



Ethics in Action to End Poverty



Ethics in Action Working Group

Draft based on the meeting at Casina Pio IV

October 31-November 1, 2016

The challenge of poverty

Although we live in a world of immense wealth—with global economic activity now exceeding \$120 trillion a year—vast numbers of people are still subject to poverty and social exclusion. The Ethics in Action Working Group (EIAWG) reviewed the evidence on the nature of poverty in our world today (definitions, prevalence, distribution, causes, and remedies) and deliberated on the practical actions that can be taken by the global community, including the faith communities, to achieve SDG 1, the end of extreme poverty, and SDGs aimed at meeting basic needs and ending various forms of social exclusion. The background information for our conclusions can be found in the second half of this report.

The Sustainable Development Goals relating to poverty

The SDGs address poverty in the following ways:

SDG 1 aims to end extreme poverty.

SDG 2 aims to end hunger and various forms of malnutrition.

SDG 3 aims to ensure universal health coverage (UHC).

SDG 4 aims to ensure universal access to education at least through the secondary level.

SDG 5 aims for gender equality in meeting all basic needs.

SDG 6 aims for universal access to safe water and sanitation.

SDG 7 aims for universal access to modern energy services.

SDG 8 aims for decent work for all and the end to modern forms of slavery

SDG 10 aims to reduce income inequality and relative poverty.

EIAWG examined the actions needed globally and locally to achieve these SDGs.

Global actions to end extreme poverty

The EIAWG believes that the most effective way to end both extreme and relative poverty is to support each individual, especially every child, to develop their capabilities to the maximum extent feasible through access to education (SDG 4), health care (SDG 3), decent nutrition (SDG 3), and to achieve a livelihood with dignity and labor rights (SDG 8). All households should have access to basic infrastructure including water, sanitation, and modern energy services (SDGs 6 and 7). Discrimination and violence against girls and women and minority

groups are important causes of poverty in the world today, and should be ended (SDGs 5, 10, and 16). All abusive labor practices, child labor, and all forms of modern slavery should also be ended (SDG 8).

Many of these steps require changes of regulations and perhaps of some social norms, but are not financially onerous to implement. Yet other measures (notably universal health coverage, universal access to primary and secondary education, and universal access to basic infrastructure including clean water, sanitation, and modern energy services) require **increased investments** by national and local governments, and such increased investments are often beyond the budgetary means of governments in the low-income countries. For this reason, global financial support directed towards the poor is a vital component of success in meeting the respective goals and targets. This point has been forcefully made, for example, by the recent International Commission on Financing Global Education Opportunity (the Brown Commission, 2016).

The magnitude of needed transfers is not large relative to the size of the world economy and the income of the high-income countries. Here is a simple way to see this. Consider a transfer of \$1.90 per day (the global line of extreme poverty) from the high-income countries that is directed towards the 800 million poorest people. Such a transfer would amount to around \$550 billion per year, or roughly 1 percent of the annual income of the high-income countries (currently estimated by the IMF to be around \$51 trillion). In fact, the magnitude of the needed transfers to end extreme poverty is lower than \$550 billion per year since the low-income countries are already part way towards the poverty line.

A reasonable estimate of financial need is an annual transfer of around 0.7 percent of GDP of the high-income countries directed towards the low-income and lower-middle-income countries. This is the globally-agreed target for Official Development Assistance (ODA). Actual ODA falls short of this globally-agreed target, and currently stands at around 0.3 percent of the GDP of the high-income countries. The shortfall per year is therefore around 0.4 percent of high-income GDP, or a shortfall of around \$200 billion per year. The needed transfers should generally be targeted towards the support of health (SDG 3), education (SDG 4), basic infrastructure (SDG 6, 7, 9), and a social safety net for the disabled, the indigent, and the elderly non-working poor (SDG 1, 2).

Financial transfers to the poor

The Ethics in Action Working Group supports a combination of the following measures to ensure an effective and predictable transfer of resources from the rich countries to the poor countries so that these countries can achieve the SDGs to end poverty.

- Establish a Global Fund for Education to mobilize the incremental \$40 billion needed each year to provide universal education to secondary level in all low-income countries.
- Divert up to 10 percent of the current global military spending—approximately \$1,700 billion a year—to finance initiatives to reduce poverty and exclusion. This could be called the “Isaiah fund” or the “Pope Paul VI fund.”
- Tax anonymous wealth held in tax havens at a rate of up to 1 percent, raising as much as \$200 billion per year.
- Establish a billionaires’ Fund for the SDGs endowed by at least \$200 billion.
- Urge all wealthy countries to honor the commitment to 0.7 percent of GDP in ODA.

