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Globalization, Poverty Reduction, and Economic Rights

March 9, 2009 | Volume 3 | Issue 3
Rhoda E. Howard-Hassmann

Many students of global studies are interested in global human rights, especially economic rights, and they often oppose globalization because they believe that it has caused an increase in world poverty, especially as industrialization and capitalism spread.[1] Yet most studies show significant decreases in poverty over the

period of industrialization, capitalism and globalization. The global poverty rate is estimated to have fallen from over 90 per cent of the world's population in 1820 to 51.3 per cent in 1992. During approximately the same period, average life expectancy more than doubled, from 26 years in 1820 to 60 years by 2002.

Contemporary studies of poverty usually define it as the percentage of households living below a certain income; this is called the poverty line. World poverty lines are usually measured at somewhere between $1.00 and $3.00 per person per day. To compare poverty rates across countries, household incomes are typically converted to a common currency using purchasing power parity (PPP) exchange rates. PPP is calculated by comparing the costs of equivalent "baskets" of goods such as housing, food and clothing in various countries. For example, in2007 China's gross national income per capita in $US was estimated at $2, 360, but its per capita PPP was 5,370.

World Bank calculations show that using a poverty line of $US 1.25 per day, between 1981 and 2005 the percent of the world's population living in poverty decreased from to 51.8 to 25.2. Using a poverty rate of $2.50 per day, the decrease was from 74.6 per cent of the world's population to 56.6 per cent. Nevertheless, even if one uses the most optimistic figures, 322 million people lived below the WB $1 per day poverty line in 2000; 600 million lived below $2 per day and 1.2 billion below $3 per day. Using $2.50 per day as a benchmark, the majority of the world's population, 56.6 per cent, was still poor in 2005.

The rate of poverty varies quite drastically by region, however. In some regions absolute poverty has been declining since 1980, whereas in other regions it has increased slightly. The table below shows world poverty figures by per cent of population per region in 1981, 1990, 1999 and 2005 at the $1.25 and $2.50 per day levels, although these figures do not take account of food and fuel prices hikes since 2005 or of the 2008-9 financial crisis.

World Poverty Figures by Region, 1981-2005: Per Cent Living Below Poverty Line[2]

Region	**$1.25/day**				**$2.50/day**			
	1981	**1990**	**1999**	**2005**	**1981**	**1990**	**1999**	**2005**

East Asia & Pacific	77.7	54.7	35.5	16.8	95.4	87.3	71.7	50.7
Of which China	84.0	60.2	35.6	15.9	99.4	91.6	71.7	49.5
Eastern Europe & Central Asia	1.7	2.0	5.1	3.7	15.2	12.0	21.4	12.9
Latin America & Caribbean	11.5	9.8	10.8	8.4	29.2	26.0	28.0	22.1
Middle East & North Africa	7.9	4.3	4.2	3.6	39.0	31.2	30.8	28.4
South Asia	59.4	51.7	44.1	40.3	92.6	90.3	86.7	84.4
India	59.8	51.3	44.8	41.6	92.5	90.2	87.6	85.7
Sub-Saharan Africa	53.7	57.9	58.2	51.2	81.0	82.5	83.8	80.5
Total	**51.8**	**41.6**	**33.7**	**25.2**	**74.6**	**70.4**	**65.9**	**56.6**

Source: Chen and Ravallion 2008, Table 7, pp. 33-34.

The greatest reduction in poverty from 1981 to 2005 was in East Asia and the Pacific, including China. Poverty also fell in South Asia as a region, in India, and in the Latin American and Caribbean region. In contrast, the poverty rate in Eastern Europe and Central Asia rose in the 1990s but began to decline again in the 2000s. In Sub-Saharan Africa the poverty rate increased between 1981 and 1999, but began to drop in the 2000s. These regional figures show that globalization is not uniformly “global” in its impact; national histories, internal political forces, and current public policies must be considered when trying to determine the consequences of globalization for a particular region or country.

The question is, then, what causes either increases or reduction in poverty? What will be the likely effect of globalization in the future and what factors other than globalization will contribute to that effect? It is tempting for global studies students who oppose globalization to attribute all deterioration in economic rights to globalization and all improvements to resistance to it. Yet countries that did not participate in globalization generally did worse than countries that did participate.

Combined with the proper public policy measures, globalization improves the economic human rights of many hundreds of millions of people.

Notes

[1] This entry is abstracted from chapter 2 of Rhoda E. Howard-Hassmann, *The Second Great Transformation: Human Rights Leapfrogging in the Era of Globalization*.
[2] Shaohua Chen and Martin Ravallion, “The Developing World is Poorer than We Thought, But No Less Successful in the Fight Against Poverty,” Washington, D.C.: World Bank, 2008.

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Rhoda Howard-Hassmann, Canada Research Chair in Int'l Human Rights, Wilfrid Laurier University.
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