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Abstract

Since the 1990s, poverty and the ways to reducing it have become a central paradigm in development economics, not only in academia but among the international financial institutions (the World Bank and the International Monetary Fund). Indeed, after WWII, thinking on development was focused on growth. A major shift occurred in the late 1990s, which has consisted in the replacement of 'growth' or 'development' as a goal of policymakers and international institutions and a central theme of research in development economics, by poverty and its reduction, together with an expansion of the meanings of the concept of poverty. The key points of the paper are that this shift represents a crucial turning point in the conceptual framework of economic thought regarding developing countries. It represents a narrowing of the agenda of governments vis-à-vis the previous one of growth and development, and the acceptance that development is no longer the priority goal of public policies, of governments and their citizens, and that the previous actions, policies and research elaborated over decades since the beginnings of development economics were *in fine* a failure. This shift is also an implicit substitution of difficult objectives with highly complex causal processes for concepts that can be measured and easier short-terms goals, such as lifting up specific groups of a population above a poverty line. These new objectives are also more consensual and attractive. The paper firstly presents key steps of the evolution of the thinking in development economics since WWII, then critically assesses the conceptual framework that has emerged at the end of the 20th century regarding poverty in developing countries, in particular its multidimensionality and the pre-eminence of measurement issues and quantification. It finally analyses the associated shift in policy-making as a result of reciprocal exchanges between academic research and policymakers and donors, which have helped to consolidate the new paradigm.

1. Introduction

Since the 1990s, poverty and the ways to reducing it have become a central paradigm in development economics, not only in academia but throughout multilateral institutions, particularly among the international financial institutions (IFIs, i.e. the World Bank and the International Monetary Fund) and the bilateral aid agencies of donor countries.[1]

After WWII, thinking on development was focused on growth, with both concepts viewed as more or less identical. External shocks affecting tropical commodities in the late 1970s showed the fragility of the growth strategies pursued until then. It is in this context that a major shift occurred in the late 1990s. Research was exploring issues such as the increase in inequality between countries and the possible appearance of 'clubs' of countries, with some countries within the broad group of 'developing countries' seemingly caught in economic stagnation while others, such as East and Southeast Asian countries were spectacularly advancing on the path of growth. 'Low-income countries' or 'least developed countries' appeared to constitute a group that was challenging the traditional objective of development or growth.

This shift has consisted in the replacement of 'growth' or 'development' as a goal of policymakers and international institutions and a central theme of research in development economics, by poverty and its reduction, together with an expansion of the meanings of the concept of 'poverty'. This was officially acknowledged in the sphere of policy-making, governments and aid agencies, at the level of the UN, by the latter's commitment to the 'Millennium Development Goals' (MDGs): e.g., 'halving world poverty by 2015' and other related goals in the areas of education and health. Donors and governments in developing countries adjusted all their policies to reaching these goals.

The paper shows that this shift represents a crucial turning point in the conceptual framework of economic thought regarding developing countries. It results from the reciprocal strengthening and convergence of the concepts built by academic research and aid agencies, which characterises development economics. It represents a narrowing of the agenda of governments vis-à-vis the previous one of growth and development. Interestingly, this narrowing of the policy agenda has been made possible by an expansion of the meanings and dimensions of the concept of poverty - such as, for example, the dimensions of 'human development', or inequality, or social inclusion via the concept of relative poverty. This shift reveals the emergence of a new paradigm, i.e. the acceptance that development is no longer the priority goal of public policies, and that the previous actions, policies and research elaborated over decades since the beginnings of development economics (by definition centred on the objective of 'development') were *in fine* a failure.

This shift is also an implicit substitution of difficult objectives with highly complex causal processes for concepts that can be measured and easier short-terms goals: rather than investigating and promoting the bases for sustained long-term growth, lifting up specific groups of a population above a poverty line. These new objectives are not only simpler and more circumscribed, but also attractive and likely to form a consensus: no researcher or policymaker would disagree that abject poverty, moreover within a poor country, is a situation that must be changed, and no one would be against poverty reduction as a desirable goal.

The paper is structured as follows. Firstly, it presents a series of concepts that have marked the evolution of the thinking in development economics since WWII, which show that the focus was on development, growth and institutions, much more than on poverty. Secondly, it

[1] The author is very grateful to Raymond Toye for his useful comments, though the usual caveat applies.

critically assesses the conceptual framework that has emerged at the end of the 20th century regarding poverty in developing countries and its expansion to many dimensions, e.g., ‘human development’, at the micro level (e.g., the microeconomics of households) and the macro level (e.g., the debates on poverty traps). This framework has been shaped by objectives of measurement and the pre-eminence of quantification and econometric methods, which have been made possible by large surveys that were mostly financed by donors. Finally, the paper underscores the shift in policy-making that ensued, in particular the priority and fiscal earmarking granted to poverty reduction and social sectors. This new conceptual framework is both a cause and an outcome of the convergence between academic research and the research linked to international financial institutions, due to the reciprocal strengthening between concepts and policies, which characterise the sphere of ‘development’ and have helped to consolidate the new paradigm.

2. Development economics after WWII: understanding the conditions that trigger growth

Poverty was not the main focus of the analyses of the first theories that laid the foundations of development economics after WWII. It was a topic of research in development economics in earlier decades, but alongside many others, such as infrastructure or rural development.

Development and growth as outcomes of cumulative causation

After WWII, the thinking on development was focused on growth (with both concepts viewed as more or less identical), in times that were witnessing the end of colonial empires and the premises of independence. When development economics started to emerge as a set of specific questionings and theories around the time of WWII, the focus was on countries viewed as ‘under-developed’ (later described as the ‘third world’, the ‘South’, ‘least developed’, ‘periphery’, and so on), the concepts that were to be explored were development and growth, and the theoretical agenda was the understanding of the causalities and the most appropriate policies that could help these countries to trigger ‘virtuous’ paths towards development.

