dp/B08C78WD18/?tag=theaspacjo0b-20>)(Rowman & Littlefield). You can find out more about him in his blog, “In the Human Interest. (<https://melgurtov.com>)”

## Notes

<sup>1</sup> See the full report (<https://chrgj.org/2020/07/05/philip-alston-condemns-failed-global-poverty-eradication-efforts/>).

<sup>2</sup> World Bank, “Macro Poverty Outlook (<https://www.worldbank.org/en/publication/macro-poverty-outlook>),” n.d.

<sup>3</sup> Carmen Reinhart and Vincent Reinhart, “The Pandemic Depression (<https://www.foreignaffairs.com/articles/united-states/2020-08-06/coronavirus-depression-global-economy>),” *Foreign Affairs*, September-October 2020.

<sup>4</sup> See this report (<http://asianews.it/news-en/Oxfam:-coronavirus-could-reduce-up-to-half-a-billion-people-into-poverty-49791.html>).

<sup>5</sup> See this report (<https://academic.oup.com/bioscience/advance-article/doi/10.1093/biosci/biz088/5610806>).

<sup>6</sup> C.A. Phillips, A. Caldas, R. Cleetus et al., “Compound Climate Risks in the COVID-19 Pandemic ([https://apjif.org/admin/site\\_manage/details/%20https://doi.org/10.1038/s41558-020-0804-2](https://apjif.org/admin/site_manage/details/%20https://doi.org/10.1038/s41558-020-0804-2)),” *Nature Climate Change* (2020).

<sup>7</sup> Arif Husain, “After the Pandemic, a Global Hunger Crisis,” *New York Times*, June 12, 2020.

<sup>8</sup> Netherlands Institute of International Relations, “World Climate and Security Report 2020 (<http://www.clingendael.org/publication/world-climate-and-security-report-2020>),” February 13, 2020.

<sup>9</sup> United Nations Development Programme, *Human Development Report 2009* (<https://www.undp.org/content/undp/en/home/search.html>); United Nations Development Programme, *Human Development Report 2019* (<https://www.undp.org/content/undp/en/home/librarypage/corporate/annual-report-2019.html>).

<sup>10</sup> Economists seems to consider that the worst cases of inequality as measured by the Gini coefficient are Brazil (53.3 between 2010 and 2017) and South Africa (63.0). In that case, none of the nine East Asian countries examined here comes close, with the range from Malaysia (41.0) to South Korea (31.6). *Human Development Report 2019*, Table 3.

<sup>11</sup> Only in Thailand did the income share of the richest 1 percent exceed that of the poorest 40 percent. However, no figures were reported for the Philippines, Indonesia, and Vietnam. *Human Development Report 2019*, Table 3.

<sup>12</sup> Compiled from the *New York Times* coronavirus data set (<https://www.nytimes.com/interactive/2020/world/coronavirus-maps.html>). The additional countries and territories are Singapore, Hong Kong, New Zealand, Cambodia, Taiwan, and Myanmar.

<sup>13</sup> World Bank, “East Asia and the Pacific in the Time of COVID-19 (<https://openknowledge.worldbank.org/handle/10986/33477>).”

<sup>14</sup> World Bank, “Global Economic Prospects (<https://www.worldbank.org/en/publication/global-economic-prospects>),” June 2020.

<sup>15</sup> Ellie Wong, Carolyn Kabore, and Angeline Manzara, “Out of Time (<https://devpolicy.org/covid-19-new-surveys-show-poverty-crisis-in-asia-20200710/>),” *Devpolicy*, July 10, 2020.

<sup>16</sup> Bihong Huang, Peter J. Morgan, and Naoyuki Yoshino, eds., *Demystifying Rising Inequality in Asia* (<https://www.adb.org/publications/demystifying-rising-inequality-asia>) (Tokyo: Asian Development Bank Institute, 2019, pp. 1-5).

<sup>17</sup> Robert Reich, “State of Disunion: Democrats Must Not Give In to Trump’s Hateful Speech,” *The Guardian*, February 4, 2019.