

# World Bank Data of Poverty and Poverty of World Bank Data

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## Introduction

This paper, as the name suggests, is in two parts. The first is a revised version of a Speech prepared impromptu as an instant reaction to a news item that appeared in a local daily (*The Independent* April 25, 2004), which quoted the World Bank (WB) as claiming a “Dramatic Decline in Global Poverty”. The Speech was delivered as a Presidential Address at a conference on poverty. With so much poverty all around the news item seemed to be out of place, while my gut feelings told me that there was something wrong somewhere. So I set out to examine the WB data and found that the World Bank first fails to be convincing, as the data does not actually show any significant decrease in poverty in most regions of the world. And second, for China, on whose statistics the claim is mostly based, it is the least convincing of all.

It was also argued that poverty is affected by the continuing growth of inequality in the poor countries. Noting further that the WB by making claims of reducing poverty is in effect drawing attention away from the huge riches that are accumulating in few hands in these poor countries and thereby distorting the picture of poverty, if not lying about it. A participant at the conference was genuinely disturbed and asked to know if reputed organizations like the WB could actually be so deceptive. This forced me to look at the matter more closely and the result is the second part of the essay in which the redundancy of the arguments presented in the first part, including the WB data, are demonstrated.

## Part One

Before I get to these arguments let's first look through the numbers on which the WB bases its claim of dramatic decline of poverty globally. The World Bank claims that poverty has declined *significantly* in the developing countries, that the proportion of people living in extreme poverty on less than one-dollar-a-day dropped by almost half from 1981 to 2001, from 40 percent to 21 percent. In absolute terms, that is, in real number of humans, this means that the number of people living in poverty fell from 1.5 billion or 1500 million in 1981 to 1.1 billion or 1100 million in 2001. The WB then goes on to elaborate on these numbers further by noting that East Asia was the poorest region in the world twenty years ago, which means mostly China, the dramatic growth in that region has pulled more than 500 million people out of poverty. China alone “lifted” about 400 million people out of poverty! (*The Independent* April 25, 2004)

To understand these numbers more clearly let us look closely at the poor regions of the world and see if there has really been a dramatic reduction in poverty in these parts. Latin America (LA) is considered to be somewhere in between the poor countries of Asia and Africa and the

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rich countries of Europe and North America and the number of poor is also considered to be low. To differentiate the poverty in Latin America, which has a higher GDP per capita than the developing countries of Asia and Africa, the WB put the line of poverty at \$60 per month or two-dollars-a-day per person, in place of a one-dollar-a-day per person, corrected by the purchasing power parity (PPP). Thus the WB claims that the proportion of the poor in Latin America has remained at 10 percent in 2001 as it was 20 years ago in 1981 (*The Independent* April 25, 2004).

Is that good news or bad news? It cannot be good news simply because the total population by this time has also increased so that 10 percent of a larger population means a larger number of poor people. In reality Latin America is probably the one of the worst regions of the world in terms of poverty, particularly in relation to the other groups of income earners. Guillermo O'Donnell (1996) calls it a "scandal" and reports that in 1990 about 46 percent of Latin Americans lived in poverty. In 1990 there were 76 million more Latin Americans in poverty than in 1970. Even today in many countries of the region the proportion of population below \$2/day remains high even by WB accounts. In El Salvador the proportion of population below \$2/day is 58%, in Ecuador it is 40.8%, in Honduras it is 44.4% and in many other countries about one third of the population are still below the WB poverty line (WB 2004).

When we follow the national poverty line figures, which is often claimed to be a better indicator (more on this later), the poverty in Latin America, particularly in the rural areas, appears to be far worse. While in most countries the WB figures tend to be higher than those reported by national poverty lines like in Bangladesh the national figure is 35.6 (UNDP 2002) as opposed to the WB \$2/day figure of 82.8 (WB 2004). But in many countries of Latin America the opposite seems to be true. So that in Bolivia WB reports 34.3 percent under \$2/day poverty, the proportion of people below the national poverty line is as high as 63.2% (WB 2004) for the whole country while for the rural areas it is an astonishing 81.7% (in 1999 figures WB 2004). In Columbia WB reports 22.6% while the national poverty line has 60% poor countrywide and 79% (WB 2004) in the rural areas. In Peru it is 53.5% and 67% in countrywide and rural percentages respectively under the national poverty line. The WB puts it at 37.7% (WB 2004). Thus the WB figures are far short of the national poverty lines in many countries, if not the whole region. Also, a very high proportion of the rural population in the region is in wretched poverty by whatever account.