Many causal processes were possible. Among others, local institutions were considered to play a key role in the process of development. Over a long period, i.e. the 20th century until post-WWII, before the marginalisation of the concept by the neoclassical theories in development economics taking place both within academia and the IFIs, institutions – public and private institutions, rules and norms – have been viewed as strategic factors that could explain the specific trajectories of countries. Thorstein Veblen (1899), for example, set up the conceptual framework of the ‘old institutionalism’ theories in the United States before WWII, which distinguished the world of production (industry, entrepreneurship) from the world of business (the capitalist, the *rentiers*). Veblen’s analyses of the ‘leisure class’ used an evolutionary perspective in order to explain modern industrial societies. Veblen similarly put at the forefront a concept that later appeared as crucial for the first development economists and the understanding of the mechanisms of growth – or lack of growth - , i.e. that of cumulative causation.

The concept of cumulative causation is one of the landmarks of the divergence between the premises held by the 'institutionalists' and the first theoreticians of development economics, e.g. Paul Rosenstein-Rodan or Albert Hirschman, on the one hand, and the Walrasian approach that in the 1980s became preeminent in development economics and the IFIs, on the other. Cumulative causation remains one of the most important concepts for the heirs of this line of thought, in particular in its modern form of 'multiple equilibria' and 'traps' (Toner, 1999, for a review). For the neoclassical approach, in contrast, it is not necessary that economic analysis and explanations of the conditions of efficiency consider the context of economic behaviour, of individuals or firms. Veblen, like many at that time, considered technical progress as a crucial element of growth, which operated in a cumulative way at both economic and institutional levels. The conception of growth as an evolutionary process persisted, e.g. with Joseph Schumpeter, describing the development of capitalism as an evolutionary process, or evolutionary institutional economics (Nelson and Winter, 1982). The focus is on growth, and growth relies on cumulative processes and dynamic competitions induced by technical progress.

Explanations of growth by the key concepts of cumulative causation and irreversibility have continued until the 21st century, in particular in the 1980s, under the form of related concepts such as 'path dependence' (Arthur, 1994; David 1985). Some choices – e.g., institutional, technical, policy choices -, which are not initially motivated by efficiency, may be costly to reverse: in this case they lock-in future choices within specific trajectories. Costs of change become increasingly high as the adoption of a particular choice (e.g. a technology) by an economy widens, while this extension generates increasing returns. Post-Keynesians such as Nicholas Kaldor also considered development as a set of cumulative processes involving distributive institutional and technological transformation (Screpanti and Zamagni, 1993).

Focusing on the conditions of development, not poverty: the role of the state

The 'founding fathers' of development economics, such as Arthur Lewis, Paul Rosenstein-Rodan, Ragnar Nurske and others, were investigating the constraints weighing on development and the characteristics of 'under-developed' countries that could constitute obstacles to growth. Dualistic structures (e.g., agricultural-urban, informal-formal) or low productivity in agriculture were for example identified as typical obstacles to growth in developing countries (Lewis, 1954).

Many other constraints on growth and structural transformation were identified, such as the secular decline in the terms of trade of commodity-exporting developing countries analysed by structuralist theorists, in particular Raul Prebisch and Hans Singer, or the 'small colonial economy' model (Hopkins, 1973), i.e., exporting commodities to developed countries and importing manufactured goods from them, narrow industrial bases left at independence, which were expanded mostly *via* public investment and state-owned enterprises and foreign firms, and not *via* domestic private investment. These countries were often characterised by the dependence on unprocessed commodities (e.g., coffee, cocoa, rubber, palm oil, tea, copper, etc) for taxation, i.e. for their capacity as states, as well as for their exports. Poverty, when mentioned, was thought of as a dimension of underdevelopment.

Another crucial concept that has characterised the early development economists after WWII, until the 1970s, is the central role assigned to the state in promoting development. The role of the state was deemed crucial for triggering virtuous growth paths, as these countries were considered as above all constrained by shortages or misallocation of resources and production factors – capital and labour. The state was the only entity viewed as able to reallocate these factors in a more efficient way. The process of growth was viewed as requiring the systematic reallocation of production factors, from the weak productivity sector (the 'traditional sector') to the high productivity sectors (the industrial sectors, most likely to exhibit increasing returns) (Adelman, 2000). Public intervention was deemed as a condition for development, since in developing countries, industrialisation is not driven by technical progress; it does not spontaneously emerge if it is left to market forces only, it must be planned by the state with the help of external financing (Adelman, 2001). Industrialisation and industrial policies actively driven by the state were seen as the key route towards growth, in line with the economist Frederick List's thesis.

Theories in the 1940s considered that the key factors of growth were investment and capital accumulation (e.g., Roy Harrod et Evsey Domar, in line with Keynesian theories of multiplier effects of investment), with insufficient savings explaining slow growth. Market failures, coordination failures and externalities, could all explain slow growth. As shown by Paul Rosenstein-Rodan (1943), which was in fact referring to Eastern Europe, spillover effects across sectors were key determinants of long-term growth: development was constrained by coordination failures and limited linkages across sectors. These analyses have been deepened in the 1950s by Albert Hirschman, who underscored the importance of complementarities and of the backward or forward linkages generated by investment. The relevance of these analyses remains widely acknowledged today (Hoff, 2000). The state was the sole entity able to repair coordination failures, and hence to foster development, via, e.g., public policies targeting infrastructure, or the creation of public enterprises, industrial and financial sectors that would generate economic complementarities.

These studies thus emphasised the accuracy of the concept of 'poverty trap': in the contexts of coordination failures, or when it is below certain thresholds of income, developing countries could not benefit from increasing returns unless they received massive inflows of capital (via external financing or domestic debt), which justified 'big push policies' and state intervention.

