

## **World Poverty: New Policies to defeat an Old Enemy**

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Over half a life-time I have maintained close contact with research into poverty in Ireland – from the late 1960s in Northern Ireland to collaboration with colleagues in the 1990s and later in universities throughout Ireland. Today I want to introduce a new book published in Europe: *World Poverty: New Policies to Defeat an Old Enemy*, Policy Press, Bristol, edited by myself and David Gordon. New policies have to be developed, evaluated and put into effective practice. This task has to be thoroughly internationalised.

The book attempts to pull together what we can learn from the anti-poverty policies of the last three or four decades. In this paper I will attempt to summarise and update the principal argument – to give serious attention to a strategy different from that being pursued by the international financial agencies. The book examines a considerable range of evidence from the poorer countries, including the most populous countries of the world, China and India. Its intention is to look at the problem in both rich and poor countries. It pushes the analysis of poverty from definition and measurement to the policies designed to alleviate poverty. The leadership role of Europe is strongly represented.

In a previous work *Breadline Europe: The Measurement of Poverty*, it was argued that the measurement and analysis of poverty could not be separated from the construction, or indeed the historical and contemporary responsibilities, of policies as driving causes of the human conditions and experiences making up "poverty." Yet poverty-diminishing or poverty-promoting policies are not generally identified as such, and their effects precisely quantified. There is not much of a literature of inquiry tracing the contribution of different policies to the overall extent of national and international, still less local, poverty.

### **What are anti-poverty policies?**

Many readers will be familiar with arguments about particular policies of particular governments that are claimed to reduce poverty. Policies to improve or target benefits for poor people - like allowances for children in families with low incomes, or new basic pensions for categories of the elderly population - are examples. Policies to get more people back into work, so that they can support themselves from earnings and not become dependent on state benefits, provide another example. Inquiry into the effects of such policies, whether intended or unintended, can be made. But there are other state policies, for example tax policies, especially indirect tax policies, where the effects on poverty are not investigated or even appreciated as being relevant. Tax policies are complex sets that certainly address human welfare and they turn on intentions to promote or restore equity - as between the elderly and the economically active population, or between families with and without children. There are many other state policies - for example charging for health

care, adding or reducing subsidised public housing, imprisoning young delinquents, and establishing armed forces - that contribute to, or subtract from, the numbers in poverty. State policies also have to be traced through national, regional and local levels, and it is not easy to draw a distinction between state and council responsibility for local policies that increase or reduce local poverty. The social effects of each policy are relevant to the question of immediate or ultimate success in keeping the national rate of poverty low. What becomes important to know is the multiple effect on trends in poverty of different state policies.

### **Poverty-diminishing and poverty-promoting policies**

So we need to establish what are the poverty-diminishing and poverty-promoting policies of the state but also of other institutions. These include market institutions, companies and corporations, religious institutions and charitable or voluntary organisations. Sometimes the social policies of such institutions are declared - as in prospectuses, statements in constitutions or annual accounts, cherished historical accounts and everyday prayer and ritual. More often precise injunctions are open to various interpretation or are implied rather than textually expressed. A distinction has to be made between institutionalised and personal forms of recommended or actual conduct. A distinction also has to be made between institutional policies that have a short-term or immediate social effect and those which induce long-term forms of discrimination, caste or class. Sometimes social institutions other than states act through governments or are subordinate to governments. Sometimes they act independently - with varying degrees of success.

This problem of identifying policy cause, or responsibility, is now becoming overshadowed by the rise of global institutions. Swift developments in the global market, the relationships between governments, the role of international agencies and especially the rise in power of transnational corporations are transforming the debate about poverty (for examples of critical new reports see Korten, 1996, Madeley, 1999, Hertz, 2001). Fifty-one of the world's largest economies are now corporations and the rest nation-states. Only 25 countries of the world are now listed as having larger Gross Domestic Product than the total annual value of the sales of the biggest corporation – General Motors. Ten corporations: General Motors, Ford Motor, Mitsui, Mitsubishi, Itochu, Royal Dutch Shell Group, Marubeni Sumitomo, Exxon and Toyota Motor – all have bigger annual sales than the GDP of countries like Malaysia, Venezuela and Colombia, and some of them more than Saudi Arabia, South Africa, Norway and Greece (see for example UNDP, 1999, pp. 32, 184-7).

### **The triumvirate of power**

These three types of institutions (the richest governments, international agencies and largest corporations) are prime instigators or sponsors of the policies that deepen, perpetuate or reduce poverty and inequality. The governments of the most powerful countries act alone and together – through international agencies or as prompted by, or in deference to, the most powerful corporations to influence terms of trade, overseas aid, the conditions for receiving loans and grants, and much else. These three structural forces

invite close study of their scope and changing functions. Their interrelationships invite closer study still. Until their contributions to recent trends in the distribution of living standards can be pin-pointed it will remain difficult to establish a baseline of cause and effect with which to prosecute the war on poverty.

The idea of these three "transforming" the debate about poverty applies to the arguments they have put forward to reduce organised state welfare, progressive taxation, and employment rights, and to actively support privatisation. The question is whether this strategy has led to higher economic growth, with benefit to the poor, as is alleged, and to more of the poor acting successfully to surmount poverty. Much of the reliable evidence leads to contrary conclusions (among critical accounts of the role of the international agencies are Brand, 1994, Kolko, 1999, and World Development Movement, 2002; and on long-term economic policy see Newman and Thomson, 1989).