Social Activism for the Poor

In addition to financial support, the poor need global solidarity to defend their basic human rights, including labor rights and environmental rights. The EIAWG supports the following measures to defend the rights of the poor:

- Intervene in areas like the Niger delta, to correct the social and environmental devastation brought about by the unjust practices of multinational corporations and governments.
- Support grassroots movements and unions so that the poor can become dignified agents of their own development.
- Recognize the ownership rights of slum dwellers and smallholders, allowing them access to vital public services.
- Change laws and regulations to emphasize a company’s duty to a broader array of stakeholders.

Education regarding moral standards and sustainable development

The EIAWG believes that global education in basic ethics (human rights, labor rights, support for the poor, social solidarity, environmental sustainability) and sustainable development can support a more peaceful, equitable

and sustainable world and promote the achievement of the SDGs. In this regard the EIAWG supports the following measures:

- Reform educational curricula in schools to teach the ethics of sustainable development (a core component in all virtue traditions).
- Reform business and economics curricula to better incorporate ethics and pro-social values.
- Establish a youth movement for peer educational efforts on ethics and sustainable development.

Actions by the faith communities, ethicists and religious leaders

Global religious and secular ethical leaders should organize special and sustained efforts to promote the SDGs and the shared ethical underpinnings of the world's religious traditions to achieve sustainable and integral development. The EIAWG endorses the following steps:

- The preparation of an Ethics in Action handbook on sustainable development, building on *Laudato Si'* and related texts, that emphasizes the shared ethical underpinnings of sustainable and integral human development in the major faiths, and the importance of a new "virtue ethics" to promote the fulfillment of the SDGs and the Paris Climate Agreement.
- Enlist high-level religious and other ethical leaders to play a leading role in restoring social and moral capital, including through participation in official processes such as the UN High-Level Political Forum and the G20.
- Empower and equip religious communities and congregations around the world for multi-religious action centered on the values of hospitality and shared wellbeing and partnerships for the SDGs.

Analytical background on global poverty

There are two ways to conceptualize poverty—absolute or extreme poverty, and relative poverty. Absolute poverty means being below a line that is supposed to measure the ability to meet basic needs. Relative poverty is the idea that even if basic needs are met, an income far below average leads to a life of indignity, hardship, and exclusion. The absolute poverty line is measured globally by the World Bank and is currently set at \$1.90 a day (measured in purchasing power-adjusted prices). Relative poverty is typically defined as less than half of household median income.

For most of history, most of the world lived in extreme poverty. Applying the World Bank methodology, we would find that 90 percent or more of households would have been below the poverty line in 1800. Two hundred years ago, life expectancy was around 35 years (driven mainly by high child mortality). Today, life expectancy is around 70 years on average, and 80 years in the rich countries. The decline in poverty and child mortality is a real accomplishment of the modern economy.

These declines have been especially significant in recent decades. In 1990, according to the World Bank, almost 2 billion people lived in extreme poverty. By 2015, this had fallen to 702 million. The percent of households living in extreme poverty fell from 37 percent to 9.6 percent over this period. This fall in poverty over the past quarter century comes mainly from Asia, especially East Asia—and most especially China, which transformed from a village-based impoverished state to a middle-income country with low poverty in a matter of decades. In recent years, there was also considerable improvement in sub-Saharan Africa, where the poverty rate fell from 57 percent in 2000 to 37 percent in 2015. The Millennium Development Goals deserve a lot of credit for decline. Today, extreme poverty remains highly concentrated in sub-Saharan Africa and South Asia, with pockets in Central America and Southeast Asia.

Child mortality rates also declined dramatically over this period—this is no surprise, as poverty and death tend to go together. In 1990, 12.5 million children under the age of 5 died each year. By 2015, this had fallen to 5.9 million. And almost every one of these remaining deaths—on the scale of the holocaust every single year—is preventable.

Relative poverty within rich countries is also a profound challenge. For example, while the United States is the richest country in world history, it has not fought poverty since the 1960s. It has the highest poverty rate of any high-income country—about 17 percent. This leads to huge marginalization, most pronounced among the African-American community—entrenched poverty, mass incarceration, terrible social problems, high levels of violence and drug addiction, and low health outcomes and life expectancy. Life expectancy among middle-aged working class white people has also been falling.