The poor in this region are further affected by the lack of growth in as whatever growth there is, has only made the rich richer and the poor poorer. Jeff Gates (1999) reported in 1999 that among the Latin American and Caribbean countries eighteen are below their per capita income of 10 years ago. Indeed, the growth rate of GDP per capita for this region over the last 25 years has been a mere 0.7%, while some countries have actually seen negative growth during the period (UNDP 2002). For example over the past 25 years the annual growth rate in Peru has been - 0.7% and it reaches as low as -3.5% in Nicaragua (UNDP 2002). And guess who got the worst of the deals. In the later part of the 1970s for which I have data the poorest 20% of the population earned about 5% of the national income in Brazil and about 4% in Paraguay (Islam 1982). But in the year 2000 the poorest 20% earned or consumed only 2.2% in Brazil, and 1.9% in Paraguay or less than half of the earlier meager amounts. If we look at the income of the poorest 10% it is an unbelievable 0.7% in Brazil, 0.8% in Venezuela and 1.3% in Mexico (UNDP 2002).

If we look at the ratio between the incomes of the poorest 10% and the richest 10% of the national income or consumption today we are simply dumbfounded as the rich get 44 times that of the poor in Venezuela, 65.8 times in Brazil and an astounding 91.1 times in Paraguay (UNDP 2002). For a comparison it is 9.5 times in India, which is bad enough, and 7.3 times in Bangladesh and 6.7 times in Pakistan and in most countries of Western Europe less than ten times (UNDP2002). So by claiming that the percentage of the poor in Latin America has remained unchanged, WB is merely hiding the real picture of poverty from emerging. Indeed, by any account the lot of the poor has definitely worsened there. As a publication of the

International Monetary Fund puts it: "Not only is poverty widespread in Latin America and the Caribbean, it has increased during the past decade. The unequal distribution of income is generally seen to be at the heart of poverty in the region—the bottom 20 percent of the population receive less than 4 percent of total income" (Burki and Edwards 1995 quoted by Guillermo O'Donnell 1996). The figures are for the 1990s but they have not improved since then.

I do not wish to go through similar exercises for the other regions but I can assure you that the lives of the poor and particularly of the poorest 10% have deteriorated further during the last twenty years. This is actually recognized by the Bank in its own report regarding Sub-Saharan Africa. The poverty there is so stark that no numbers can hide it. In sub-Saharan Africa, twenty nations remain below their per capita incomes of two decades ago (Jeff Gates 1999). Between 1987 and 1998 the number of Africans living in poverty increased by no less than 80 million (Andrew Mack 2002). The World Bank also expected that another 116 million would be added to the ranks of the very poor in the next ten years (Andrew Mack 2002).

The trend definitely continued to the year 2001 as the number of poor people between 1981 and 2001 increased significantly in the Sub-Saharan region. In percentage terms the number of poor has increased from 41 to 47 percent and in real numbers from 164 million to 314 million in a region with a total population of 606 million only. And the depth of poverty is increasing as life expectancy has fallen from 50 to 46 years in just ten years (*The Independent* April 25, 2004). For some countries it is even worse. And as the WB also points out that while in 1980 one out of every ten poor people of the world lived in Sub-Saharan Africa, in the year 2000 the figure rose to *one out of every three*. And projections show that in the future *one out of every two poor people of the world shall be living in Sub-Saharan Africa!* (*The Independent* April 25, 2004.)

So that poverty has not declined either in Latin America or Sub-Saharan Africa after all. How about South Asia then? Let's then look at our own region, regularly reported in the West as the picture perfect poor region, which also includes the "basket case", Bangladesh. World Bank again shyly admits that although the number of poor has decreased, the decrease has not been as remarkable and it is not so visible either as it has been upset by the increase in population. Thus although there was a betterment in the life of about 34 million people (in a population of over 1.4 billion) over the last twenty years, unfortunately people in South Asia have produced more offspring to nullify the gains. So that the number of poor, that is, less than \$1/day in this region today stands at 428 million (*The Independent* April 25, 2004)! Meaning the total population of Bangladesh and about three more such basket cases.