The changes in policies and conceptual frameworks *vis-à-vis* developing countries in the 1980s

This conception of economic development was accepted by governments, academics as well as aid agencies at the time many countries were acceding to independence in the late 1950s. It remained broadly unchallenged during the first decade of independence in the 1970s, which witnessed growth in most developing countries. Policies of developed countries vis-à-vis developing countries after WWII were inspired by these paradigms, especially the 'big push': in Sub-Saharan Africa after independence in the 1960s, many governments pursued 'statist' policies, such as import-substitution, creation of state-owned enterprises in all sectors and financing development through borrowing from private firms or governments of developed countries or IFIs (Killick, 1978 on the newly independent government of Ghana explicitly inspired by the Keynesian model prevailing in the 1950s).

The mandate of an international financial institution such as the World Bank was in line with this perspective, having been created in Bretton Woods in 1944 as the International Bank for Reconstruction and Development (IBRD), in order to contribute to the reconstruction of economies after WWII. It was therefore firstly a development bank with a focus on projects (Kapur et al., 1997).

Poverty was not the prime focus of the operations of international agencies. It was present in the agenda of the World Bank, but the reduction of poverty was a dimension of broader projects, such as road building, irrigation or electrification schemes, or the modernisation of slums. Likewise, following the then accepted economic theories (and Nicholas Kaldor's analyses) inequality was rather viewed as beneficial (e.g., fostering investment) than detrimental to development.

Poverty and income distribution, however, came back to the forefront under the Robert McNamara's World Bank presidency (1968-1981), who recommended that policies should meet the needs of the poor – meeting their 'basic needs' – and implement 'redistribution with growth' – the title of the flagship study by Hollis Chenery (who was McNamara's adviser) (1974).

Key changes occurred in the late 1970s. External shocks affecting tropical commodities and oil in the late 1970s and mid-1980s showed the fragility of the 'small economy' model and the growth strategies pursued until then. Most countries, for example in Sub-Saharan Africa, entered deep fiscal crisis. This is the context in which IFIs started to play a major role: governments had to borrow from the IMF and the World Bank for financial relief, but at the price of complying with sets of conditionalities and policy reforms. Domestic problems emerged as well, and many states in developing countries appeared characterised by political instability, predatory regimes and political institutions plagued by cronyism and patronage.

This was the appropriate period for a number of economists (sometimes linked to the IFIs, e.g., Anne Kruger, Bela Balassa), in line with Public Choice theories, to analyse the post-WWII conceptual framework as a failure – reflected by developing countries' 'state failure' – and show that in these countries state intervention had in fact fostered the 'rent-seeking' activities of public officials and generated economic distortions that had been harmful to growth (e.g., public ownership of firms or assets, distortive taxation, marketing boards, and so on). In developing countries, it was argued, growth would stem from unleashing market forces and openness to international trade. These theoretical stances constituted the background of the policies that the IFIs made conditional to their financing.

The 1980s were thus the period of a significant change of the conceptual framework as well as of policies towards developing countries. At the conceptual level, the 1980s witnessed a mutual reinforcement of the 'counter-revolution' in development economics (Toye, 1987) – i.e. the pre-eminence of the neoclassical theories that started in the 1950s -, and the paradigm of the minimal state contained in policies recommended by the IFIs. Neoclassical theories provided the theoretical support of the stabilisation programmes (IMF) and adjustment programmes (World Bank) that most developing countries were forced to sign with the two IFIs since the early-1980s. IFI lending was conditioned on the acceptation of the programmes, while developing countries had no other choice than borrowing from the IFIs, due to a sharp decline in their terms of trade after 1979 and the drop in the price of the commodities that were their main exports - as well as the consequent severe fiscal crises and reduction of alternative sources of finance.

These stabilisation and adjustment programmes were more oriented towards policy reform and the stabilisation of macro-financial aggregates – e.g. inflation, the exchange rate, fiscal deficits – than towards projects that had been the focus of aid agencies in the previous decades. They constituted what has been coined as the ‘Washington consensus’ (Williamson, 1990), i.e. a list of ten reforms: fiscal discipline; reordering public expenditure priorities; tax reform; liberalising interest rates; competitive exchange rates; trade liberalisation; liberalisation of inward foreign direct investment; privatisation; deregulation; property rights.

In the 1990s, additional determinants of growth were put forward among aid agencies, such as ‘good governance’, the reduction of corruption and a better ‘business climate’, a new conceptual framework that had institutional economics (e.g., Douglass North) as an academic background. As for the previous framework regarding the efficiency of markets and trade liberalisation, it generated new academic research that usually confirmed the research conducted within the IFIs.

Such ‘exchanges’ of theories also characterised the next paradigm, which emerged in the late 1990s: the determinants of growth – indeed of the lack of growth – in developing countries would in fact be market failures and information asymmetries, the position of Joseph Stiglitz (2001 Nobel Prize), as chief economist at the World Bank having markedly contributed to a reinterpretation of the role of the state in developing countries both in academia and international financial institutions. The state was ‘rehabilitated’ and its intervention in the economy was recognised to have positive effects on growth: the concept, however, referred to a limited state, mostly a provider of public goods (macroeconomic stability and security of property rights).

‘Development’ was no longer the central focus of the policies of governments of rich countries towards ‘under-developed’ ones. The IFIs claimed that ‘growth’ was the objective of their programmes. The causal links, however, supposed to foster the resumption of growth in developing countries strongly differed from those underscored by the post-WWII development economists: instead of a state being the entity most able to trigger the virtuous cycle of development and promote industrial policies, technological progress and institution-building, public intervention had to be minimal. Removing the ‘distortions’ introduced by the state in the economy would foster growth (e.g. fiscal deficits): the ‘message’ was ‘getting prices right’. Similarly trade liberalisation would be conducive to growth. The concept of poverty was then inexistent.