The World Bank persists with the anti-poverty policies first set out at the end of the 1960s. Table 1 summarises the three elements of these policies, which were re-iterated at length in the mid- and late-1990s (See, World Bank, 1990, 1993, 1996, 1997a, 1997b, 2001, and Psacharopoulos et al, 1997). An account of the World Bank's contributions over the years will be found in Townsend and Gordon, 2002, chapters 1 and 14.

Table 1

### **Anti-Poverty Policy: Two Alternatives**

#### **1. World Bank (actual)**

- 1) Broad-based economic growth
- 2) Investment in human capital (education)
- 3) Social safety nets for vulnerable groups

#### **2. UN and Regional Development (illustrative outline)**

- 1) Equitable tax and income policies
- 2) Employment creation programmes
- 3) Universal or public social security and social services
- 4) Democratic accountability and regulation of transnational corporations and international agencies

Note: The construction of alternative international anti-poverty policies in 2) is illustrated in the 1995 Copenhagen World Summit on Social Development.

Table 1 also outlines an alternative to the World Bank's relatively unsuccessful anti-poverty strategy. There is a growing argument in favour of developing an alternative – to do with rights to employment and in employment, earnings for a minimum livelihood, privatisation to be kept in better perspective by strong public sector services and genuinely democratic government, progressive versus regressive taxes, and the realisation of

human rights through improved international law, and better management and access to cash benefits as well as universal social services. This would mean finding the right strategy for the big institutions of government and international government to take large-scale structural action to meet the immediate needs of the desperately poor. This would not rule out the long-term painstaking changes that have to be introduced by thousands of different organisations into institutions, community relationships and individual acts to meet the multiple effects of existing and transitional poverty. The alternative strategy will demand a lot of hard investigation and advocacy.

There are sharp differences between the two alternatives outlined in Table 1. One is that the second deals with “universals” in explaining both the problem and the solution – taking account of greatest as well as weakest power, and of richest as well as poorest people. Another is that the second deals more obviously with “direct” than with “indirect” remedies – for example, adding to the incomes of those unable to earn, and providing public services irrespective of ability to pay for them. In Appendix 1 a “manifesto” representing the second alternative strategy in greater detail is set out.

### **Measurement of anti-poverty policies**

The most powerful governments, together with the biggest international agencies and transnational corporations comprise the forces that control the scale and character of social polarisation and poverty. To fulfil the anti-poverty goals that have been expressed key economic strategies have to be abandoned or substantially revised. The biggest problem for the 6 billion people of this world is becoming uglier each day. It is the divisive effect of growing inequality and multiplying poverty. It is the lack of any framework of co-ordination between international and national action for the human good.

Policies must no longer be treated as measures designed, if inadequately, to improve the human condition, but also treated as predominant causes of deterioration in that condition. Many policies are instruments of control, even lasting damage, and not just explicitly formulated legal or administrative remedies. Identifying which is which, and estimating the scale and speed of their mixed effects, is the central research task of this century.

Yet the unintended good or bad effects of some policies, and the deeply structural and pervasive or inconsequential effects of others, needs to be investigated more thoroughly in scientific work. Science is expected to investigate conditions and come to firm conclusions that are quite independent of the political process of managing and reacting to events. But at least there are social scientists, in different regions who are beginning to understand that this is only part of the scientific story. Taken to extremes, that "objectivity" can be artificial and thoroughly misleading. Prime or underlying forces can be ignored. The political process can bring about the very survival of sections of a population as well bring about their impoverishment or prosperity.

### **The scale of world poverty**

Table 2 shows that despite a percentage fall in poverty as measured by the Bank it was found that the numbers in poverty were slightly higher in 1998 than in 1987, even when the doubtful estimates for China were included. The World Bank's measure is too severe as well as out-of-date. For example, allowance is not made for a second element of the cost of meeting need, namely an amount additional to the cost of meeting food and other basic necessities "reflecting the cost of participating in the everyday life of society" (World Bank, 1990, p.26). But even according to the Bank's severe standard, anti-poverty strategy cannot be demonstrated to be successful.

**Table 2**  
**Population Living Below \$1.08 per day at 1993 PPP**

| Region                          | Per cent of population in households consuming less than the poverty line |             | Number of poor (millions) |             |
|---------------------------------|---|-------------|---------------------------|-------------|
|                                 | 1987  | 1998        | 1987                      | 1998        |
| East Asia(incl.China)           | 26.6  | 15.3        | 418                       | 278         |
| East Asia (excl.China)          | 23.9  | 11.3        | 114                       | 65          |
| Eastern Europe and Central Asia | 0.2   | 5.1         | 1                         | 24          |
| Latin America and Caribbean     | 15.3  | 15.6        | 64                        | 78          |
| Middle East and North Africa    | 4.3   | 1.9         | 9                         | 6           |
| South Asia                      | 44.9  | 40.0        | 474                       | 522         |
| Sub-Saharan Africa              | 46.6  | 46.3        | 217                       | 291         |
| <b>Total (incl China)</b>       | <b>28.3</b>   | <b>24.0</b> | <b>1183</b>               | <b>1199</b> |
| <b>Total (excl. China)</b>      | <b>28.5</b>   | <b>26.2</b> | <b>880</b>                | <b>986</b>  |

Source: Chen and Ravallion, World Bank Development Research Group, 2001, Table 2.