The region also has all other manifestations of poverty already built into it, like large populations, low income, high infant and maternal mortality, low life expectancy, low literacy rate and so on. Also, the lot of the poor has worsened in the past years as the rich have become richer, while the ratio between the income of the rich and the poor has also increased. For Bangladesh the ratio between the top 5% income earners and the bottom 20% in 1970 was 1.9 (Islam 1982), today the difference in income between top 10% and bottom 10% is 7.3 times. Similar increases in inequality are also noted for Pakistan and India.

So then, we are now left with one more and a very interesting region that was not even considered poor before 1990. This is the region of Eastern Europe and Central Asia. This is the region that threw away the shackles of communism around 1990 and has just begun its journey towards capitalism, indeed, inundated itself with market mechanisms. In this region the introduction of capitalism, like in China, must be doing all the good work that it is supposed to do. In fact there was very little recognizable poverty to begin with during the socialist era, so capitalism would require only a little push to make everyone rich forever. Unfortunately the WB is somewhat embarrassed to announce that although there are very few people below one-dollar-a-day in that region, the number of people below \$2/day have *risen* to around 20 percent (*The Independent* April 25, 2004). Meaning where there was no

poverty during socialism, capitalism has successfully introduced at least 20 percent of the population to the curse of poverty!

For matters of comparison the poverty line in this region has actually been set at \$4 per day. UNDP using the \$4 a-day cutting line estimates that as high as one-third of the population (about 120 million people) in the region is in poverty (Yan Hao 2001). In Russia the proportion of population below the \$4 a day is 53% while it is 62% in Kazakhstan. Atal (1999) calls this a transition from "no-poverty to poverty". And it is almost certain that in the next ten years there will be a sizable number of less than \$1/day poor in this region also as all the paraphernalia of poverty are already in place including a very fast deteriorating economy with for example as low as -9.6% annual growth rate in Azerbaijan and -11.8% in Tajikistan and close to the same in other countries of the region (UNDP 2002).

Transition to market economies has already been disastrous for some countries like Russia or Ukraine. Redmond and Hutton (2000) report that in Russia and Ukraine, the two largest transition economies of the region, "there has been a constant and steep decline in real GDP: in 1997 it was estimated to be 46% of its 1989 value in Russia, and 34% in Ukraine" (Redmond and Hutton, 2000). Atal (1999) in his UNESCO publication *Poverty in Transition and Transition in Poverty* notes that poverty in this region has a trend opposite of that noted in traditional poor regions. First, in the traditional poor areas poverty is decreasing while in this region poverty is on the increase by all three indicators of poverty, i.e. the number of poor, the head count index and poverty gap. Second, in developing countries the poor are illiterate, unskilled, unemployed, or from rural areas or socially disadvantaged groups but in Eastern Europe the new poor consist largely of urban dwellers, mostly educated, skilled and still employed, who fall victims of the economic restructuring and crisis, such as the job-dislocated people, those who are paid low wages, those whose wages have been deferred, and pensioners with pensions not properly indexed to inflation. In the case of Russia it is the most unlikely group, the intellectual class, which has suffered the most (Atal in Yan Hao 2001). Although Atal's contention that the number of poor in the traditional poor region is decreasing is not accurate, his description of poverty in this region appears to be quite appropriate.

Thus we see that poverty has actually increased in all regions, and has invaded regions that were not even poor just fifteen years ago. The only success story that the world bank can actually quote is China, which "lifted" 400 million people out of poverty. So, let's look at China now. With an increase of about 22 *times* in its GNP and about 17 *times* in its GDP per capita (Yan Hao 2001) China, alone among the transition economies, has had any success with its economic managements, including its poverty. Indeed, China announced in November 2000 that "absolute poverty" has been eliminated from the country. Gao Hongbin, a leading poverty alleviation official claimed that, "[a]t present, except for some 26 million disabled people or those living in extremely bad natural environment areas, we have succeeded in eliminating absolute poverty in the country," (Agence France Presse 2000). The claim is based on the national poverty line drawn at 635 Yuan (or US \$77) of income annually. Gao Hongbin reasons that 635 Yuan or about 22 US cents a day are enough money to enjoy the basic necessities of life in the rural area (Gao Hongbin quoted by Agence France Presse 2000). Thus according to the Government statistics there is almost no one in China's 1.3 billion people below 635 Yuan per capita income annually (Agence France Presse 2000).