Relative poverty is related to inequality. And while inequality is falling *between* countries—thanks to strong economic growth and convergence in places like China and India over the past few decades—it is rising *within* far too many countries.

Societal inequality is typically measured by the Gini coefficient. By this measure, the most unequal regions of the world include sub-Saharan Africa and Latin America. The most equal places, in contrast, are the social democracies of Northern Europe, especially Scandinavia. The Americas are unequal because they were societies of conquest—the colonists impoverished and enslaved the indigenous populations, introduced African slaves, and created multi-racial societies scarred by extreme inequality. In Africa, inequality is driven by the colonial legacy combined with high dependency on primary resources—it is fairly easy for a small group to appropriate the income from a commodity.

The Gini coefficient can be measured in two ways—from market income and from disposable income (which nets out taxes and adds in social benefits). Not surprisingly, the Gini coefficient on market income is greater than the Gini coefficient on disposable income across the OECD economies. All governments, at least to some extent, use the tax-transfer system to narrow income inequality. But some countries do this much more than others—this is especially true for the Northern European economies. In the United States, both taxes and social benefits are low, leading to very little redistribution from rich to poor. Unsurprisingly, inequality has soared in the United States—the Gini coefficient is now among the highest in the world (probably the highest since the civil war period).

Drivers of poverty

Structural drivers

The prevalence of extreme poverty across can be traced to a set of interlocking factors:

- The existence of a *poverty trap*, whereby the country is simply too poor to make the basic investments needed to end deprivation—in areas like health, education, water and sanitation, agricultural productivity, and infrastructure.
- *Bad economic policies* that worsen economic growth and income distribution—including closing borders to trade and foreign investment, reliance on central planning, or inflationary finance of government spending.
- The government's *financial insolvency*, given over-spending and over-borrowing. This pushes the country into a debt trap, diverting money away from needed investments to reduce poverty.
- Impediments of *physical geography*, including being landlocked, mountainous, prone to malaria or other deadly diseases, or highly vulnerable to natural disasters such as droughts and floods (which are made worse by climate change).
- *Weak governance*, whereby the country suffers from corruption, inefficiency, and lack of transparency. This can divert wealth from where it is most needed, and impede efforts to fight poverty.
- *Cultural barriers*, especially when women and girls face discrimination and impediments to flourishing. One big problem is when girls are unable to attend school.
- *Geopolitical trends*, especially when some poor countries are treated as pawns in the power games of great powers, the stage for proxy wars and campaigns of destabilization.

There are two major structural drivers of relative poverty in rich countries. The first is recent technological change, which tends to reward high-skilled over low-skilled workers. The second is globalization, whereby the emergence of global supply chains and competition from developing countries has pushed down wages of low-income workers relative to high-income workers and owners of capital.

Ideological drivers

The main ideological driver of both absolute and relative poverty in the world today is libertarianism, flowing from the idea that self-interest must dominate and that any attempt frame a common good is a violation of freedom. This ideology insists that all market rewards are fairly and justly earned and that the government has no role in either impeding the natural forces of the market or transferring income from the fortunate to the less fortunate.

The allure of libertarianism thinking is a major reason why the global economy tends to be organized largely along corporate lines for the single-minded and aggressive pursuit of profit—which excludes any concern for the poor, the environment, the worker, and even for peace.

Moral consensus on ending poverty

It is possible to discern a fundamental consensus across the different religious and secular ethical traditions—rooted in mutually shared values and irrevocable standards of conduct—on the obligation to end extreme poverty and social exclusion. At very fundamental level, human beings do not want to inflict suffering on other

human beings. Evidence of psychology, evolutionary biology, and neuroscience suggest that human beings are wired for cooperation and endowed with strong tendencies toward altruism and fairness.

The moral codes of the different religious traditions also cohere on the importance of making sure the material needs of all people should be met. Each religion, for example, proposes some version of the golden rule.

The Abrahamic religions all agree that human beings are children of God, endowed with a dignity that is possessed rather than earned. They hold that since God is compassionate and merciful, we are likewise called upon to be compassionate and merciful. As a religion born out of the historical experience of marginalization and vulnerability, Judaism contains a specific moral obligation to love the stranger—including the poor and excluded. Christianity believes that human beings are called into existence to become truly themselves only in relation to the other—and this finds its highest obligation in the Beatitudes, which stress that responding to our neighbor in need with compassion benefits not only the recipient but also the benefactor, who becomes the willing recipient of a grace. And in Islam, the Holy Qur'an describes how God placed humanity as his regents on earth, charged to keep and protect it and it to respect the dignity of all human beings.