At face value these results offered little demonstration of the success of World Bank policies. The research group said they drew on 265 national sample surveys in 83 countries to conclude that there was a "disappointing rate of poverty reduction" (Chen and Ravallion, p. 1). The 1990s "did not see much progress against consumption poverty in the developing world" (Ibid, p.18). Yet the overall rate of growth in real consumption per person for low and middle-income countries during the first eight years of the 1990s was 2.6% per year. "Even assuming no growth from 1987 to 1990, an annual rate of growth in mean consumption of 2.6% over 1990-97 alone would have virtually halved the aggregate poverty gap, as long as overall inequality did not worsen" (Ibid, p.18).

What went wrong? The World Bank specialists admit that "There is now evidence of quite sharply rising inter-personal income inequality in the world during this period" (Ibid, p. 18). They referred to work by Milanovic (1999)

showing that on average inequality in the world as measured by the Gini Coefficient had increased by 5% between 1988 and 1993. “This could easily wipe out the gains to the world’s poor from global economic growth” (Chen and Ravallion, p. 18). There was no reference to the possibility that World Bank growth and structural adjustment policies had contributed to increasing inequality. The furthest that the authors were prepared to go was to admit that “there is evidence that initial inequality is too high in some countries to assure poverty-reducing growth even when the fundamentals are conducive to growth” (ibid, p.19, referring to Ravallion, 1997 and Ravallion and Datt, 1999).

Growing inequality is also a feature of the industrialised countries. The trend has been strong, for example, in the United States, the UK, Australia, and the republics of the former Soviet Union (Townsend, 2002, pp. 7-10; and see, for example, Atal, 1999, Braithwaite, Grootaert and Milanovic, 2000, Chossudovsky, 1997, UNDP, 1998 and UNICEF, 2001). A significant increase in inequality has been found to apply to at least two-thirds of OECD countries (Cornia, 1999). As a consequence, poverty as measured by European standards in relation to median household income, has persisted, and even increased in some countries, including the UK. And wide discrepancies continue to be found within the European Union. Table 2 provides one illustration from a recent study, in which household structure and age have been standardised. It can be seen that “Latin Rim” countries, including Greece and Portugal, as well as Ireland, have disproportionately large percentages of population in poverty. The rate for the UK is also among the highest rates.

Table 3  
Relative poverty in the EU (1994-5) – per cent below 60% of the national equivalised median income

| Country     | Per cent |
|-------------|----------|
| Portugal    | 23.9     |
| Ireland     | 21.4     |
| Greece      | 20.7     |
| UK          | 20.5     |
| Spain       | 18.9     |
| Italy       | 18.7     |
| Belgium     | 18.0     |
| Germany     | 17.1     |
| Austria     | 17.0     |
| France      | 15.8     |
| Luxembourg  | 14.1     |
| Denmark     | 10.7     |
| Netherlands | 10.0     |
| Sweden      | 7.6      |
| Finland     | 6.7      |

Source: Eurostat-ECHP (European Community Household Panel) and other surveys, as compiled by Schulte, 2002, p. 126.

### **Are there resources enough to eliminate poverty?**

Yet the level of world resources is huge and still growing. Average world GDP per person per day at 1985 prices was \$13.6 in 1985 and approximately \$16 in 2002 (calculated on the basis of UN, 2000, p. 245). These figures take account of population growth. They show that considerable scope exists for policies of redistribution to raise everyone above the World Bank's \$1 per person per day poverty standard (first applied in 1985 and still applying in 2003). The difference in GDP between "developed" and "developing" countries makes an even stronger case for policies of redistribution. Throughout the 1980s and 1990s GDP at 1985 prices per person per day grew from \$3.0 to \$3.8 in 'developing' countries but from \$55.7 to \$81.1 in 'developed' countries (UN, 2000, p.245). Of course, some developing countries had smaller growth, and some negative growth, compared with the average for these countries.

These are data about inequality *between* groups of countries. The situation for the poor is even more serious when growing inequality *within* countries is brought into the analysis. Nonetheless, the institutional capabilities of the rich countries, corporations and agencies, despite individual setbacks, are burgeoning. On this reasoning there are good grounds for believing that the problem of mass poverty can be cracked.

### **Better definition and measurement of poverty**

Better definition and measurement is part of the solution – because the kind and extent of the problem will no longer be open to so much dispute and can be analysed and tracked more exactly. There has been lack of significant progress according to the historical baseline of a dollar per day per person drawn arbitrarily in the mid-1980s. Between a fifth and a quarter of the world's population - substantially more than a billion of the 6 billions – fall below this unsophisticated and crude baseline - and the situation of some is far worse than that of others, just as many with an income only marginally higher also experience multiple deprivation that should attract international concern. But given the expectations placed in the Bretton Woods institutions in the 1960s, and the repeated testimony from governments and international agencies about the need to eliminate poverty, this remains an uncomfortably large fraction of humankind. Our first recommendation is therefore that:-

- An international poverty line defining a threshold of income (including the value of income in kind) ordinarily required by members of households in different countries to surmount material and social deprivation should be agreed.