3. The emergence of poverty as a central concept in development economics at the turn of the century

A new conceptual framework progressively emerged at the end of the 20^{th} century, centred on the poverty of developing countries, as well as poverty within them. These countries became increasingly viewed as ‘poor countries’, rather than ‘developing countries’. Academic studies multiplied regarding issues such as the definitions of poverty, the measurement of the different dimensions and levels of this poverty within these ‘poor’ countries, the causal processes leading to the state of poverty, as well as the appropriate policies (Kanbur and Squire, 2001) to ‘reduce’ it.

The evolution of research on poverty in the 2000s: multidimensionality

A first point is the expansion of the meanings, references and domains in economic theory of the concept of poverty. The increasing importance of the concept has been particularly stimulating for development economics, as studies investigated all levels: the micro level – individuals within countries –, the macro level – comparing countries -, and the global level – comparing all individuals weighed by their belonging to given countries, poorer or richer. This gave rise at the micro level to a deepening of, e.g., the microeconomics of poverty and households, and at the macro level to debates on the indirect relationships between poverty and growth.

Thus, at the end of the 1990s, poverty became increasingly viewed in academic research as a multidimensional phenomenon, in particular because of the influence of Amartya Sen’s approach (e.g. among a great number of studies, 1984, 1999): i.e. a more comprehensive view of poverty, as deprivation not only in income-consumption but in ‘capabilities’, and as intrinsically multidimensional – including deprivation in health, education and social and political rights. Poverty included social exclusion, and *in fine*, a political dimension, i.e., democracy (Sindzingre, 2007a). Among many changes compared to the previous approaches, this perspective allowed for a deepening of the concept of relative poverty, as contrasted with absolute poverty: in line with Sen’s questioning regarding the fact of being poor either in rich or in poor countries (Sen, 1999), both concepts have been viewed as a continuum in the case of developing countries, from subsistence poverty (pervasive in poor countries) to social exclusion and inequality, which can be analysed both between poorer and richer countries, within countries, or between individuals at a global scale (Atkinson and Bourguignon, 1999; Milanovic, 2005). The integration of a political dimension into the set of attributes of the concept of poverty has been indeed the most problematic dimension for the IFIs.

The concepts of poverty and poverty reduction therefore exhibited increasing linkages and overlaps with that of ‘human development’. However, ‘development’ is here understood as education and health, and with a meaning that is very different from the meanings it had in the studies of economists after WWII. Poverty reduction was in fact the enhancing of income-consumption and human development in its broadest sense, and *in fine*, ‘development’. The concept of poverty thus witnessed a remarkable expansion and was progressively enriched with a great number of adjacent attributes. Such a widened scope of the concept made it easier to present it as more essential than ‘development’ and growth as understood by the economists of the WWII period.

Concepts that must be measurable

A second point is that this evolution of research on poverty has been induced both by an improvement of measuring techniques, in particular thanks to the implementation of large surveys in developing countries, and the objective of measuring *per se*, the concept of being increasingly conceived as an object that can be and must be measured.

Household, income, consumption, living standards, poverty surveys, etc., multiplied in developing countries after the 1980s. They were most often funded by donor agencies. Poverty lines (national and international) and poverty indices have existed since a long time in economics, based on income poverty (e.g. baskets of goods converted in prices), e.g. the Foster-Greer-Thorbecke (FGT) indices. More numerous surveys, using larger samples, made it possible to use more sophisticated econometric techniques, in particular panels, which allowed for a better understanding of the dynamics of poverty, e.g. income poverty or education, health and other dimensions. They also consolidated the pre-eminence of quantification as the privileged approach for the understanding of poverty.

These improvements in measurement, for example, allowed the refining of a debate that developed in the 1980s, that on the relationships between growth and inequality. In the previous decades, these links were mostly analysed through debates on the Kuznets curve (non linearities of the relationship), and later on the direction of the causalities (Eicher and Turnovsky, 2003). Better measurement allowed for more complex views, such as the nexus (or 'triangle') formed by the relationships between growth, inequality and poverty, the elasticities of poverty to growth being modified by income distribution (Bourguignon, 2002; Ravallion, 2005).

Surveys also made possible more precise estimates of poverty, such as poverty lines and indices. The World Bank thus regularly makes public and updates estimates of poverty at the world level via the use of 'international poverty lines': for example in 2005, 1.4 billion people in the developing world (one in four) were living on less than US$1.25 (Chen and Ravallion, 2008), through the use of updated purchasing power parities (PPPs). The latest PPPs (for 2005) are calculated by the International Comparison Programme (ICP) which implements price surveys and built a revised international poverty line of $1.25 a day in 2005 prices, established a consensual standard for extreme poverty because it is the average of the national poverty lines for the world's poorest 10 to 20 countries. For the World Bank, the improvement of data and statistics is explicitly a central objective, e.g. including the greatest possible number of countries in surveys (such as price surveys), and improving the scope and availability of household surveys: in 2008, 675 household surveys for 116 developing countries, i.e., 96% of the developing world, compared with 22 countries 20 years ago. These improvements in calculations are viewed as "great progress in our knowledge about poverty in the world"[2].

At a more macro level, the objective of 'development' of the founding fathers of development economics, which was conceived as a permanent process (indeed, involving traps, cycles and recessions) faded under the pre-eminence of classifications: countries of the world are now classified by income in the IFI terminology: low-income, lower-middle income, upper-middle income, high-income, which assign to these countries specific types of lending instruments, e.g. concessional rates for low-income countries, non-concessional rates, for most others.

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[2] *World Bank Updates Poverty Estimates for the Developing World*, August 26, 2008, http://go.worldbank.org/C9GR27WRJ0.

