Speech by World Bank Group President Jim Yong Kim at Howard University: “Boosting Shared Prosperity”

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Dean Harvey, thank you for that warm welcome and, President Frederick, thank you for the kind introduction. And thank you to the students, staff and faculty for being excellent hosts. To the best of our knowledge, this is the first time that a president of the World Bank Group has addressed the Howard community. I am grateful to everyone here who made this opportunity possible.

In preparing for this speech, we did some research on Howard’s history. I was impressed with what we found. I am honored to be at an institution once led by James Nabrit, one of the leading constitutional and civil rights lawyers of his generation; and I am humbled to be at a place that helped shape the thinking of Pauli Murray, a courageous feminist trailblazer and thinker. Over varied and highly accomplished careers, both Nabrit and Murray worked to make the world a more just place. At the Bank, we are driven by the same aspiration.

Over the last two years, I have led an effort at the World Bank Group to reorganize the institution to accomplish our twin goals: end extreme poverty by 2030; and boost shared prosperity among the poorest 40 percent in developing countries.

The first goal is ambitious, and it reflects the tremendous progress we’ve made over the last quarter century in the fight against poverty. In 1990, 36 percent of the world’s population, or 1.9 billion people, earned less than $1.25 a day. By next year, our economists estimate that
that rate will have declined to 12 percent – a two-thirds reduction in 25 years. This means that, by next year, one billion fewer people will be living in extreme poverty than in 1990. That’s major progress. However, helping the next billion escape poverty will be far more difficult. We have much work to do, especially in sub-Saharan Africa, where an estimated 450 million people wake up in poverty each day.

The second goal – boosting shared prosperity – is what I want to talk with you about today. We are working to ensure that the growth of the global economy will improve the lives of all members of society, not only a fortunate few. To accomplish this, the World Bank Group aims to achieve specific income-related and social goals: We want to raise the income of the lowest 40 percent of earners in developing countries, and improve their access to life’s essentials, including food, shelter, health care, education and jobs.

Let me put this in perspective: For the first time in the history of the World Bank Group, we have set a goal that aims to reduce global inequality. As the spread of the Ebola virus in West Africa shows, the importance of this objective could not be more clear. The battle against the virus is a fight on many fronts – human lives and health foremost among them. But it is also a fight against inequality. The knowledge and infrastructure to treat the sick and contain the virus exists in high and middle income counties. However, over many years, we have failed to make these things accessible to low-income people in Guinea, Liberia and Sierra Leone. So now, thousands of people in these countries are dying because, in the lottery of birth, they were born in the wrong place. If we do not stop Ebola now, the infection will continue to spread to other countries and even continents – just yesterday the Centers for Disease Control confirmed the first case of Ebola in the United States. This pandemic shows the deadly cost of unequal access to basic services and the consequences of our failure to fix this problem.

As I will discuss later in my remarks, the World Bank Group and others have begun to take steps to get resources into the right place. Our actions have arisen directly from our decision to make boosting shared prosperity part of the Bank’s primary mission.

When a visitor enters our Pennsylvania Avenue headquarters, one of the first things she sees is an inscription on the wall that reads as follows: “Our dream is a world free of poverty.” While achieving this goal through development is a complex undertaking, two things are essential. First, we must help low-income countries grow their economies. In the last four years alone, high rates of growth in China and India have meant that 232 million people no longer live in poverty. Second, low-income people who live in low-income
countries must share in the gains from that growth. Shared prosperity is part of the Bank’s headline goals simply because it is required to end poverty.

Boosting shared prosperity is also important in the pursuit of justice. Oxfam International, the poverty fighting organization, recently reported that the world’s richest 85 people have as much combined wealth as the poorest 3.6 billion. Think about that: A group far smaller than the number of people in this room possesses more wealth than half the world’s population. With so many people in sub-Saharan Africa, as well as Asia, and Latin America, living in extreme poverty, this state of affairs is a stain on our collective conscience. Protecting an individual’s ability to reap financial reward for hard work and success is extremely important. It creates motivation; it drives innovation; and it permits people to help others. At the same time, what does it mean that so much of the world’s enormous wealth has accrued to so few?

As an economic system, global market capitalism has produced affluence and innovation. These are very good things. However, an economic system’s legitimacy is also tied to its ability to make two things accessible to all: the riches it generates and the social benefits that arise from that wealth. Unfortunately, national income gains from growth tend not to be shared among a population in anything close to equal measure. In his 2014 best seller Capital in the Twenty-First Century, French economist Thomas Piketty showed that, in developed economies, these gains generally flow at substantially higher rates to owners than to workers. Ultimately, we want to ensure the global economic system’s gains are distributed in a fashion that creates opportunity and respects human dignity.