While the *categories* of material and social deprivation are universal the precise form and content depend on local and national systems of employment, industry, services, communications and relationships. Some variation in the wording and scope of standard questions are necessary to pin down the extent and severity of multiple deprivation, as shown in pilot research in poor as well as rich countries (Gore and Figueiredo, 1996, p.18; Kaijage and Tibaijuka, 1996; Tchernina, 1996; Hashem, 1996). Like "malnutrition" and "homelessness" poverty has to be operationally specified if

it is to be monitored, explained and remedied. There can be objective alternative specifications of meaning which make good sense (and good science) but like alternative specifications of “family” one or more operational meanings have to be agreed for the purpose of making scientific, and policy-related, progress. One practical means of establishing an international poverty line would be to build on the 1995 Copenhagen agreement (see Appendix 2 and Gordon and Townsend, 2000, especially Chapter 4; and see a forthcoming report for UNICEF by Gordon et al. 2003).

### **Better explanation and monitoring of poverty**

This opens up the need for a second crucial strategy. We require a sophisticated – and convincing – detailed explanation, for, say, the last 10 years, of the persistence (and growth) of mass poverty through investigation of the negative as well as positive role played by different international and national policies. That is a necessary baseline for knowledge and action. It is only upon such a baseline that an effective anti-poverty strategy can be developed. It will allow governments and agencies to assess prospects for the next 10 years, and to determine whether and what kind of support might be given to existing policies and the development of new policies. We therefore recommend that:-

- Anti-poverty policies must be monitored and evaluated regularly. Further steps have to be taken to fulfil the 1995 Copenhagen agreements on poverty at the World Summit for Social Development and to regularise the publication of annual anti-poverty reports by governments, but also the corresponding reports by the UN and other principal financial agencies. Inevitably this also means routine evaluation of the quantitative contribution of different national and cross-national policies to reduce poverty.

### **Redistribution and Human Rights**

A multiple strategy is required to bring about a major reduction of world poverty. The argument for institutional, as well as definitional and procedural, change has become unanswerable. What is perhaps the biggest problem is to bring about extensive redistribution of resources (Dagdeviren, van der Hoeven and Weeks, 2001) between and within countries to eradicate poverty and establish decent human rights, and to get this accepted at all levels.

Fortunately this objective is now more plausible to world opinion than it was even five years ago. One factor is that privatisation is perceived as the God that has failed. States, and public sector services and industries, may no longer be strong enough to exercise restraint, or provide necessary examples of practices that are in the public interest. Recent failures of many privatisation schemes, and of corporations and large parts of the financial services industry, have provoked calls for radical new policies. Reported instances of corporate corruption and greed have grown in number and significance. These have captured attention from unexpected sources. For example, the former chief economist at the World Bank, Joseph Stiglitz has written revealingly about corporate greed (Stiglitz, 2000). Again, in the wake of the \$4b WorldCom scandal in June 2002 Digby Jones, Director-General of

the Confederation of British Industry, said, "It is high time the US understood there's a difference between power and leadership. Look at US attitudes to world trade, the protectionism in steel and airlines, and now the lack of corporate governance and accountancy standards" (*Observer*, Business and Media, pp. 1 and 4-5).

A second factor in preparing world opinion for a new strategy in attacking poverty has been an evident loss of public confidence in international political machinery. International agencies, as well as transnational corporations, have created the impression that little needs to be done and nothing much will be done about some of the world's greatest problems – of equitable trade, environmental pollution, global warming, civil disorder, democratic governance – all of which have a bearing on the reduction of poverty. Public and collective values are being expressed more forcefully in reaction to the stream of what are believed to be weak, negative or otherwise gloomy reports from successive World Summits – for example, Seattle, Kyoto, and those of Monterrey, Durban and New York (the summit for children) in 2002. The public has become increasingly sceptical of the exaggerated claims made at or immediately after these summits. Expectations have become low or even negative in character. By contrast, trust in the charters and conventions expressing human rights have continued to grow.

There is a third or final factor in favour of a new strategy of redistribution. There has been a loss of expert and even public confidence in "selective" or "targeted" welfare. The failure of "targeting" has taken time to register, and is still disputed – partly because the practical implications of its theoretical basis are not grasped. They are unclear, or even deliberately concealed, for a variety of reasons. Selective policies and practices are given different titles in "developing" and "developed" countries. Historically new titles are given in bewildering succession to policies and practices that broadly stay the same. For example, in a period little more than 50 years in the UK means-tested benefits were successively entitled public assistance, national assistance, supplementary benefit, income support, minimum income guarantee and tax credit. The intention is to save public money by confining benefits to many fewer people. Anti-poverty policies in both the rich and poor countries are intended to restrict public expenditure by targeting resources and making benefits conditional. But success for such policies has turned out to be elusive. Many people remain in poverty. Many do not in fact receive benefits to which theoretically they are entitled. Schemes are complex and high in administrative costs. Benefits are perceived as arbitrary and unfair, and provoke divisive reactions on the part of individuals, groups and classes. The strategies of the last two decades have become unconvincing to the public and to economists and other social scientists alike.

