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Review of *Reversals of Fortune: Poverty and Shared Prosperity* by World Bank

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Book Reviews

World Bank, *Reversals of Fortune: Poverty and Shared Prosperity, 2020.* World Bank. (2020). 178 pages, $43.00 (softcover).

Studies of international social welfare often refer to the reports of international organizations such as the United Nations and the International Labour Office (ILO) which have extensively documented global social conditions and the social policies and programs of different countries. That said, the work of the World Bank is often ignored, largely because it is assumed that the organization is primarily concerned with issues of economic development that have little relevance to social policy. However, as this publication reveals, it has amassed valuable information about poverty, inequality and living standards as well as the impact of the Coronavirus pandemic on social well-being around the world.

Reversals of Fortune: Poverty and Shared Prosperity is the third in a series of World Bank publications dealing with poverty and particularly with what the organization calls "shared prosperity," by which it means the extent to which economic growth improves the well-being of those at the lower end of the income distribution. The first in the series, which was published in 2016, made the case for promoting income equality as a key element of development policy, while the second, which was issued in 2018, refined its approach to measuring poverty and reiterated its commitment to shared prosperity. These publications were optimistic showing that poverty had declined steadily in many countries since the 1990s because of responsive government policies. This latest publication is less hopeful, reporting that recent gains are being reversed not only because of the Coronavirus pandemic, but because of armed conflict and climate change. It argues that addressing these challenges must be accompanied by policies that reduce poverty and promote equality.

The World Bank has not always been committed to policies of this kind. Indeed, it has been primarily associated with neoliberal economic development and the privatization of social services. Both featured prominently in its agenda in the 1990s. As is well known, the Bank (officially called the International Bank for Reconstruction and Development) was created, together with the International Monetary Fund (IMF), at an international conference sponsored by the American and British governments at the Mount Washington Hotel in the hamlet of Bretton Woods in New Hampshire in 1944. The conference was convened to plan for a new global economic order which would not only address the ravages of the Second World War but promote growth, stability and conditions favorable to international trade. In the decades following the conference, the Bank focused on infrastructural investments, funding the construction of hydroelectric dams, industrial parks, airports, railways and road networks. However, in a landmark speech in 1972, World Bank President Robert McNamara announced that the organizations lending policies would in future be concerned with alleviating poverty and investing in education, health, rural development, nutrition and housing. After his retirement in 1981, the organization's focus again changed and, in keeping with the economic and political climate of the times, it now vigorously promoted neoliberal policies which involved reducing government intervention and privatizing and outsourcing statutory services. The Bank also imposed structural adjustment programs on heavily indebted governments seeking international aid. To receive aid, they were required to cut public spending and adopt "market friendly" development policies. It also played a major role in pension privatization in Latin America and Eastern Europe, urging governments to adopt a "risk management approach" which required elders to meet their retirement needs by utilizing commercial financial institutions instead of relying on government pensions.

By the time of the United Nations World Summit on Social Development in 1995, it became apparent that these policies had resulted in a significant increase in poverty and deprivation in many parts of the world. Under new leadership, the Bank gradually aligned itself with the United Nations and, following the adoption of the Millennium Development Goals by the organization's member states, it again focused on poverty alleviation. Somewhat surprisingly, it also supported the expansion of income transfers (or social protection as it was now called) in order to alleviate poverty in the developing world. However, like the United Nations, it was more concerned with reducing poverty rather than inequality.

This course changed when a Commission appointed by the Bank in 2006 to study the distributive impact of economic development asserted that poverty alleviation would only be effective if the poorest groups benefited directly from growth. Not a new idea, having been promoted by progressive economists like Dudley Seers and Gunnar Myrdal many years earlier, it attracted little attention at the time when it was generally accepted that poverty would automatically decline because of rapid growth resulting from market based development policies. Adopting the Commission's report (World Bank, 2008), the Bank embraced what it originally called "inclusive growth." This approach was subsequently replaced with the notion of "shared prosperity" which, as noted earlier, requires that the incomes of those at the lower end of the distribution be raised. It operationalizes this concept by measuring extent to which the incomes of the bottom 40 percent increase relative to median incomes over time.

Reversals of Fortune contains a wealth of information on global poverty and income distribution. Drawing on the World Bank's extensive databases, it traces the steady decline in poverty since the 1990s and shows that there have been significant improvements in living standards for the world's people since this time. However, it also shows that progress slowed even before the Coronavirus spread across the world. Both violence, especially in the Middle East and North Africa and climate change have contributed to the recent increase in global poverty. The Coronavirus has had the most devastating impact, disproportionately affecting hundreds of millions of low income families around the world. The pandemic poses a huge global challenge which, the Bank contends, must be addressed at the global level. This requires that governments and international organizations cooperate more effectively. In addition to taking immediate steps to limit the spread of infections, concerted efforts will be needed to revitalize damaged economies and provide income support to those who have been severely affected.

Although this publication provides a thorough commentary on the current global situation, its policy recommendations are limited to a relatively short chapter which lacks specificity about which interventions are likely to be the most effective. Reference is made to developments in different countries but more attention could be given to implementation challenges and the costs and benefits of different policy options. The chapter is particularly thin on the role of social protection in meeting the income needs of those whose livelihoods have been devastated by the pandemic. Together with economic stimulus policies, these interventions have featured prominently in the repertoire of government responses, and a variety of interesting policy innovations have emerged in both high income and developing countries. These could have been more systematically documented and more attention could have been paid to their budgetary implications.

Nevertheless, this is an invaluable source of information about the impact of the Coronavirus pandemic on poverty and inequality around the world—as well as the effects of armed conflict and climate change. Recent trends are comprehensively and meticulously documented. It uses sophisticated methodologies to operationalize key concepts and its ingenious but relatively straightforward measure of income inequality is particularly useful. Its focus on the relationship between poverty and inequality marks an important development in the evolution of the World Bank's thinking and will undoubtedly influence scholars from many disciplines working in the field. International social welfare scholars concerned with poverty and inequality will also benefit from making greater use of the World Bank's extensive data resources and the policy analyses contained in this important publication. It deserves to be widely consulted during these troubling times.

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