Reversal of Fortune

Why preventing poverty beats curing it.

BY ANIRUDH KRISHNA | APRIL 25, 2006

Lifting people out of poverty has become a mantra for the world's political leaders. The first U.N. Millennium Development Goal is to halve the number of people whose income is less than $1 per day, currently about 1 billion people. And, in the past decade, millions around the world have been pulled out of poverty by economic growth, effective development aid, and sheer hard work.

Four years ago, I set out to discover which countries -- and which local communities -- were doing the best job of ending poverty. Using a varied sample of more than 25,000 households in 200 diverse communities in India, Kenya, Peru, Uganda, and the U.S. state of North Carolina, my colleagues and I traced which households have emerged from poverty and attempted to explain their success. At first, the data were very encouraging. In 36 Ugandan communities, 370 households (almost 15 percent of the total) moved out of poverty between 1994 and 2004. In Gujarat, India, 10 percent of a sample of several thousand households emerged from poverty between 1980 and 2003. In Kenya, 18 percent of a sample of households rose out of poverty between 1980 and 2004.

Looking at these figures, one could be forgiven for feeling a sense of satisfaction. But pulling people out of impoverishment is only half the story. Our research revealed another, much darker story: In many places, more families are falling into poverty than are being lifted out. In Kenya, for example, more households, 19 percent, fell into poverty than emerged from it. Twenty-five percent of households studied in the KwaZulu-Natal province of eastern South Africa fell into poverty, but fewer than half as many, 10 percent, overcame poverty in the same period. In Bangladesh, Egypt, Peru, and every other country where researchers have conducted similar studies, the results are the same. In many places, newly impoverished citizens constitute the majority of the poor. It's a harsh fact that calls into question current policies for combating poverty.

All sorts of factors -- including financial crises and currency collapse -- can push people into poverty. But our research indicates that the leading culprit is poor healthcare. Tracking thousands of households in five separate countries, my colleagues and I found that health and healthcare expenses are the leading cause for people's reversal of fortune. The story of a woman from Kikoni village in Uganda is typical. She and her husband lived relatively well for many years. "Then my husband was sick for 10 years before he died, and all the money that we had with us was spent on medical charges," she said. "My children dropped out of school because we could not pay school fees. Then my husband died. I was left with a tiny piece of land. Now I cannot even get enough food to eat."

Among newly poor households in 20 villages of western Kenya, 73 percent cited ill health and high medical costs as the most important cause of their economic decline. Eighty-eight percent of people who fell into poverty in 36 villages in Gujarat placed the blame on healthcare. In Peru, 67 percent of recently impoverished people in two provinces cited ill health, inaccessible medical facilities, and high healthcare costs. When families are hit by a health crisis, it's often hard to recover. In China, one major illness typically reduces family income by 16 percent. Successive illnesses ensure an even faster spiral into lasting poverty. Surveys in several African and Asian countries show that a combination of ill health and indebtedness has sent tens of thousands of households into poverty, including many that were once affluent. The phenomenon exists in the rich world as well; half of all personal bankruptcies in the United States are due to high medical expenses.

Millions of people are living one illness away from financial disaster, and the world's aid efforts are ill-suited to the challenge. An intense focus on stimulating economic growth isn't enough. Healthcare is not automatically better or cheaper where economic growth rates have been high. In Gujarat, a state in India that has achieved high growth rates for more than a decade, affordable healthcare remains a severe problem, and thousands have fallen into poverty as a result. Healthcare in fast-growing Gujarat is no better than in other, often poorer, states of India. Indeed, Gujarat ranked fourth from the bottom among 25 states in terms of proportion of state income spent on healthcare. Perversely, rapid economic growth often weakens existing social safety nets and raises the danger of backsliding. In places as diverse as rural India, Kenya, Uganda, and North Carolina, we observed how community and family support crumbles as market-based transactions overtake traditional networks.

As economic growth helps lift people out of poverty, governments must stand ready to prevent backsliding by providing affordable, accessible, and reliable healthcare. Japan's recent history offers hope that enlightened policy can prevail. At 4 percent, Japan's poverty rate is among the lowest in the world. Sustained economic growth undoubtedly helped, but so too did an entirely different set of policies. Quite early in the country's post-World War II recovery, Japanese officials recognized the critical relationship between illness, healthcare services, and poverty creation, and they responded by implementing universal healthcare as early as the 1950s.

Regrettably, that insight hasn't traveled nearly as well as Japan's many other exports. It's well past time that political leaders put as much effort into stopping the slide into poverty as they do easing the climb out of it.

Anirudh Krishna is assistant professor of public policy and political science at Duke University.

FP Foreign Policy

11 DUPONT CIRCLE NW, SUITE 600 | WASHINGTON, DC 20036 | PHONE: 202-728-7300 | FAX: 202-728-7342
FOREIGN POLICY IS PUBLISHED BY THE FP GROUP, A DIVISION OF THE WASHINGTON POST COMPANY