Theoretically more attention needs to be called to the close links between "universalism" or what is represented historically and contemporaneously by the provision of comprehensive public social services or social insurance, and human rights (Chapter 14, Townsend and Gordon, 2002, *op.cit.*) As a principle and as a strategy for economic and social development this is very different from the "selectivism" preferred by the IMF and the World Bank in

their structural adjustment and subsequent policies examined critically in a growing number of scientific reviews (see Chapters 8, 9 and 10, *ibid* and other reviews of structural adjustment and similar policies in particular countries or regions, including Mexico – for example Laurell and Wences, 1994, India, for example Banerji, 1994, and Africa – for example Loewenson 1993). And there are as many obstacles in trying to accommodate human rights to targeted or means-tested services in the “developed” as in the “developing” countries (see, for example, Chapters 4, 6 and 7, *ibid*).

An international scientific and political struggle on behalf of both redistribution and universalism – through practical implementation of human rights - has begun to develop. These two principles take even-handed and equitable account of the entire economic and social structure. As core principles of global social strategy they have advantages over the prevailing neo-liberal ideology that separates the mobilisation of resources from the selection of those who are entitled to benefit from those resources. The case for redistribution has to be newly formulated. The models of the neo-liberal ideology see wage differentials, for example, as no more than the outcome of supply and demand, and therefore that rising inequality, technological change and present forms of the globalisation of world trade are inevitable. The social forces governing economic activity and the social context of that activity are largely if not entirely ignored. Yet, in reality, contemporary processes of supply and demand take place within a social system of expectations and duties built up over hundreds of years.

Social support for, or acquiescence in, pay norms, for example, can be changed by the adoption of performance-related pay in the public sector, which then affects private-sector wage and salary setting – leading to wider pay differentials. This can be brought about by a determined Government or international agency deliberately weakening the power of trades unions, as through newly introduced legislation, as well as by introducing value-loaded definitions of “performance.” Such measures derive from the Washington or Transatlantic “consensus” which “holds that increased inequality in the United States and high unemployment in Continental Europe are due to a shift in demand from unskilled workers to skilled workers, whether due to technology, trade or both. For some economists rising inequality is driven by the revolution in information technology. For others, trade – especially imports from low-wage developing countries – weaken the demand for unskilled labour in the developed world” (Atkinson, 1999, p. 3). Such models are too simple and unrealistic. “What people are paid in the market place is not the only factor determining the distribution of income. Market outcomes are significantly modified by income taxation and by social transfers financed out of the government budget” (Atkinson, 1999, p.4; see also Gore, 2000). Redistribution can offset market inequality. And rising inequality is not inevitable (Atkinson, 2002).

There is elaborate evidence in favour of governments that maintain relatively high levels of redistribution and achieve low rates of poverty but also experience higher than average economic growth (See, for example, Goodin et al, 1999; Newman and Thomson, 1989). But because of international

pressures of different kind on behalf of the neo-liberal ideology there is evidence from many countries in the 1990s and early 2000s of cut-backs in the scale of redistribution and the scope of public services. Some countries have made smaller concessions than other countries to these pressures. Some have bought themselves time by improvising sophisticated packages of public/private partnerships. Because of increases in the powers of international trade and institutions many believe that there has to be more acceptance of the value of redistribution at the international level. What can be done? Recommendations for redistribution to reduce poverty can of course be put forward at this level and examples can be given:

- All developed countries should adopt a legally binding minimum level of 1% GDP overseas development assistance. The European Union must take the lead, implemented immediately by some member countries and in stages by the poorer member countries (see Atkinson, 2002). Agreement at an early stage by all OECD countries can then be achieved.

Then there is taxation. There has to be strong regional and international collaboration to encourage better national and international tax machinery. This is necessary for bigger investment in public social services and the expansion of social security.

- A priority for the UN and for each country must be to re-build and/or strengthen tax administration and its international coordination. Taxation systems must be introduced and strengthened where necessary, and be answerable to representatives of national electorates and the UN, with independent powers to monitor policies and outcomes. Monitoring by an independent international inspectorate will also become necessary.

In addition to tax machinery new, and more effective, taxes to provide more substantial revenue to reduce poverty have to be introduced. Given that many of the poorest countries pay more annually in debt repayments than they can afford to invest in basic social services substantial internal revenue must be found from external, international sources. Proposals to double aid flows that have been put forward in 2002 and 2003 seem destined to fail. For example, the proposal made by the UK Chancellor of the Exchequer, Gordon Brown, to create an international financing facility (IFF) to help lift annual overseas aid to \$100 billions has attracted support from the IMF and European countries such as France but not from the US (Guardian, 14 April 2003; and see HM Treasury, 2002). In view of the discouraging recent history of both overseas aid and debt relief as indirect means of reducing poverty a different, and bolder, approach from that suggested in these negotiations seems to be worth trying. A measure first suggested 30 years ago is, with some changes, even more applicable in 2003:

- An international financial transactions tax to be administered by the UN must be introduced. In the first instance a tax at a rate of 0.2% would be payable on all currency exchanges at banks and currency exchange offices. Half the gross revenue would be invested in an International Fund for Children, to be administered by the UN to subsidise the establishment

of child benefit in developing countries. The other half would be available for investment in health and education services.

