

FROM THE UN

UN HUMAN DEVELOPMENT REPORT 2010

Since 1990, the UN has published a development report keeping track of human wellbeing. Early on it was realized that human welfare cannot be evaluated by money alone. Income is of course crucial: without resources any progress is difficult. Yet, we must also consider whether people can lead long and healthy lives and have the opportunity to be educated. For this purpose, the human development index (HDI) was created which combines income, life expectancy and education to assess human wellbeing.

There has been much progress since 1990. The world's average HDI has increased almost 20% (and 40% since 1970) reflecting large improvements in life expectancy, school enrollment, literacy and income. For example, average life expectancy around the globe jumped to 70 years up from 59 in 1970.

The report points out that the index relies on national averages which often conceal lopsided distributions in income, health and education. The last 20 years have also seen increasing inequality between countries and importantly within countries. China for example, based on income alone is by far the biggest gainer in development over the past 40 years. Its economy has grown by an average of 8% a year but those income improvements have not always been matched by advances in life expectancy, health and education. As a result China is only 79th in terms of improvement in life expectancy and schooling. Income inequality in China has skyrocketed and in the countryside extreme poverty still exists. Similarly, India has seen a growing middle class. But about 42% of people are still extremely poor and an average life expectancy of 64 years.

Human development research, confirmed by the report, shows the lack of significant correlation between economic growth and improvements in health and education in low and middle level countries. The 2010 report provides a succinct summary. Equity and the HDI are systematically related. Countries that do well on the HDI tend to be more equitable. The result is consistent with research showing that reducing inequality- both in the population as a whole and across gender and other groups- can improve outcomes in health and education as well as **economic growth**.

Globally more people have improved their lives. However, the startling and troublesome fact is that the number of desperate poor, about 1.3 billion, has remained the same over the years. Where do these "bottom billion" live?

The usual assumption has been that the poor live in poor countries. This was true in 1990: then over 90% of the world's poor lived in the world's poorest places. Many of the fragile failed states, about 50 of them, had civil wars and often dysfunctional governments. A recent study by the British Institute of Development Studies has shown an important change over the last 20 years namely that three quarters of the 1.3 billion very poor people now live in middle level countries. The increased wealth of these newly risen middle level countries has not filtered down to the very poor. Some of these countries are India, China, Nigeria, Pakistan and Indonesia. Persistent poverty is often a political problem due to lopsided distributions of wealth, health and educational resources.

The World Bank, not the most progressive institution, came out with a significant report in 2006, providing detailed evidence that high levels of economic and political inequality leads to economic institutions and social arrangements that systematically favor the interests of an elite with more influence. Such institutions, it states, undermine a country's potential for growth and poverty reduction. In short, vast inequalities, aside of being immoral, is as a practical matter also bad for the economy. Coming from the World Bank this is surely a remarkable statement.

There are programs to help the poor. One innovative one is CCT (conditional cash-transfer programs). These schemes give stipends and food to the poorest if they meet certain conditions such as their children attending school, their babies are vaccinated and children get regular health checks. Ten years ago there were only a handful of such programs. Now they are on every continent even New York City has one- and they benefit millions. The program started originally in Brazil and has spread to such places as the Philippines, Bangladesh, Cambodia and Pakistan. These programs are not a panacea but are still very helpful.

Ultimately, extreme maldistribution is immoral, bad for the economy and unsustainable.

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