This same obligation flows from the Dharmic religions. Buddhism, for example, holds that human beings are trapped in a cycle of suffering as long as they are ruled by self-love, and that everything is inter-related, meaning that the self and the other are mutually inseparable. Buddhism stresses the idea of finding one's true self by self-emptying, which encourages self-donation and expresses the true meaning of love and compassion. It too stresses the dignity of the human being, through the teaching of Buddha-nature—the notion that every person has the potential to become Buddha.

A moral obligation to end poverty can also be discerned from some of the modern streams of thought. Kantian deontology, for example, can be used to argue that poverty violates the autonomy and dignity of the poor, thus presenting a clear obligation to relieve their deprivation. Kantian ethics imply that every person must be given the freedom to become active and dignified agents of his or her own development, which implies the participation of all. Kant viewed the good as moral perfection of the self directed toward the wellbeing of others. Likewise, modern consequentialist or utilitarian ethics can also suggest an imperative to end extreme poverty, based on the notion that the greatest happiness of the greatest number is maximized when resources are transferred from the wealthy to the poor. Thus the "effective altruism" movement, for example, calls upon people to deploy their resources toward doing as much good as possible in the world.

This coherence between different traditions can give rise to a moral consensus rooted in the reconstituted virtue ethics, which posits a profound reciprocity between unfolding human dignity and advancing the common good. From this perspective, the scandal of poverty goes well beyond material deprivation. It also leads to the diminution or destruction of the capacity to be and to act, to be and to be able to do. The person is no longer able to unfold her dignity by developing her potential across the various dimensions of life. From this perspective, poverty can be seen as a fundamental assault on human dignity.

Likewise, poverty and exclusion undermine the common good—it is simply not possible to build shared wellbeing, the good of the common social life, when some people are netted out. In one sense, the common good can be likened to a geometric mean rather than an arithmetic mean—when some are deprived and unable to respond to the call to development, society as a whole is wounded.

High levels of inequality can also sever the sense of shared purpose necessary for the realization of the common good. Aristotle himself recognized that the ability of the political community to promote the common good would be impeded by large gaps between rich and poor—because the poor are too poor to embrace civic duty, while the rich are more attached to their wealth than to civil obligations. Assured that their rewards are attached to moral desert, they grow increasingly segregated from the rest of society, with ever-narrower circles of fraternity and ethical horizons.

Countervailing forces

Numerous obstacles stand in the way of this moral consensus to end poverty. Again, these forces are both ideological and structural.

Just as the ideology of libertarianism causes poverty, it also hinders efforts to fight it. This is because it rejects values like solidarity and cooperation as a basis for social interaction. The "virtues" it promotes are the false virtues of egoism, competition, and boundless acquisitiveness that reduce all value to financial value, promote an attitude of short-term self-centered gratification over solidarity and longer-term sustainability, anesthetize moral sentiments, and consign ethics strictly to the private domain. And because it exalts the free market as the best way to improve societal welfare, regarding poverty as a natural byproduct of a self-sustaining and virtuous market system, libertarianism admits of no institutional failure and permits no institutional solutions.

The inculcation of libertarian values can also set off of vicious cycle whereby social and moral capital decline, making it even harder to coalesce around cooperative solutions. This is especially the case when the libertarian ethos leads to inequality, corporate impunity, and degradation of the environment.

The main non-ideological obstacle to moral action on poverty revolves around problems of commitment. This has numerous strands. One strand is distance from the problem, both across space and time. It is difficult to persuade people to make sacrifices that might benefit anonymous people far from home at some point in the future. Relatedly, “ethics” is easier than “action”—it is easier to affirm abstract common values than actually live by them. Accordingly, a “thin” moral discourse needs to be “thickened” to focus on achieving a desired good in concrete terms and in specific situations.

This is also related to moral disengagement, a cognitive process that deactivates the self-regulatory processes that prevent individuals from violating their own moral standards. Moral disengagement is driven by three basic mechanisms—cognitively distorting bad acts so that they appear benign, minimizing personal roles through the diffusion of responsibilities, and holding victims themselves responsible for the harm they are experiencing.