This recommendation is derived from a proposal originally put forward in 1972 by the economist James Tobin, for such a financial, or currency, transactions tax (Tobin 1972). His idea was revived in the 1990s (Raffer, 1998, ul Haq, Kaul and Grunberg, 1996, Patomaki, 2001) and, because international interest became intense, the UN set up an international panel, the Zedillo panel, in 2000 supposedly to look into the finance of overseas aid, including the tax. The report was a big disappointment, because the tax was not in fact examined in terms of its history or potential uses and administration. This was due in part to objections to any international tax from the US (Patomaki, 2001, p. 218). Instead the panel referred more strongly in its report to a carbon tax to deal with global warming. They substituted one problem for another and diverted attention away from any serious consideration of international taxation. The criticisms of the tax are not convincing, and there is little doubt that it could in practice be administered by all countries. The argument for the tax can in fact be greatly strengthened by lodging revenue within the UN and by specifying its uses. Here it is proposed that in view of wide public support for action to eradicate child poverty half the proceeds of such a tax should be earmarked for direct child benefit, whether in cash or kind. Precedents across the world could be invoked to develop staged programmes to enhance the administrative capabilities of the poorer nations to deliver a system of child benefit to the poorest regions and populations. Another advantage would be to establish machinery for effective social security and hence help to fulfil fundamental human rights.

### **Making social security universal**

But how might social security systems evolve more generally to meet this argument for more substantial redistribution? Human rights now play a central part in discussions of social policy. This applies to civil and political rights, less so to social and economic rights. Articles 22 and 25 in the Declaration of Human Rights - dealing with the rights to an "adequate" standard of living and social security – have been overlooked in General Assembly and other reports from the UN. The fundamental right to social security is also spelt out in Article 26 of the CRC and to the related rights to an adequate standard of living in Article 27.

These rights have not been invoked internationally during the last two decades when high rates of poverty have continued to persist. For example, they were not believed to be a necessary element in the discussions about structural adjustment policies and then the social fund - especially in the particularly fraught regions of Sub-Saharan Africa, Latin America, South Asia and Eastern Europe (see Kanji, 2002). As a consequence the discussion in the 1980s and 1990s focussed on targeting and short-term means-tested benefits rather than on long-term minimal living standards for all. In a number of reports the international agencies have now begun to recognise the strengths of comprehensive or universal public services and benefits. But that has not yet led to the wholesale reformulation of development policies to reduce poverty.

One analyst points out that social security in industrialised countries “reached its apogee in the 1970s” (Ghai, 2001). He believes a broad consensus was reached among countries about comprehensive welfare and social security policies. This had developed after the war with the inclusion of social security as a fundamental human right in the 1948 Declaration on Human Rights and later in the 1967 Covenant on Economic, Cultural and Social Rights.

In the 1980s globalisation and economic doctrines in favour of cutbacks in taxation and public expenditure and support for the privatisation of public services brought changes to the welfare state to a different degree in many countries. Some programmes were unscrambled. In others the level and range of benefits were diluted – partly because of alleged welfare abuses and the harmful effects on savings and investment of high rates of taxation.

Wholesale abandonment of programmes became a feature of the breaking up of the Soviet Union in 1989. Some of the republics are only now discovering the virtues of previous social security programmes and putting into place new though smaller public programmes.

The social security systems of developing countries present a more diverse picture. A semblance of a system had been introduced by colonial authorities in most of Asia, Africa and the Caribbean. They were extended in the first instance to civil servants and employees of large enterprises. There were benefits for relatively small groups that included health care, maternity leave, disability allowances and pensions (Midgeley, 1984; Ahmad et al, 1991). In India there are differences among major states as well as a range of schemes for smallish categories of population (Prabhu, 2001). In Latin America some countries introduced schemes before the 1939 war, and others followed suit after that war. Benefits tended to be limited in range and coverage. There were different systems for particular occupations and categories of workers, and a multiplicity of institutions. Between 20 and 60 per cent of the workforce were covered, compared with between 5 and 10 per cent for most of Sub-Saharan Africa and 10 to 30 per cent for most of Asia “The greatest challenge facing the developing countries is to extend the benefits of social security to the excluded majority to enable them to cope with indigence and social contingencies” (Ghai, 2001, p. 6).

Developments in social security in Latin America have been extensively reviewed in the 1990s and early 2000s. One authority points out that as a proportion of GDP social security is of variable significance across the region but remains substantial in most countries. She concludes that in addressing “the problem of poverty in old age and sickness for the entire population, non-contributory schemes, or schemes with minimal contribution requirements, for those in the informal sector are needed. A system of basic flat rate pensions, financed out of general revenue and with entitlement based on citizenship, would meet these needs. This system should be complemented by a public system of contributory, non-subsidised, capitalised pensions (Huber in Esping-Andersen, 1996, pp. 180-181).

“The privatisation of social security has benefited international corporations that become partners with local business elites. Thus the WHO, international financial institutions and TNCs have converged in the neo-liberal reforms of social security in Latin America” (Armada et al, p. 729).