An exemplary debate: the existence of poverty traps

The new paradigm of poverty has been pervaded by broader controversies between different theoretical perspectives, e.g. those highlighting cumulative causation vs. more 'orthodox' ones. The concept of a 'poverty trap' and the very existence of such 'traps' are thus hotly debated. The research related to the World Bank tends to contest their existence, contending that policies are able to modify economic situations if these policies are 'appropriate', while more 'heterodox' research, often close to UNCTAD, considers that these 'traps' constitute crucial determinants of economic stagnation of the poorest countries. The assessment of the validity of the concept and the existence of such traps thus also refers to political rivalries between international organisations.

The premises of the IFIs action are that policies work and may reduce poverty at the micro or macro level. For other agencies and studies, in contrast, poverty traps and low equilibria may be resilient, and policies, in particular the policies recommended by the IFIs (liberalisation) may have little effectiveness vis-à-vis structural and long-term factors such as initial conditions or endowments (geography, natural resources, physical capital and so on). Institutions and social norms may also be a cause of poverty: Bowles (2006) has thus coined the concept of 'institutional poverty traps', his question being why have institutions that implement highly unequal divisions of the social product been ubiquitous since Palaeolithic times, and why do they persist even in those cases where they convey no efficiency advantages over other social arrangements?

Research displays relative agreement on individual poverty traps: the latter are typically intergenerational poverty traps, when low levels of education and health, unemployment, high birth rates, perpetuate low levels of health, education, and so on. The poor have limited capacity to invest in health and education and therefore have less access to employment with higher returns, use children as insurance in the absence of credit and insurance markets, and thus maintain high fertility that in turn maintain poverty (Dasgupta, 1997).

In contrast, controversies remain on the existence of poverty traps at the level of countries, which would maintain certain developing countries in low equilibria. For UNCTAD, for example, dependence on unstable earnings – e.g., commodity exports – typically generates macroeconomic poverty traps (UNCTAD, 2002a), and usual IFI policies (liberalisation, the rejection of state intervention and industrial policies) are here ineffective.

These theses remain contested. Some studies explain the profiles of growth trajectories in developing countries by the concept of growth acceleration and deceleration, rather than poverty traps (Hausmann *et al*. 2004; Saba Arbache and Page, 2007). Likewise, Kraay and Raddatz (2005) argue that there is no evidence of the argument of unfavourable initial conditions (e.g., low savings), and that poverty depends on policies, which is coherent with the line of the IFIs, i.e. institutions that provide financing in exchange for policies. Similarly, for Easterly (2005), the poverty trap concept is irrelevant in explaining the situation of the least developed countries: these countries grow, even if it is slow growth, as in Sub-Saharan Africa over the last 50 years. Poverty traps in the sense of zero growth are unconfirmed by the data in most time periods. For Easterly, there is evidence of divergence between rich and poor countries in the long run, but this does not imply zero growth for the poor countries.

This debate significantly opposes approaches that put forward measurement and 'evidence' and approaches that put forward analytical reasoning, where poverty traps may be understood as a relative concept: even if least developing countries do grow, this does not refute the fact that they are caught in traps. Specific market structures create traps relative to other countries, e.g. commodity dependence, since the price of these products is structurally volatile (Sindzingre, 2007b).

4. The shift from 'development' to 'poverty reduction': the conceptual convergence of international financial institutions' policies and research

At the turn of the 21st century, the fight against poverty in developing countries is the major theme in development economics as well as for multilateral institutions and donor agencies. The point here is that the set of concepts regarding poverty that were elaborated after the 1990s have been reinforced by reciprocal exchanges between academic research in economics and the sphere of policymaking, i.e. in the case of developing countries, the IFIs and the other institutions focused on developing countries, such as UN bodies, in particular the United Nations Development Programme (UNDP).

Such exchanges take the form of projects, conferences, joint publications between researchers from research departments of donor agencies and academic researchers: they are common to all sub-branches of economics and have always contributed to the consolidation of a conceptual paradigm in economics. Regarding development economics, these mechanisms are particularly effective, as in developing countries, aid agencies (their funding, backing, logistical support) are strategic for researchers when conducting fieldwork and surveys and for acceding to information and data that are often difficult to obtain because of local political economy or poor infrastructure.

Broadening the concept of poverty

Poverty came back to the forefront within the IFIs in the 1990s. Among many causalities underlying the progressive centrality of the concept of poverty, individuals' action ('agency') has mattered: poverty had been part of the agenda in the previous decades with the World Bank presidency of Robert McNamara in the late 1960s, and the president of the World Bank at the turn of the century, James Wolfensohn (1995-2005) reoriented the Bank's activities towards poverty, subsequently followed by the IMF and the bilateral agencies.

In the early-1990s, a concept such as 'human development', which has long been an issue in academic research, e.g. the research on education and health, gained in importance because it was put forward by UN agencies in their flagship documents and policy guidelines. In a context favoured by the UN Copenhagen '*World Summit for Social Development*' (1995), the UNDP gave the concept high international visibility, both in academia and policymaking, with the launch of the UNDP annual reports, the '*Human Development Reports*', since 1990. The latter were focusing on these dimensions of poverty that were 'forgotten' by past views, in an implicit critique of academic publications that only investigated income poverty. It was therefore a questioning of the documents that analysed growth (the macro perspective of the

IMF) or living standards (e.g. the World Bank) only via the 'lens' of incomes. UNDP relied heavily on the conceptual framework of Amartya Sen. The latter was also later an adviser and an academic reference for the World Bank , thanks to the reputation effects conferred by the Nobel Prize in 1998 (Saint Clair, 2004). In turn, the dissemination of his conceptions has been reinforced by his position as an adviser of both the World Bank and the UNDP.