Overcoming these well-known obstacles to action requires some external force, which can come from civil society and the religious communities. This is the real power of *Ethics in Action*.

Moral response to poverty

Before assessing the “moral resources” needed to end poverty, we need to first assess the “economic resources” required. The key point is that ending poverty is well within our reach—and capacity prompts moral obligation.

In that context, ending extreme poverty has four key dimensions:

- Most important is meeting basic needs, like health, education, food security, clean water and sanitation. And here, evidence suggests that education and health for all children is especially important.
- The second dimension is peace. There is a vicious circle here whereby poverty contributes to violence and violence contributes to poverty. The religious communities are key to breaking such a downward spiral.
- Third, certain pockets of poverty require specific interventions. This is especially true for indigenous populations, which were historically pushed to the margins and continue to face great deprivation and indignity. Minority communities continue to face hardships everywhere, and girls and women tend to face discrimination all over the world.
- Fourth, global solidarity is needed to help finance social services and infrastructure. While ending poverty starts at home, with the poor themselves, governments often simply lack the needed resources to break the cycle of poverty.

The important point is that the resources needed to end extreme poverty are relatively minor. In a \$100 trillion economy, the world poverty gap—what it would cost to meet the basic needs of every poor person—is about \$400 billion (less than half a percent of world output). For \$40 billion a year—\$6 for every person on the planet—we could save five million lives. We could end the AIDS epidemic for \$40 billion a year to 2030. We could provide education for every child on the planet through secondary school for another \$40 billion. We could solve climate change for about \$1 trillion per year (1 percent of world output). We could provide clean energy access to the bottom 3 billion for about \$200 billion a year.

On the other side of the financial ledger: the resources to combat poverty and social exclusion are well within reach. Only six countries—Sweden, Norway, Luxembourg, Denmark, Netherlands, and United Kingdom—deploy the agreed target of 0.7 percent of GDP to Official Development Aid. Meanwhile, annual military spending in the world is between \$1.5-\$2 trillion. After-tax fossil fuel subsidies amount to \$540 billion a year (half of what it costs to solve climate change). The money squirreled away in tax havens is between \$20 trillion and \$30 trillion. There are 1800 billionaires in the world, with a combined net worth of \$7.1 trillion. And the top ten hedge fund managers last year made \$10 billion between them.

Reducing relative poverty also has a number of dimensions, some of which overlap with what is needed to eliminate extreme poverty. The first priority here is to ensure that all have access to quality education and healthcare. The second dimension is fiscal redistribution—using the tax and benefit system for purposes of redistribution. This must be underpinned by an abiding sense of social solidarity (the antithesis of the libertarian ethos). The third dimension is an empowered and responsible workers movement—this is yet another dimension of social solidarity. An empowered workers movement can not only boost wages for workers, but also act as a counterweight against corporate excess and impunity across the board.

Having identified the practical solutions, we must turn to the related person and social virtues that need to be cultivated, as well as the renewal of institutions.

Starting with the individual: while the efforts to fight poverty rely on policies at the domestic and global level, this must ultimately be driven by individuals who internalize the virtues such as compassion, solidarity, justice, and temperance. Small personal acts can do a lot of good in themselves, but they can also act as a role model to others and they affirm the personal dignity of the donor.

This is a special role for religious believers here, given that religious communities have always been great seedbeds for nurturing virtue. Religious traditions have always endorsed virtuous practices such as moderate and abstemious lifestyles and relieving the suffering of others, including through deployment of financial resources. Religious communities themselves can mobilize to help the poor directly, both at home and abroad, as well as advocate for political and economic action that prioritizes poverty reduction.

On the social side, the counterpart to individual virtue geared toward helping the poor is the need for institutions oriented by the right values. The main challenge here is to counter the ideology of libertarianism with values based on solidarity, sustainability, and global cooperation. This begins by recognizing that rights are always attached to duties, and that responsibilities have a global as well as a local dimension. Such value-oriented institutions would contain the modern market economy within a moral framework centered on human flourishing rather than on wealth accumulation detached from ethical concerns. In this context, a key priority is changing the way we look at business—instead of seeing corporations as simple profit maximizers, we must view them as social institutions oriented toward the common good, with responsibilities to a broader array of stakeholders. And we need political institutions that prioritize development and poverty reduction as better guarantees of peace than a strong military.