Social security systems can be extended in developing countries - to fulfil the fundamental right to social security laid down by the United Nations after the war of 1939-45 and serve the objective of eradicating poverty. Bodies such as the ILO and ISSA have provided much of the detailed evidence (see for example Reynaud, 2001; Dagdaviren et al, 2001). A series of recommendations can be put forward:

- Introduce and develop schemes to fulfil fundamental right to social security (Article 22 of the Universal Declaration of Human Rights). To be implemented by introducing or extending social security and especially public provision of social insurance and/or basic income for all citizens.
- Legally enforce right to adequate standard of living (Article 25 of Universal Declaration of Human Rights). To be implemented by adoption of state-defined minimum earnings in conjunction with state-defined minimum cash benefits for those not in paid work, including the equivalent value of benefits (goods and services) in kind.
- Introduce and strengthen legal right to child benefit (Articles 25 and 27 of the Convention on the Rights of the Child). Provision to be made for every child of a universally adequate monthly cash benefit or the equivalent in value included of goods and services to surmount material and social deprivation.
- Establish universal right of access locally to publicly provided basic health care and education services (with reference to Articles 21, 25 and 26 of the Universal Declaration of Human Rights, but also such agreed objectives as stated in the Copenhagen World Summit for Social Development, 1995 37d). The purpose here is to clarify and give tangible support for the provision in all countries of a network of geographically accessible institutions and services and check annually about introduction and coverage. National plans to be underwritten jointly by national governments and the UN. Easy access to safe drinking water and sanitation must be included in the provision within a defined number of years of Article 21 of "equal access to public service."
- Provide temporary and permanent public housing units for homeless people and people living in seriously sub-standard accommodation. The aim must be to prioritise the housing needs of the poorest 10% of population by means of national and local ownership and administration of minimally adequate standard accommodation. The needs of immigrant, asylum seeking and resident families must be balanced fairly in the programme.

- The UN and other international agencies and national governments to agree action plan for staged greater equalisation of resources within and between countries (with particular reference to Commitment 2 of the 1995 World Summit for Social Development). Just as the 1945 target of 0.7% GDP for ODA on the part of the developed countries will be replaced by a 1.0% target, every government will adopt an upper limit of income inequality, say a standard of 0.45 on the Gini coefficient.

These and other elements in a manifesto of international action to defeat poverty are reproduced below as an appendix. This manifesto is a draft. It will be improved. If an alternative world strategy to end poverty is desirable as well as urgently necessary, it has to be a coherent and integrated package that is widely discussed as well as open to rational amendment.. Specialists in international social policy can contribute to its construction.

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Appendix 1

## **Manifesto: international action to defeat poverty**

**1. Introduce and develop schemes to fulfil fundamental right to social security** (Article 22 of the Universal Declaration of Human Rights). To be implemented by introducing or extending social security and especially public provision of social insurance and/or basic income for all citizens.

**2. Legally enforce right to adequate standard of living** (Article 25 of the Universal Declaration of Human Rights). To be implemented by adoption of state-defined minimum earnings in conjunction with state-defined minimum cash benefits for those not in paid work, including the equivalent value of benefits (goods and services) in kind.

**3. Introduce or strengthen legal right to child benefit** (Articles 25 and 27 of the Convention on the Rights of the Child). Provision to be made for every child of a monthly cash benefit, or the equivalent in value included of goods and services, which is universally adequate, to surmount material and social deprivation.

**4. All developed countries to adopt legally binding minimum level of 1% GNP overseas development assistance.** To be introduced first by the EU, immediately in the case of some member states, and in stages

by the poorer member states, and extended to all OECD countries.

**5. Establish universal right of access locally to publicly provided basic health care and education services** (with reference to Articles 21, 25 and 26 of the Universal Declaration of Human Rights, but also such objectives as agreed by governments at the Copenhagen World Summit for Social Development). The purpose here is to clarify and give tangible support for the provision in all countries of a network of geographically accessible institutions and services, and check annually about introduction and coverage. National plans to be underwritten jointly by governments and the UN. Easy access to safe drinking water and sanitation must be included in the provision within a defined number of years of “equal access to public service” (Article 21).

**6. Provide temporary and permanent public housing units for homeless people and people living in seriously substandard accommodation.** The aim must be to prioritise the housing needs of the poorest 10% of the population by means of national and local ownership and administration of minimally adequate standard accommodation. The needs of immigrant, asylum-seeking and resident families must be balanced fairly in the programme.

**7. The UN with other international agencies and national governments to agree action plan for staged greater equalisation of resources within and between countries** (with particular reference to Commitment 2 of the Copenhagen World Summit for Social Development). Just as the 1945 target of 0.7% GNP for overseas development assistance on the part of the developed countries will be replaced by a 1.0% target (see Manifesto 4), every government will adopt an upper limit of income inequality; for example, a standard of 0.4 on the Gini coefficient.

**8. Extend measures for full employment and set up an International Full Employment Agency** (Article 23 of the Universal Declaration of Human Rights). Where unemployment and under-employment is most severe and extensive, the UN – in agreement with governments – must devise plans to curb the scale of job losses and promote alternative employment. This will be funded, along with child benefit (see Manifesto 3) by the new international financial transactions tax (see Manifesto 12). Action against specific violations of human rights, like the eradication of child labour and of the abuse of street children, will be a key part of the new agency's role.

**9. Agree a new operational specification of fair trade.** Representatives of each world region to agree the terms of a framework plan, to be endorsed by a majority of the UN and agreed in stages over 10 years. This will necessarily involve removal of protective agricultural subsidies in rich countries to allow fair trade and the subsequent removal of tariffs and other barriers to trade on the part of poor countries. Domestic food

production and a fair price standard for food commodities produced in the developing countries to become rules operated by the World Trade Organisation.

