

Three Comments on the Report of the Atkinson Commission on Monitoring Global Poverty

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Some Writings

- Ravi Kanbur, “Intra-Household Inequality and Overall Inequality,” May 2016.
- Ebrahim Patel, Ravi Kanbur and Joseph Stiglitz, “Sustainable Development Goals and Measurement of Economic and Social Progress,” March, 2016.
- "IFI'S and IPG's: Operational Implications for the World Bank," in Ariel Bura (ed.), Challenges to the IMF and the World Bank, Anthem Press, pp. 251-266, 2003

Introduction

- It has been an enormous privilege to interact closely with Tony Atkinson as a member of the “Core Group” of the Commission on Global Poverty.
- I have learnt a lot in the back and forth with Tony and in discussions and debates with Fellow Commission members.
- It is difficult to be a commentator since I agree with almost all of what is said in the Report.
- What I will do here is to raise three “big picture” points, one for each of the parts of the Report.

Intra-Household Inequality

- The first point is that our consumption and expenditure based measures systematically understate inequality and poverty.
- Our household surveys collect consumption data at the household level, but our inequality and poverty measures are at the individual level.
- How do we get from household level data to individual level consumption?
- The answer is that we allocate total household expenditure equally across individuals, either raw individuals or “equivalized” individuals after application of adult equivalent scales.

Intra-Household Inequality

- Thus, we suppress intra-household inequality.
- The true distribution of consumption across individuals is a mean preserving spread of the distribution we actually use.
- True inequality is thus understated in all of our measurement.
- It also follows, under plausible technical conditions, that poverty is understated in all of our measurement.

Intra-Household Inequality

- How important is this phenomenon empirically?
- We do not really know because there has not been systematic research on it.
- Haddad and Kanbur (1990) had access to a specialized data set with individual food intake, and using this they estimated that inequality and poverty were understated by 25%-30%.
- So the error is not small.

Intra-Household Inequality

- It further follows, under plausible technical conditions, that if inequality is understated, the growth elasticity of poverty reduction is overstated.
- Thus we may be overly optimistic in our projections of poverty reduction.
- For all these reasons, a major research program is called for to provide estimates of how far wrong we can go in levels and trends of the headline measure of poverty when we ignore intra-household inequality.

Multidimensionality and Dashboards

- Well being is multidimensional and so is deprivation.
- So a dashboard is needed.
- But how many dimensions? How many items on the dashboard?
- The SDGs give one answer—17 goals and close to 200 indicators.
- It is clear that the need to build consensus and bring on board different perspectives led to an expansion from the MDGs.
- The SDGs are useful as a platform. But not practical as a dashboard.
- What to do?

Multidimensionality and Dashboards

- To help answer this question, a workshop was organized in Durban by Ebrahim Patel, South Africa's Minister for Economic Development, Joseph Stiglitz, and Ravi Kanbur.
- <http://www.oecd.org/statistics/measuring-economic-social-progress/HLEG%20workshop%20on%20measurement%20of%20well%20being%20and%20development%20in%20Africa%20agenda.pdf>
- Ravi Kanbur, Ebrahim Patel and Joseph Stiglitz, "Sustainable Development Goals and Measurement of Economic and Social Progress," March, 2016.

Multidimensionality and Dashboards

- In his presentation to the conference, Ebrahim Patel asked, as a policy maker, for a limited number of indicators which were salient for his country and which had conceptual and empirical foundations.
- For example, for South Africa, with its particular set of issues, the following indicators were suggested at the workshop:
 - Per capita income.
 - Income Inequality and poverty.
 - Employment.
 - Multidimensional Deprivation Index on access to basic public services.
 - Long term environmental degradation.
- There would also have to be disaggregation by race and gender.

Multidimensionality and Dashboards

- The dashboard would be different for different countries.
- The Atkinson Commission Report puts forward a set of principles for fashioning the dashboard.
- What is needed now is the translation of the platform provided by the SDGs into national level dashboards, guided by the principles in the Report.
- Kanbur-Patel-Stiglitz are planning a meeting of policy makers and analysts to advance the discussion for South Africa, and other countries. Watch this space.

What's the World Bank Good For?

- The third part of the Report, and the Report as a whole, feeds into a big question.
- It is, actually, an existential question.
- What is the World Bank good for in a post Bretton Woods world?
- When John Maynard Keynes and Harry Dexter White designed the post war financial order in 1944, the Bank was the only game in town as a development bank.

What's the World Bank Good For?

- Since then, Regional Development Banks, and Sub-Regional Development Banks, have proliferated.
- Many of these are bigger financially in their jurisdictions than the World Bank. They also see their role as sharing country experiences across their regions.
- And new ones keep coming up—AIIB, BRICS Bank.
- What niche, then, is left for the World Bank, in this crowded space at the local and regional level?

What's the World Bank Good For?

- The first answer is that, at least for the next 15 to 20 years, there will be plenty for the WB to do at the local and regional level as a partner to other institutions.
- But the main answer has to be in the “World” part of the name World Bank.
- The niche relative to the Regional and sub-Regional institutions is addressing truly global issues which these institutions cannot and would not want to address.

What's the World Bank Good For?

- When a migrant refugee leaves South Sudan, travels to Tunisia, then to Eastern Europe in order to get to Western Europe, it is clear that the issue transcends the capacity and incentives of any single regional institution. A global perspective is needed.
- The same is true of the obvious cases of climate change, financial contagion, and many other issues.
- But one issue which is perhaps less obvious because it is less tangible is that of building global consensus on global issues.

What's the World Bank Good For?

- Global Consensus is an under appreciated Global Public Good.
- And the theory of public goods tells us that there will be underinvestment in this activity at the national, local and regional levels.
- Of course Global Consensus is an ideal and at best we can have a process leading towards it. But the process is also a Global Public Good.
- Contributing to this process, and sometimes taking a lead in it, is a key niche for the World Bank. If it shows itself worthy of the task, the global community will increasingly entrust such tasks to the WB.

What's the World Bank Good For?

- What is needed in this niche of contributing to Global Consensus on Global Issues?
- Many things, including country level operations for ground-truthing.
- But two clear requirements are analytical authority and analytical integrity.
- The analysis has to be rigorous, and the conclusions have to go where the analysis takes them. There has to be evidence-based-policy, not policy-based-evidence.

What's the World Bank Good For?

- Of course, even the niche of Contribution to Global Consensus is more crowded than it once was.
- But the WB can cultivate this niche and make itself an indispensable institution to the global community for addressing global questions.
- Monitoring of poverty globally, across countries in comparable and consistent fashion, is one example of such a task which only a global institution can be asked to perform.
- The Atkinson Commission Report addresses this task with analytical authority and analytical integrity and shows how the WB can contribute to its niche comparative advantage—the building of Global Consensus on Global Issues.

Summary

- A major research program is needed to assess the quantitative implications of intra-household inequality for monitoring and projections headline consumption based poverty measures.
- A series of interactions between policy makers and analysts are needed to fashion multidimensional wellbeing dashboards which are salient at the national level.
- In an ever crowding space of institutions at the regional and sub-regional level, a key niche for the World Bank is contributing to building Global Consensus on Global Issues. The Atkinson Commission report is an example which exercises that potential comparative advantage for the WB.