China after 1978 not only began to surge forward with its economic reforms but also executed plans in various phases designed specifically to alleviate poverty, particularly in the rural sector. Yan Hao (2001) notes that by 1999 the per capita income of 870 million rural residents stood at 2210 Yuan or about 75 cents a day from only 134 Yuan in 1978. After 1949 a major land reform, which gave land to the landless poor, lifted the majority of the rural population from absolute poverty. A later experiment by introducing the commune system did some damage to it so that by the end of the seventies there were still about one-third of the

population below the poverty line (Yan Hao 2001). According to the State Statistics Bureau there were about 250 million or 30.7% of the rural population were under the poverty line in 1978. By the end of the 1980s the number came down to about 125 million or 14.8% of rural population with the poverty line drawn at 200 Yuan per year. In 1994, the government “kick-started” the “National 8-7 Poverty Reduction Program” to lift the remaining 80 million rural poor from poverty by the year 2000 and claimed to have done so (or nearly so) by the end of the period in 2000. On a May 2001 conference it was announced that the program has made considerable progress by reducing the number of rural people living below the poverty line to 30 million, or 4% of the rural population (Jiang, 2001 quoted by Yan Hao 2001) However, these 30 million, seemed to be the same group as in the Agence France Presse (2000) report who live “largely in mountainous regions, frontier regions and ethnic minority regions, where natural conditions are harsh and infrastructure is inadequate”. (Yan Hao).

In contrast to the rural scenario the urban economy even from the 1950s was strictly planned so that every city dweller was guaranteed a job, which were often for the whole life with pension benefits. The system was also very egalitarian in the sense that “few lived in luxury and few in absolute poverty”, so that the Gini coefficient remained under 0.2 for over three decades up to 1988 (Zhao and Li 1999 as quoted by Yan Hao 2001). Thus even as late as the 1980s, there were fewer than 1% of the urban residents or about 3 million under the official poverty line. These consisted of the “childless elderly, orphans and the disabled”. Since the opening up of the economy the urban residents saw a great increase in their incomes also. Thus the per capita income rose from 343 *Yuan* in 1978 to 5,425 *Yuan* in 1998. So that in 1999 the poverty line was drawn at : 2646.7 *Yuan* of annual disposable income. Thus both in the rural and urban areas the Chinese seem to have eliminated absolute poverty successfully.

Of course not everyone agrees with this rosy picture in China and some have argued that the opening up of the economy in China has begun to take its toll in the fast growing urban sector. By these accounts the number of poor are inevitably on the rise with some estimates as high as 12 million or 20 million (Zhang 1997 and Hong 1997 respectively, as quoted by Yan Hao 2001). Nevertheless, it is widely agreed that people living in poverty make up less than 5% of the total urban population (Yan Hao 2001), or roughly about 14 million. While on the other hand the Gini coefficient also rose from 0.19 in 1985 to 0.28 in 1995 (Zhao and Li, 1999 as quoted by Yan Hao 2001). Thus the gap between China's richest and poorest is now amongst the widest in Asia, if not the world (Hayes 2003).

The rise in inequality in China is particularly evident from the number of the super rich. By 1999 China could boast of 50 super rich persons, poorest of who was worth \$6 million, which in the US would be equal to \$200 million (Justin Doebele 1999). During the next five years, ending in 2004, the number of the super rich has swelled with at least 3 billionaires in their ranks. Forbes (Website: Forbes 2004) lists 200 of these super rich the poorest of whom is worth about \$80 million. These numbers may seem preposterous in an economy that was socialist only yesterday, but they seem to be in tune with the other transition economies like Russia. Only four Russians made the Forbes world billionaires list in 1997. Today, by the count of *Forbes Russia*, there are 36 Russian billionaires. That the combined net worth of Russia's 36 billionaires (\$110 billion) is equivalent to 24% of GDP speaks volumes. With 33 billionaires Moscow can boast of the highest number of billionaires for any city, 2 more than New York's 31. (Paul Klebnikov 2004).

While on the other hand, there are also claims that the number of the chronically poor is also on the rise in the rural China. By some accounts 40 to 65 million people who are forced into such a state of poverty. This is happening mainly because many a “new poor” are joining the ranks of those left behind by the growth (Website 1).

