A 2020 Vision for Food, Agriculture, and the Environment

Shaping Globalization for Poverty Alleviation and Food Security

The Nature of Disagreements

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If the early 1990s raised hopes of a broad-based consensus on economic policy for growth, equity, and poverty reduction, the late 1990s dashed them. The East Asian crisis and the Seattle debacle saw to that. In the year 2000, the governors of the World Bank, whose mission it is to eradicate poverty, could meet only under police protection, besieged by those who believed instead that the institution and the policies it espouses cause poverty.

How can these two groups, the policymakers and the protesters, who seemingly share the same ends, disagree so much about the means? And how can they interpret the same objective reality so differently?

The response so far is for the two groups to question each other's motives, commitment, and analytical capacity. But in this brief, it is argued that at least some of the disagreement can be understood in terms of differences in perspective on three key features of economic policy—aggregation, time horizon, and market structure—an interpretation more conducive to dialogue than confrontation.

DISAGREEMENTS BETWEEN *WHOM* AND OVER *WHAT*

Disagreements between whom?

- Group A, labeled "Finance Ministry," includes some who work in finance ministries in the North and in the South, many economic analysts, economic policy managers, and operational managers in international financial institutions (IFIs) and regional multilateral banks. It includes the financial press and some academic economists trained in the Anglo-Saxon tradition.
- Group B, labeled "Civil Society," includes analysts and advocates in the full range of nongovernmental organizations (NGOs), as well as people who work in some of the specialized United Nations agencies, in aid ministries in the North, and in social-sector ministries in the South. Among academics, non-economists would tend to fall into this group.

Groups A and B are better thought of in terms of *tendencies* rather than specific individuals.

Disagreements over what? While there are several areas of agreement between those two groups (such as the importance of investments in education and health and of international public goods for the well-being of the poor), major disagreements center on a specific set of economic policy instruments. Group A tends to believe that the cause of poverty reduction is best served by reduction of fiscal imbalances, rapid adjustment to lower inflation and external deficits, liberalization of the financial sector, deregulation of capital controls, privatization of state-owned enterprises, and perhaps the strongest unifying factor in this group, rapid and major opening up of an economy to direct foreign investment and trade. Group B tends to lean in the opposite direction on all of these issues, but perhaps the most divisive areas are trade and openness, and there the rhetoric is fierce.

THE NATURE OF DISAGREEMENTS

Aggregation. Different people instinctively operate at different levels of aggregation when they talk about the consequences of different economic policies.

For example, many in Group A work with poverty measures that calculate the proportion of people in a country who fall below a critical level of income/expenditure—the most commonly used threshold is the famous poverty line of $1 per person per day.

When Group A analysts showed that the incidence of poverty in Ghana fell between 1987 and 1991, very few people believed it. Group A analysts reacted to this disbelief as expected—by saying that people did not really understand the detailed statistical analysis, that those who criticized represented special interest groups, and so on.

However, there are at least three reasons that the claim that poverty decreased in Ghana could be questioned:

- First, the indicators used by Group A to measure poverty do not adequately capture the value of public services, which may worsen without the effect showing up in measures of poverty. The claim that poverty has gone down will ring hollow to those involved in ground-level operations, as well as to the poor whose lives are made worse by the decline in public services.
- Second, a national fall in the incidence of poverty often misses large regional movements in the opposite direction. For example, in Ghana, between 1987 and 1991, the fall in national poverty was based on a decline in rural areas and an increase in urban areas. For an NGO working with street children in Accra, where poverty had increased, it was cold comfort to be told that national poverty had gone down.
- Last, while the basic concept of Group A is the incidence of poverty (a percentage measure), people in Group B instinctively think of absolute numbers of poor as the criterion. In Ghana, for example, while the incidence of poverty was falling at around one percentage point per year, the total population was growing at almost twice that rate, with the result that the absolute number of poor people grew sizably between 1987 and 1991.