**10. Introduce new international company law.** The priority must be the introduction of a new international law requiring transnational corporations (TNCs) to curb anti-social activities and curb excessively high profits from poor countries.

**11. Rebuild and/or strengthen tax administration.** Taxation systems to be introduced and strengthened where necessary, and to be answerable to representatives of national electorates, who should have independent powers to monitor policies and outcomes. Monitoring by an independent international inspectorate will also become necessary.

**12. Introduce an international financial transactions tax to be administered by the UN.** In the first instance a tax at a rate of 0.2% would be payable on all currency exchanges at banks and currency exchange offices. Half of the gross revenue would be administered by the UN to subsidise the establishment of child benefit in developing countries.

**13. Reconstitute international financial agencies.** Membership to be automatically open to all countries, funded by an agreed percentage of national GDP, for example 0.3%, with equal regional representation on governing councils and committees, and five-year circulation of chairmanship. Terms of reference to be subject every five years to majority vote at the UN.

**14. Transnational prospectus to be agreed.** Each TNC will be required to draw up policy statements both for employees (including employees in subsidiary companies), and for countries in which the TNC has operations of significant scale. The former to include specification of employment conditions and rights for all types of employees. The latter policy statement to be subject to approval by a consultative body representing the TNC, the national electorate in the 'headquarter' country and the governments of the countries from which overseas profits are derived (one third representation each).

**15. Further democratisation of the UN.** Representation of populous countries, and of the poorest 100 countries, to be increased on UN committees, especially powerful economic and social committees. The objective will be to progress in stages to equal representation of regions by population size.

**16. To establish strong regional policy alliances.** Collaborative working relationships between regional or global non-government organisations (NGOs) and governments must be introduced and strengthened, as part of improved democratisation. The UN must play a leading role, and the provision of a legal framework is one option.

**17. To agree an international poverty line.** An international poverty line that defines a threshold of income (including the value of income in kind) – ordinarily required in different countries to surmount material and social deprivation – must be a priority. The defined line will be subject to demonstrable scientific, not politically convenient, consensus.

**18. To monitor the success of anti-poverty policies.** Further steps to be taken to fulfil the agreements of the Copenhagen World Summit for Social Development of 1995, and to regularise the publication of annual anti-poverty reports by governments, but also by the UN and the other principal international agencies. This process must involve regular evaluation of the quantitative contribution of different national and cross-national policies to reduce poverty.

## **Appendix 2**

### **The Copenhagen Approach.**

The World Summit for Social Development in 1995 was called because, among other things, many governments were becoming restive with the lack of progress in reducing the gap in living standards between rich and the poor countries during the 1980s and early 1990s and, despite the work of the international financial agencies, the persistence and growth of severe poverty.

The report repeatedly emphasised that the gap between rich and poor *within* both developed and developing societies was widening, just as the gap *between* developed and developing societies was also widening. Calling world attention to this dual structural phenomenon is perhaps the most notable achievement of the summit - whatever might be said in criticism of the attempts in the text to please different governments and satisfy their conflicting objectives.

The intention was to try to promote sustained economic growth within the context of sustainable development and by *"formulating or strengthening, preferably by 1996, and implementing national poverty eradication plans to address the structural causes of poverty, encompassing action on the local, national, subregional, and international levels. These plans should establish, within each national context, strategies and affordable, time-bound, goals and targets for the substantial reduction of overall poverty and the eradication of absolute poverty.... Each country should develop a precise definition and assessment of absolute poverty."*

After 1995 progress in following up the agreement was slow. Ireland was one of the first western countries to produce a follow-up report. Third World Governments followed suit in later years (for example, Kenya, 1999). However, many reports seem to be addressed more to the agenda of the international financial agencies than to the 1995 agreement.

The two-level definition of poverty was designed to bridge First and Third Worlds and to afford a basis for cross-national measurement. Absolute poverty is defined as *"a condition characterised by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health,*

*shelter, education and information. It depends not only on income but also on access to services."*

*Overall poverty takes various forms, including "lack of income and productive resources to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments and social discrimination and exclusion. It is also characterised by lack of participation in decision-making and in civil, social and cultural life. It occurs in all countries: as mass poverty in many developing countries, pockets of poverty amid wealth in developed countries, loss of livelihoods as a result of economic recession, sudden poverty as a result of disaster or conflict, the poverty of low-wage workers, and the utter desitution of people who fall outside family support systems, social institutions and safety nets."*

By recommending a two-tier measure of "absolute" and "overall" poverty to be applied to every country, a means was found of bringing all governments together in common purpose. An opportunity was created of exploring the severity of poverty according to standards that seemed to be acceptable everywhere. Even countries where it was assumed absolute poverty no longer existed found it easier to accept an international two-tier approach that self-evidently included their own conditions.

Accordingly, all governments were expected to prepare a national poverty eradication plan. In 1997 nearly a hundred European social scientists drew up a statement asking for an "international approach to the measurement and explanation of poverty". This urged the use of the UN's two-level definition. The text of the statement will be found in Gordon D. and Townsend P. eds. (2001), *Breadline Europe: The Measurement of Poverty*, Bristol, Policy Press.