Unfortunately the WB accounts seem to be nowhere even close to the picture of China noted by the state agencies and other Chinese scholars. Indeed, they don't seem to be talking

about the same country. In any case, the WB does not accept the Chinese claims and insists on their one and two-dollars-a-day estimates, according to which in 2001 about 16.6% of the population lived under one-dollar-a-day (absolute poverty), while 46.7 percent under two-dollars-a-day (in 2000 they were 18.8 and 52.6 respectively). In real numbers these are, 212 million and 598 million respectively (in 2000 figures, 239.7 million and 672.7 million respectively). WB also maintains that China has succeeded in "lifting" 400 million people out of absolute poverty between 1981 and 2001 (*The Independent*, April 25, 2004). Thus by using its own definition of poverty the WB continues to treat those hundreds of million in China as poor as well as claiming that China has achieved great success by following the market economy. Indeed, WB says that the "progress in reducing poverty in China was fueled by economic reforms, openness to markets and competitions, focus on private initiative and market mechanisms" (*The Independent* April 25, 2004).

On this last point Galbraith, who acted as a technical advisor to the Chinese Government from 1994 to 1997, insists that Washington's policies had little to do with the growth in China. It was the result of the country's own internal reforms many of which date back to the late 1970s (Laura Secor 2003). Galbraith, in his frustration noted that people try to take credit for the growth of China but if any credit is to be given it must go to the Chinese Communist Party. "For God's sake", Galbraith declares, "They run the place" (quoted by Laura Secor 2003). Similarly Rodrik notes that China's growth spurt began before the liberalization and reminds that China is "the last country to play 'by the rules of the game'" and, in any case, was not even a member of WTO or its predecessor GATT before 2003 (Laura Secor 2003). Thus WB has very little to gloat about China's success, even though it is banking on its own rather questionable counts of poverty and poverty alleviation numbers.

Thus the picture painted by the WB of a world in which poverty has declined dramatically or that China has lifted 400 million out of absolute poverty has very little support, even from its own accounts, which are, to say the least, often inconsistent. When compared with the national poverty lines, one is dismayed at the almost opposite picture that emerges as in cases like China. The plight of the poor is the same whether in China, Bangladesh or the US. National poverty lines, more tuned to the situation, do definitely present a clearer picture than the WB accounts. So that the number of poor people in the US (47.8 million) is about the same as in Bangladesh (47.7 million) or even in China which by some accounts is between 40 to 65 million. WB simply has no way of capturing this with its present methodology.

Poverty is worsened by the ratio of incomes going to the various sections of the population. WB simply ignores the impact of this on the worsening poverty in many parts of the world, like in LA. By many accounts the poor in most countries are getting poorer while the rich are getting richer. Andrew Mack (2002) in his essay "The Struggle Against World Poverty: Why Inequality Matters" argues that gross inequalities of income make it more difficult to reduce the worst forms of poverty. He cites very rational grounds for his arguments. First, high levels of national inequality can slowdown the national growth rates largely because the real potential of the poor remain unutilized. He notes that during the last 30 years more egalitarian East Asia grew three times faster than highly unequal Latin America. Second, high inequality levels undermine the effectiveness of growth strategies in reducing poverty. This is true even when the incomes of the poor rise at the same rate as overall growth. He illustrates this with a comparison between Brazil and Indonesia. The poorest fifth of the population in Brazil receive only about 2.5% of the national income while it is 10 % in Indonesia. So that if Indonesia and Brazil grow at the same rate the poorest 20% of Indonesians will increase their income by four times as much as those of the poorest Brazilians! Thus "Decreasing inequality makes economic growth work more effectively for the very poor" (Andrew Mack 2003)

Unfortunately, the attitude of the Bank and the "neoliberal" economists have been that the rich may be getting richer or the ecosystem may be collapsing but so long as the poor are emerging from poverty, everything is nice and sound (Monbiot 2003). And it is the WB alone who has all the facts and figures on poverty to prove it. So by being able to show a reduction in poverty the WB can take credit for its policies. As it definitely does. Deaton (2002) notes

that because China has made continuing progress in reducing poverty, it is possible to paint a rosier picture of the decline of world poverty.

However, Chakravarthi Raghavan (2002) notes that, the Bank was not much interested in this line of arguments until the Copenhagen +5 Summit where due to the pressure from the civil societies the Summit concluded that each country must define an absolute poverty line and aim to eradicate it by a target date to be set by each country. The Bank then, Chakravarthi Raghavan (2002) claims, "hijacked the poverty issue" to argue that the "good policies" (of the Washington Consensus), with some more aid, reduced poverty in countries and that the Bank was best situated to deliver these. The IMF and the UN agencies soon joined the Bank to "have a piece of the action". And thus the Bank became the self-styled crusader against poverty.