In the 1990s, the World Bank was widely criticised due to the failures of its structural adjustment programmes (and similarly the IMF for its stabilisation programmes). These had been launched in the early-1980s in low-income countries, with a particularly important impact in Sub-Sahara Africa. In the early1990s, however, the package of conditionalities and reforms (liberalisation, privatisations) were widely recognised as not having induced any improvement in SSA economies. The decades of the 1980s and 1990s were coined the 'lost decades', with an average growth rate of zero (Easterly, 2001).

A book by UNICEF economists, '*Adjustment with a human face'* (Cornia et al., 1987) highlighted the detrimental impact of these programmes regarding essential dimensions of economic activities such as employment, education and health. The World Bank already had strategic power within developing countries' governments and public policies, as well as among researchers, since it was the major agency with the means to conduct large surveys in developing countries. These are costly exercises, conducted by national ministries as part of public policy, and in developing countries, with a political sensitiveness, which prevent them from being pure academic studies. The World Bank is one of the biggest providers of financing for these surveys. The World Bank thus implemented since the early-1980s the *Living Standards Measurement Surveys* (LSMS), i.e. household surveys conducted in developing countries (e.g., in Sub-Saharan Africa). With their large samples and focus on living standards, they have been a powerful instrument of the construction of the conceptual field and major providers of data for research (Chander et al., 1980, for the first LSMS document, now dozens of survey reports)[3].

The World Bank reacted to the UNICEF book and launched a program called the 'social dimension of adjustment' during 1987-1992 (SDA, 1993). The '*adjustment with a human face*' book incited the World Bank to incorporate dimensions such as education, health, unemployment in the surveys it funded and implemented in low-income countries, as a signal of its similar care for 'human development' and the possibly negative influence of reform programmes. The 'social dimension of adjustment' also included a theorisation of the 'social safety nets' approach, which for the World Bank were said to be the most appropriate tools for helping the 'losers' of adjustment programmes, as temporary relief for them for the period (unemployment, lack of access to education or health, due, to, e.g., users fees that were part of adjustment) of what was, for the Bank, a temporary market failure.

Reciprocal strengthening and convergence of concepts and policies

The point here is that concept-building within the donor community retroacted on academia and then in turn on aid agencies. The conceptual framework of the centrality of poverty in its broadest sense has been reinforced by reciprocal exchanges between academic research and

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[3] The World Bank maintains a website devoted to the LSMS surveys: http://go.worldbank.org/IFS9WG7EO0.

financial institutions, which fostered the conditions for the rise of the poverty paradigm among donor agencies in the 1990s. Publications on all dimensions of poverty, income and non-income, multiplied in development economics from the 1990s onwards.

The 1990s were the decade of mounting criticisms of IFI programmes. A reaction to these criticisms has been the promotion by the Bank itself of a conception of the Bank as a 'knowledge bank' in the 2000s, which was associated with a more open policy in terms of access to its internal documents. Its legitimacy was eroded by the mixed success of the reforms it recommended, and the offering to the world public audience of its huge resources in terms of information and research as a public good was a consensual way to revamp this legitimacy. Indeed, the quantity and quality of such resources is unchallenged, as the World Bank is a multilateral body, which collects economic information from all member countries - and particularly in low-income countries due to its strategic power. The latter is often confidential and difficult to obtain for the average academic researcher, which constitutes crucial incentives for researchers in development economics to maintain close links with the World Bank, while the latter enhances its legitimacy with these links. This has reinforced the power, legitimacy and leverage capacity of the World Bank in terms of paradigm formation.

The World Bank understood the interest of appropriating the concepts of human development promoted by UNDP not only in reports and documents, but in its lending policies and operations. In the early 2000s (1999), in order to replace the much criticised previous stabilisation and structural adjustment programmes, which were conditions for their lending in the 1980s, the IFIs launched new conditional policy lending, those conditioned by the *Poverty Reduction Strategy Papers* (PRSPs, successors of the Policy Framework Papers, PFPs, devised by the World Bank) and the *Poverty Reduction and Growth Facility* (PRGF, devised by the IMF) (their main features and guidelines are listed in Klugman, 2002).

The translation of the multidimensionality of poverty in the programmes led to an increased focus on health and education as central objectives of the IFIs programmes and governments' policies in developing countries. These lending facilities, however, still included the set of conditionalities and reforms that existed in previous stabilisation and adjustment programmes (e.g. liberalisation of the economy) (UNCTAD, 2002b). They also continued and expanded (via research and projects) the views promoted in the 1990s in the 'social dimension of adjustment' programmes: in operational terms, poverty reduction would be more efficient under the form of safety nets and targeted projects (e.g., conditional cash transfers). This interpretation of social problems as market failures remained in line with the minimisation of the state that has characterised the discipline of development economics after the end of the 1970s (Mkandawire, 2006).

This shift of policies towards poverty affected all the reforms and projects after the 2000s within the IFIs and donors - multilateral and bilateral: e.g., lending to developing countries governments were to be conditioned to fiscal earmarking to 'poverty reduction' policies, here often conceived as earmarking public spending and foreign aid to social sectors – education and health.

Among key concepts and 'messages' for the 'international community', these new programmes emphasised the concepts of 'participation' and 'ownership' by borrowing governments. Internal operational documents, supported by the then World Bank chief economist, Nick Stern, promoted the concept of 'empowerment' of the poor. This latter concept was congruent with the ideas of Amartya Sen on the lack of democracy as a dimension of poverty. However, it was progressively abandoned, as it rapidly appeared that the idea of empowerment implied that of power, and therefore would raise internal problems regarding the official mandates of the IFIs, i.e. to be primarily apolitical bodies. In the early 2000s, a concept such as 'social inclusion' was promoted within the research and operational documents of the World Bank, as it had the advantage of being devoid of political connotations and to remain in line with Sen's conceptions of multidimensional poverty.