So what does it look like to boost shared prosperity? As I explained earlier, one important metric is the relative income level of the poorest 40 percent of a national population. During the 2000s, these earners enjoyed more rapid income growth rates than the general population in 52 out of 78 low-income countries. But our mixed progress in achieving the United Nations’ Millennium Development Goals shows that the general well-being of households in the bottom 40 percent remains much lower than in higher-income households. In other words, even though their incomes grew faster, low-income households did not reap the same social benefits as the more affluent, including access to food, clean water and sanitation.

Fundamentally, increasing individual incomes, while important, is only part of the equation for boosting shared prosperity. We also need economic growth to deliver benefits that create more just societies. So, in addition to changes in income, boosting shared prosperity
focuses on improving gender equity and low income people’s access to food, shelter, clean water, sanitation health care, education and jobs.

How can the World Bank Group do this? One essential mechanism is our more than $60 billion dollar annual portfolio of financial support to build public institutions and to catalyze a vibrant private sector. By creating knowledge-based global practice groups, our reorganization has developed another critical tool – something we’ve been calling the science of delivery. In order to solve the world’s most difficult development problems, we must ask ourselves two questions. The first is whether the solution is equal to the challenge. In other words, do we understand the problem and does our answer solve it? The second is whether someone, either in or outside the Bank, has found ways to deliver the solution. If so, can we capture it, apply it, and scale it up in other contexts? Our global practices are focused on answering these critical questions.

Boosting shared prosperity is the World Bank Group’s way of tackling the challenge of inequality. Identifying ways to deliver the solution requires at least two steps. First, we need to improve our understanding of how economic growth at the national level has an impact on the development of individual households. So we need to collect better and more precise data from low-income countries.

Second, when we provide project-based financial and technical assistance, we must continue to evaluate these initiatives’ impact on low-income people’s earnings. Take building roads. In Bangladesh, we helped build and fix three thousand kilometers of roads. Then we studied whether these improvements made a difference. We found that in just six years’ time, the average household income in the areas of these projects grew 74 percent. This was largely because the roads connected communities to markets. We also looked at areas that had not received these upgrades. There, average household incomes declined 23 percent. These kinds of assessments show what does and doesn’t work when it comes to boosting shared prosperity.

Our experience tells us that four strategies are also integral to accomplishing this goal: building human capital; constructing well-designed and implemented social safety nets; offering incentives for the private sector to create good jobs; and implementing fiscally and environmentally sustainable policies to pursue these ends. Projects that share these attributes will receive priority access to the Bank’s financial and technical assistance.
The science of delivery has also helped guide our response to the Ebola epidemic. The virus is spreading out of control in Guinea, Liberia and Sierra Leone. Thousands of people are dead. Likely well over ten thousand people have become infected. And both of these numbers are climbing rapidly. As a consequence, our ability to boost shared prosperity in West Africa – and potentially the entire continent – may be quickly disappearing.

Under the Bank’s best case scenario, Ebola will cause the loss of hundreds of millions of dollars in economic growth in the affected countries. This is a critically serious matter. These states are emerging from years of civil war and strife, both of which contributed to their low levels of per capita income. Growth is therefore essential to easing the horrible conditions in which millions of their citizens live. If the pandemic continues to jump to other countries, the growth lost could climb into the tens of billions of dollars or higher. So, unless we stop the infection’s spread now, there will be little prosperity to share, to say nothing of the number of people who will be unable to partake in what remains.

The world’s response to date has been inadequate. I’m a doctor trained in infectious diseases and have treated poor and marginalized people in Haiti, Peru, and Lesotho, among other places. We treated people suffering from complex diseases such as multi-drug resistant tuberculosis and HIV. So it has been painful to see us replay old failures from previous epidemics.

At the turn of the century, HIV had infected an estimated 24 million people in Africa. While effective treatments for the virus existed for rich people, low-income people on the continent did not have access to them because of a failure of imagination and low aspirations for the poor. Some global health experts believed that providing effective HIV treatment to low-income communities was too difficult and would cost too much. Yet today, more than 10 million poor people worldwide are being treated for HIV.

We have made similar mistakes when it comes to combatting Ebola in West Africa, even though we received repeated warnings from governments of the affected countries, Médecins Sans Frontières and others. So now, we’re playing catch up.

To determine how we could contribute to a coordinated response, the World Bank Group identified infectious disease experts who have on the ground experience implementing complex containment and treatment protocols in low-income countries. We then sent them to Guinea and Liberia. Based on what they saw, they have told us that, if we make an enormous surge now, we can treat the sick and contain the virus. The infrastructure we
need is not that difficult to build and we have protocols to limit the infection’s spread. Most importantly, they have told us that further delay will make an effective response exponentially more difficult.