## Part Two

Whether WB takes credit for the success in reducing poverty the world over or not, the numbers on which such claims rest have been put in serious doubt, both in their construction and reliability while their validity has been seriously challenged. The WB estimates of poverty seems to be at odds with all national figures, meaning simply that the WB has no idea of the local conditions that prevail in each country. So that when it claims a static position for poverty in LA, some countries report over 80% of the population in poverty. While on the opposite end when countries like China report an end to poverty WB continues to count millions in poverty. But can we depend on their figures? Particularly when the Bank left out countries like China and India, the two countries with almost half of the world's poor, while devising the measurements? Pogge and Reddy (2003) expressed their utter astonishment that everyone working with international poverty issues, including academics, are using the Banks data without ever questioning their validity. Unfortunately the reliance on WB data is so much that everyone is forced to use it simply because this is the only available set of such data. But that does not make the data either accurate or reliable.

Nor is the cause helped much when the same set of WB data yields entirely opposite results. Angus Deaton (2002), notes that by "[u]sing the same data, two reports released less than two years apart by the World Bank reached apparently different conclusions on whether world poverty was going up or down" (*emphasis original*). In the *World Development Report* of 2000/2001 the Bank reported that the number of people living on less than \$1/day grew from 1.18 billion in 1987 to 1.20 billion in 1998—an increase of 20 million. Using the same set of data about two years later in another major WB publication the Bank claimed that the number of people living in poverty fell by 200 million from 1980 to 1998 without showing the previously noted increase between 1987 and 1998! The lifting of 200 million out of poverty was further affirmed in another report in 2002 without ever recognizing the contradiction (Angus Deaton 2002).

Such knowledge of contradictory results make it extremely difficult to accept the recent WB claim that people living in poverty fell from 1.5 billion in 1981 to 1.1 billion in 2001, or that 400 million have been lifted out of poverty. In fact all that has changed in between the previous and the present reports are the base years for which the data have been compiled, i.e. in place of 1980 it is now 1981 and in place of 1998 the data are carried up to 2001. So that we are expected to believe that in three years between 1998 to 2001 another 200 million (making it 400 million altogether) people have been liberated from the curse poverty! Statistics may be a tricky business, but it defies all imagination as to what trickery may be involved in such manipulation of numbers!!

Unfortunately, such are the possibilities of misunderstanding built into the data that by using the same set of statistics other scholars have also arrived at contradictory conclusions and have created even greater confusion. In *Globalization and Its Discontents*, Joseph Stiglitz

claims that severe poverty has persisted at high levels throughout the 1990s. Freedman, reviewing Stiglitz, notes that there is serious controversy about how many people live below the international poverty lines of \$1/day and \$2/day (Nye et al 2002). Because while Stiglitz using the World Bank headcounts gives the figures of 1.2 billion and 2.8 billion, respectively for \$1/day and \$2/day poverty lines, Xavier Sala-i-Martin, a Columbia University economist, finds only 286 million and 980 million only!! (Nye et al 2002). Such and other inconsistencies and contradictions abound in the use of WB figures.

Much of the problem with WB data stem from the attempt to have a single set of construct that can be used universally across countries and still retain its meaningfulness across time. To this end WB uses an ingenious method of calculating an international poverty line on the basis of the purchasing power of \$1. But since all countries of the world do not use the US dollar, the Bank has invented the "purchasing power parity" (PPP), which measures the amount of goods or services that the equivalent of one dollar can buy in different countries in their own currencies (Monbiot 2003). It was further assumed that in some countries like in Latin America and the Caribbean the same goods and services might cost more, so the bank used the \$2 (corrected for PPP) as the poverty line. Guillermo O'Donnell (1996) notes that for LA the upper limit of the operational definition of poverty adopted by some methodologies barely allows to meet the basic needs and it is more so for the WB poverty line of \$60 a month which is lower than others.

It is also interesting to note that since the emergence of the Eastern European and Central Asian countries from the socialist economies the UNDP have instituted a \$4 poverty line for those countries, assuming them to be better off than Latin American (?). We noted the truth of that above. Also, when it finally dawned on them that there are poor people even in the developed countries, particularly in the USA, the core country of capitalism, the UNDP instituted an \$11 poverty line for the developed countries, based on the US poverty line.