The concept of 'participation' found a translation in research conducted within the World Bank. This internal research advocated listening to the 'voices of the poor' in order to understand the many dimensions of poverty (Narayan et al., 2000a, b): this study relied on a mixture of participative methods known by anthropologists and sociologists for a long time, which adapted the rigour of anthropological methods to the quick assessments required by aid agencies, e.g. the rapid poverty assessments, biographic methods, so-called focus' groups and so on. The 'voices of the poor' collection of publications were lists of interviews of 'poor people' in various parts of the world reproduced as they were uttered. This raw material expressed all the tragedies of the state of poverty experienced by individuals or groups, without economic, historical and sociological contextualisation. Its categorisation of the 'poor' was questionable; people who were interviewed in many countries were very heterogeneous, but subsumed into the category of 'poor'. The World Bank was here putting forward the 'truth', the 'authenticity' of the words uttered by the 'poor' themselves, in an explicit contrast with the abstract dimensions of poverty that were used in conventional economic theory and quantified analyses (and its own research).

The World Bank could in this instance claim its deeper understanding of poverty and the multidimensionality of Amartya Sen's theories. Facing severe criticisms in that period, this 'slogan' could bring significant political and reputational gains (e.g., vis-à-vis NGOs) and the 'voices of the poor' document had indeed the support of the then president of the World Bank, James Wolfensohn. The questionable rigour of the method was secondary compared with the political gains for the other aid agencies that endorsed this approach, i.e. building an easy consensus (everyone agreeing on the tragedy expressed by these 'voices') and therefore reducing conflicts and transaction costs within the international 'donor community'.

A milestone in these evolutions where concepts are reinforced by policymakers has been the World Bank *World Development Report 2000*. The subject of the annual flagship report of the World Bank, the World Development Report, which sums up the current views on a given research issue in development economics, was in 2000 poverty ('attacking poverty') (World Bank, 2000). World Development Reports are published each year on different subjects, the choice of the subject being a signal of its importance at that time. World development reports are summaries of academic thinking intended both for the staff of donor agencies and academics, and as such they simultaneously reproduce an existing paradigm and significantly influence further academic research. This report has been a determinant piece in the building of the new conceptual framework (Sindzingre, 2004).

This shift to poverty indeed generated new problems within the IFIs and their research activities: in particular, the difficult translation of the notions of 'participation', 'voicing' or 'empowerment' into conditionalities and public policies, given the apolitical mandates of the IFIs and the authoritarian nature of many political regimes in developing countries. They were also tensions between the IMF and World Bank reform programmes' objectives of maintaining the capacity of borrowing countries to repay their loans (i.e. urging to increase exports since the latter generate foreign exchange) and the focus on poverty reduction, health and education, which have more indirect relationships with growth, particularly short-term growth, their effects being tangible within a time horizon (a generation) that goes much beyond that of the reforms of governments and IFIs.

This shift also generated heated theoretical debates on the determinants of poverty reduction: e.g., for some economists, growth is the main driver, and hence in a context of limited fiscal resources, the latter should be devoted to ingredients of growth such as private investment, rather than to unproductive social sectors.

Measurable and consensual objectives

The point here is that the concept of poverty promoted in this reciprocal reinforcement between research and aid agencies is in the first place a concept that can and must be measured. Compared to the previous conceptual framework focused on the achievement of 'development', its edge is that it is presented as a quantifiable phenomenon.

Even the UNDP presented, right from the beginning of its annual *Human Development Reports,* the concept of human development as fully measurable, and launched, since their inception in 1990, the Human Development Index (HDI) as an average of three aspects of human development: longevity, knowledge, and a decent standard of living. Measurement is here a pivotal element of the building of the concept and simultaneously reveals that conceptual issues are an intrinsic part of the sphere of policy-making and its intrinsic rivalries. Indeed, the HDI, in implicitly challenging the set of measures supported by the IFIs (such as GDP) has been subject to numerous criticisms (Srinivasan, 1994)

A milestone for the consolidation of the concept of poverty within aid agencies has been the launch in September 2000 by the United Nations (its 191 member states), jointly with the IFIs and other multilateral and bilateral agencies, of the so-called 'Millennium Development Goals' (MDGs). Firstly, these 'goals', devised by policy-makers, crystallised and fixed the view of poverty as multidimensional. They refer to many 'goals' that must guide the action of aid agencies, e.g. improving education, health, housing, demography, public services etc. The multidimensionality of poverty reduction is here so wide that it tends to occupy the entire intellectual field that was the object of analyses of development in the previous decades.

Secondly, these goals are subsumed in indicators, and studies multiplied in the 2000s that quantified the MDGs and estimated their feasibility within the deadlines, with quantified evaluation criteria that monitor the progress towards achieving these goals in all developing countries. The MDGs are typically measured and called 'goals' and 'targets' that correspond to various indicators. For example, the 'goal 1' is to eradicate extreme poverty and hunger, with a 'target 1A' that is to halve, between 1990 and 2015, the proportion of people whose income is less than $1 a day, which corresponds to 3 indicators: the proportion of population below $1 (PPP) per day; the poverty gap ratio and the share of the poorest quintile in national consumption education indicators, and so on. The 'goal 2' is to achieve universal primary education, with 'target 2.A' being to ensure that, by 2015, children everywhere will be able to complete a full course of primary schooling, which corresponds to 3 indicators: the net enrolment ratio in primary education, the proportion of pupils starting grade 1 who reach the last grade of primary school and the literacy rate of 15-24 year-olds. The 6 goals are of the same structure[4].