We’re now moving quickly to do our part. The World Bank Group has transferred $105 million dollars in emergency funding to Guinea, Liberia, and Sierra Leone – more money to date than any other organization. This ensures their governments have cash to purchase equipment and services essential to fighting Ebola. Overall, we have committed $400 million dollars to support treatment and containment. And we have devoted our considerable analytical resources to show that acting now will save hundreds of millions if not tens of billions of dollars.

Other parts of the coordinated global response are also taking place. In the last few weeks, we have seen significant action from President Obama and the United States; the British and French governments are also stepping up their efforts.

Still, because of the epidemic’s scope and rapid growth, more progress is needed. If the CDC’s worst case scenario comes true, and 1.4 million people are infected, the virus’s impact will be truly global. Concerned citizens need to demand immediate deployments of capital and human resources to the affected countries. Otherwise, thousands more will die needless deaths and an economic catastrophe may take place.

The World Bank Group is now fully engaged in fighting Ebola to prevent this outcome; we are also involved because we are committed to promoting equality. Indeed, we aspire to live this value every day in our own workplace. Our employees are citizens of over one hundred countries and speak well over one hundred languages. I am proud of the institution’s openness to differences in no small part because I know what the alternative looks like. After emigrating from Korea as a child, I grew up in a small town in Iowa. I understand what it’s like to be an outsider, and occasionally experienced the pain of racial and ethnic prejudice. At the Bank, exclusion and bias are not tolerated.

Over time, we have made progress in expanding diversity among World Bank Group employees, but we can do better. For years, for instance, we have fallen short in recruiting African Americans to our ranks. That is changing. We have asked some of the most thoughtful national leaders on diversity to help us build a broad and sustained outreach to highly qualified African American candidates. We will set concrete targets to encourage
senior managers to hire more diverse staff. I expect to see the results of our work this coming year.

Howard University is also helping this efforts. The university and the World Bank Group are in discussions to create internships for doctoral candidates in economics to work with our Development Economics Vice President’s office. These internships would create the opportunity for Howard graduate students to immerse themselves in development policies and programs affecting countries around the world. I also invite all Howard graduates to apply for our expanded analyst and Young Professional programs, which are excellent ways to launch careers at the institution.

I hope that these steps and my presence here encourage many of you to prepare your resumes. Twenty-nine Howard graduates currently work at the Bank. We are always looking for the best and the brightest, and we have found many of them right here.

In 1957, the trustees of Howard University awarded Martin Luther King Jr. and Jackie Robinson honorary Doctor of Laws degrees. Mr. Robinson had just retired from Major League Baseball and was 38 years-old; Dr. King was just 28 years-old. Six years later, during the March on Washington, he stood before the Lincoln Memorial and gave his famous “I have a Dream Speech.” Five years after that, he was shot and killed.

Dr. King was one of my heroes. When I was growing up, my mother, a philosopher, used to read his speeches to me. I think about him today because of his bond with Howard and his embrace, years ago, of what have become the World Bank Group’s twin goals.

Four days before his death, Dr. King gave one of his final sermons. Standing only a few miles from here at Washington’s National Cathedral, he called poverty a “monstrous octopus” that “spreads its nagging, prehensile tentacles into hamlets and villages all over our world.” He said that he had seen it in Latin America, Africa and Asia, in addition to Mississippi, New Jersey and New York. He spoke of the challenge “to rid our nation and the world of poverty.”

Dr. King told the audience that, “in a few weeks,” he planned to join others in a new March on Washington. He called it a “Poor People’s Campaign” to “demand that the government address itself to the problem of poverty.” He explained that, in this mission, wealth was not wrong, but part of the solution. He said that America’s capacity as “the richest nation in the world” gave it the “opportunity to help bridge the gulf between the haves and the have-nots.”
He also explicitly linked justice to economic development. In words that resonate with all of us here, he said, [and I quote]:

“If a man doesn’t have a job or an income, he has neither life nor liberty nor the possibility for the pursuit of happiness. He merely exists.”

The World Bank Group’s two main goals stand in lockstep with the agenda Dr. King laid out in those days before his death, now 56 years ago. Boosting shared prosperity will be achieved by raising incomes, creating jobs, educating children, and providing all with access to food, water, shelter and health care. By doing so, we will grow our collective wealth and nurture our humanity. To paraphrase Dr. King, we will bend the arc of history toward justice.

Please join this mission. Help make YOUR generation the generation that ends extreme poverty and reduces inequality all over the world.

Thank you very much.