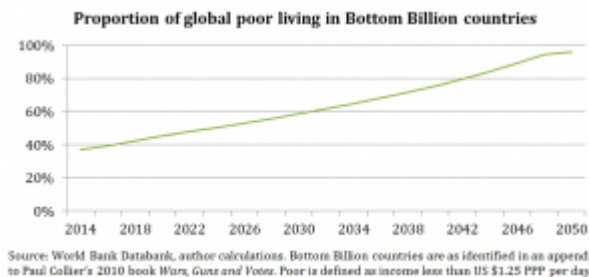


Intergenerational considerations in fighting poverty

by Michael Wulfsohn

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What group of people would you consider to be best placed to help those living in underdeveloped countries in 100 or 200 years' time? I encourage readers to answer this question for yourselves before reading on; by the end of this article you will be able to compare your answer with mine.

As we all know, the idea of focusing on the long-term is not very well practiced, despite the lip-service it receives. Nevertheless, ideologically, one can easily conclude that the plight of a person living in an impoverished country 100 or 200 years from now is not any more or less concerning than the plight of someone living today in Myanmar or the Democratic Republic of the Congo. Further, while short-term and long-term focussed strategies may sometimes coincide (e.g. efforts to stabilise conflict), this will not always be the case. Therefore, we need to determine how much of our energies to spend on improving outcomes for current vs. future generations.

Development of a country is not inevitable

To assess the relative importance of taking actions to help current vs. future generations within underdeveloped countries, we must consider the “default” scenario: if we did nothing, how long would these countries remain poor for? For example, if one holds the view that all currently underdeveloped countries will achieve full development over the next 50 years regardless of our actions, then there is not much need to think past that length of time from the point of view of development; we can productively turn our attention to aiding the people alive today.

However, sadly there are many countries that have experienced little development progress. Such countries constitute my intended focus in this article; that is, those countries that are at the bottom of the heap and not currently experiencing enough growth and development to “catch up” to the countries at the top. Although some of these countries may manage to change course and eventually achieve full development, there is no reason to believe that this is inevitable. On the contrary, since real change generally has to come from within the country in question, there are many ways to imagine such poverty persisting indefinitely. For example, this

may occur where the politically powerful elites have no incentive to share their power or its spoils.

A framework for prioritisation between current vs. future generations

It is in this bottom group of countries that the question of focus between current vs. future generations is the most critical. This is because, in the situation where poverty endures for centuries, the future poor outnumber the current poor. For example, if the current generation consists of everyone alive today, if the country in question remains underdeveloped for a further 200 years, and if life expectancy is 60 years, then I roughly calculate that future generations (i.e. all those not currently alive) account for about 85 percent of the total number of future person-years of poverty experienced in that country. The proportion reduces to 69 percent if the period of underdevelopment is only 100 years, which is still significantly weighted toward future generations.

We have more potential influence over the long-term than the short-term

Which group of people is in the best position to help the future inhabitants of countries that may still be poor in 100 or 200 years' time? It is us; everyone in the current generation. By focusing efforts on future generations, we can increase the probability that today's most underdeveloped countries make it onto a path of development, and thus become fully developed. By contrast, it's too late for us to do much to help the current generation of people living in these countries. Almost all of them will *never* experience life in a developed country, even if their country starts along the "catch-up" path right now (given that this process has historically taken at least 50 years). The most we can do for them is to bring about more modest improvements to their lives through aid.

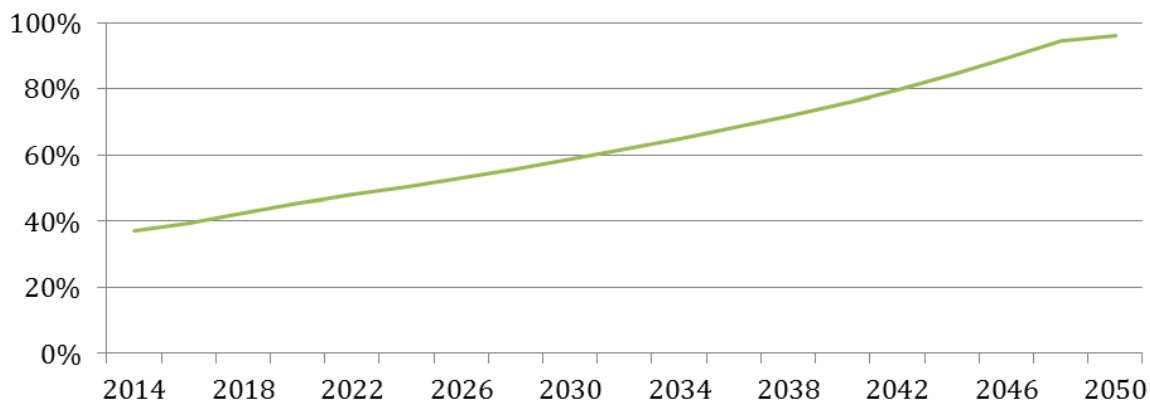
The New Bottom Billion

This frame of reference has implications for the notion of the New Bottom Billion, introduced by Andy Sumner in a 2010 [working paper](#). This idea focuses on the fact that the world's poor are increasingly found in middle-income countries (e.g. China and India), rather than in the least developed countries in the world. This implies that perhaps efforts should not be focused as strongly on the least developed countries but rather on poor people, no matter where they live. However, this argument is flawed. Specifically, not only does the New Bottom Billion argument only consider the current generation, it only considers their economic status at the current point in time. What the argument doesn't consider is that future generations living in today's middle-income countries are not likely to be poor by world standards, unless economic progress in these countries stalls before they reach

high income status.

The analysis below illustrates the significance of this by projecting the number of people living on less than US \$1.25 per day within Paul Collier's list of bottom billion countries vs. the number of such people living in other developing countries. Simply by way of illustration, the bottom billion countries are assumed to stagnate, and so have zero GDP per capita growth, whereas the other developing countries are assumed to have GDP per capita growth of 5 percent p.a. Under these assumptions, today's bottom billion countries are home to less than half of the world's poor today, but will be home to nearly all the world's poor by 2050. And 59 percent of the person-years spent in poverty between now and 2050 will be in the Bottom Billion countries. This is just an illustration, but it makes the point that the bottom billion countries deserve far more attention than the current geographical distribution of the world's poor would imply.

Proportion of global poor living in Bottom Billion countries



Source: World Bank Databank, author calculations. Bottom Billion countries are as identified in an appendix to Paul Collier's 2010 book *Wars, Guns and Votes*. Poor is defined as income less than US \$1.25 PPP per day.

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In general, our ability to address long-term matters is significantly hampered by the mandated short-term focus and risk-aversion of developed country governments and multilateral organisations. In a world where politicians' re-election terms are typically not longer than five years, it is difficult to focus on issues relevant over the next 50 or 100 years. But it is not impossible. Future generations don't get a seat at the table or a vote in our elections, but their prosperity is shaped by our actions. We cannot justifiably ignore their interests.

Michael Wulfohn is a Research Officer at the [Development Policy Centre](#).

Author/s:

Michael Wulfsohn

Michael Wulfsohn was a Research Officer at the Development Policy Centre.

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