Policies towards poverty became assessed less through the means devoted to them than through their impact and results - and their quantitative monitoring. This intensified the increasingly 'donor-driven' or 'policy-driven' aspect of the concept of poverty. Donors indeed typically appreciate objectives and evaluation criteria that can be measured, as quantifying cost-effectiveness of their grants or loans is a crucial part of their evaluation instruments.

Thirdly, the setting of the MDGs as common objectives at an international scale also had the advantage of building a consensus among or between governments that could otherwise conduct antagonistic foreign policies and the great number of fragmented and sometimes rival institutions involved in 'development' – e.g., aid agencies, NGOs, think tanks, research centres, private businesses, and so on. It therefore carried significant gains for the legitimacy of donor agencies while also consolidating their internal operational agenda.

The concept of 'pro-poor growth' was similarly promoted in the early-2000s by the IFIs together with bilateral donors (e.g., the United Kingdom) (Kakwani and Pernia, 2000; Ravallion, 2004). It has been built as a concept by researchers through several academic publications, in taking stock of the research on the relationships between growth, inequality and poverty that has been deepened in the 2000s, and harnessing the positive connotation of social inclusion stemming from Amartya Sen's ideas. Under similar expressions of 'broad-based growth', 'inclusive growth', or 'shared growth', it was a consensual and easy to understand 'message' and became the basis of many operational policy documents and guidelines.

Being aware of the criticisms of the mitigated impacts of adjustment programmes of the 1980s, the World Bank devoted much research to the measurement of the impact of public policies, including the policies that were part of its conditional lending (the PRSPs), in order to be able to assess whether its reforms were genuinely 'pro-poor'. This has been made possible by the availability of surveys, moreover sometimes repeated over time, which could be used by techniques such as CGE models or micro-simulations (Bourguignon and Pereira da Silva, 2003). A growing number of surveys aiming at refining poverty lines and indicators, counting the poor and quantifying the other dimensions, have been implemented in many countries. Studies thus could assess the types of growth that would be 'inclusive', or 'pro-poor', in contrast to types of growth that would not benefit the poorest deciles of the population.

Even concepts that had more value for their 'message' and use for policy-making than for their academic depth, such as 'pro-poor growth', had to show their capacity to be measured (Ravallion and Chen, 2001): indeed, the fact that growth would be pro-poor or not is an outcome of policies, be they government policies or policies prescribed by the IFIs, and therefore can confirm their relevance (or the opposite). In the sphere of policymaking, measurement is a political instrument, as it proves (or not) the relevance of a policy and hence reinforces (or not) the legitimacy of the institutions that prescribed the policy (government or international institution).

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[4] They are listed on the UN website devoted to the MDGs : http://mdgs.un.org/unsd/mdg/Default.aspx, and http://mdgs.un.org/unsd/mdg/Resources/Attach/Indicators/OfficialList2008.pdf.

The World Bank launched in the 1990s '*poverty assessments*' in most countries that had signed PRSPs, which combined quantitative techniques with more qualitative information. More effort, however, remained devoted to the providing of measures and indicators as well as 'messages' that were easy to understand and translate into policies – the 'magic of numbers' (Gakusi and Sindzingre, 2008). The conceptual framework has been reinforced and legitimised because donors (IFIs, UN bodies, bilateral agencies) exhibited a strong preference for concepts that could be easily quantified and used in messages and policy-making, giving them a wide dissemination.

These concepts were also legitimised by the fact they constituted the basis of policies, while simultaneously these policies promoted by the IFIs were gaining legitimacy due to the very fact these concepts were used by researchers; the latter were initially developed within the research department of the World Bank, but also in external academic research, as many academics in development have links with IFI research. This set of processes contributed to narrow the previous objectives of development.

5. Conclusion: narrower concepts and policies

The paper has shown that the emergence of poverty as a central concept in development economics implies a series of processes. The main focus of development economics has progressively shifted from 'development' to 'poverty reduction'. It is a crucial turning point in the conceptual framework of economic thought regarding developing countries.

Two simultaneous processes have been at stake. Firstly, this shift has been made possible by an expansion of the meanings and references of the concept of poverty itself, due to the integration in its definition of a great number of new dimensions, in particular 'human development' (education, health, social inclusion) and inequality via the notion of relative poverty. The concept of poverty could therefore claim to cover all the issues that matter in developing countries, both at the micro and macro levels; at the same time the concept of 'development' was becoming more peripheral, because it was viewed, for example, as too vague.

Secondly, the emerging concept of poverty, as well as its various dimensions - income and the others – must above all be measurable: the concept was itself an outcome of improvements in measurement techniques (such as the availability of surveys) and in turn set the standard of academic analyses that would be considered rigorous, e.g., estimating the ranking of the various determinants of poverty, modelling the dynamics of poverty in a given area or the impact of a change in prices, and the like. The concept of development at the micro-level became therefore increasingly marginalised, due to the intrinsic difficulty of measuring it, or was replaced by that of 'growth' at the macro level.

In terms of public action, this shift represents a narrowing of the agenda of governments vis-à-vis the previous one of growth and development. It signals the acceptance that development is no longer a worthwhile goal of public policies, and that the previous policies elaborated over decades were *in fine* a failure.

This shift is also an implicit substitution of complex objectives and causal processes – triggering the process of ‘development’, achieving the structural transformation of less industrialised countries - for easier and more short-term goals: investigating and promoting the bases for sustained long-term growth is more complex, and hence a lesser priority, a more remote objective, than lifting up specific groups of a population above a given poverty line. These new objectives are more circumscribed and consensual.

As a final remark, it can be observed that this nexus of conceptual framework and policies show similarities with the philanthropic movement of 19th century Europe (Sindzingre, 1997). In the case of the concept of poverty within development economics, it is not oriented from governments and elites towards the domestic poor or ‘dangerous classes’ within countries, but from rich countries toward other countries, and in particular the lower-income countries.

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