However, Nye et al (2002) criticizes this conversion of the dollar into the PPP and says that in the context of poverty assessment, it is a "fatal mistake" to use the PPP. General PPPs, they argue are related to average price levels for all commodities, weighted by their share in international expenditure. A low-income household concentrates on a "quite narrow subset of all commodities", mostly food and other basic necessities. These may be cheaper in the poor countries but not as cheap as the general PPPs suggest. Pogge and Reddy (2003) give the following example to show how misleading such usage may turn out to be. (The example quoted here has been summarized from the original by Monbiot 2003.)

If, for example, one dollar in the US can purchase either the same amount of staple foods that 30 rupees can buy in India, or the equivalent of three rupees' worth of services (such as cleaning, driving or hairdressing), then a purchasing power parity calculation which averages these figures out will suggest that someone in possession of 10 rupees in India has the same purchasing power as someone in possession of one dollar in America. But the extremely poor, of course, do not purchase the services of cleaners, drivers or hairdressers. A figure averaged across all the goods and services an economy can provide, rather than just those bought by the poor, makes the people at the bottom of the heap in this example appear to be three times richer than they are.

In any case the WB first created the poverty measure in 1990 from the household surveys of 33 countries with their official domestic poverty lines (Pogge and Reddy 2003). In reality only eight countries, Bangladesh, Indonesia, Morocco, Nepal, Kenya, Pakistan, the Philippines and Tanzania, were considered. These had a national poverty line of about \$1 per day per person (Jan Vandemoortele 2002). These domestic poverty lines were then adjusted for the 1985 purchasing power parity (PPP) expressed in US dollars. It was reset again in the year 2000 with 1993 PPP. Unfortunately it is not known whether the updated poverty line is based on the same countries. Also that the updated line is based on the "median value" while the original one was based on the "average", which raise questions about their comparability (Jan Vandemoortele 2002). PPP conversion rates for different years are not comparable, so that



the “claim that they measure similar purchasing power in terms of the command over domestic goods is ultimately unverifiable (Jan Vandemoortele 2002).

Pogge and Reddy (2003) argue, that by changing the base year of calculation a wholly different result can be arrived at. Unfortunately, and in spite of the change in the base year, the Bank continued to treat the new base line of \$1.08/day 1993 PPP as the equivalent of the old estimate of \$1/day 1985 PPP. As it is the choice of 1985 or later 1993 as base years is arbitrary. Any other years would yield different figures. However, the effect of this revision of the base line according to Pogge and Reddy (2003) is “dramatic”. They explain this with an interesting example. In 1999 applying its old poverty line (\$1/day 1985 PPP) the Bank reported poverty rates for Nigeria and Mauritania of 31.1 and 31.4 respectively. In 2000 applying the new poverty line (\$1.08/day 1993 PPP) the Bank reported poverty rates for Nigeria and Mauritania of 70.2% and 3.8!

Jan Vandemoortele (2002) further adds that the fundamental question is “whether the \$1-per-day norm is valid for tracking change over time or for comparing poverty levels among countries”. The main problem with the norm is that it “violates” the standard definition of income-poverty, which treats a person to be poor when s/he cannot attain a minimum level of economic well being set *by society*. Thus absolute poverty is inevitably a relative concept. Therefore, the norm cannot be kept static when measuring poverty over time or for comparing poverty levels across countries. Vandemoortele also notes that as societies reach higher levels of development, “the conceptual relevance of \$1 per day gradually erodes as a measure of income-poverty”. Therefore, he argues, adjustments must be made to the poverty norm to take account of the changes in national prosperity, which the WB fail to appreciate.

Thus the whole system, to say the least, is replete with arbitrary measures. Pogge and Reddy (2003) say as much. The Bank, they say, uses “an arbitrary international poverty line unrelated to any clear conception of what poverty is, employs a misleading and inaccurate measure of purchasing power ‘equivalence’ that creates serious and irreparable difficulties for international and inter-temporal comparisons of income poverty, and extrapolates incorrectly from limited data and thereby creates an appearance of precision that masks the high probable error of its estimates.” (Quoted by Chakravarthi Raghavan 2002 ). They also argue that the WB data should not be accepted because they are also conceptually wrong. They identify errors on three counts. First is the failure to define a global poverty line that corresponds to a clear underlying concept of poverty. Second is the failure to employ purchasing-power-parity factors that permit meaningful and accurate identification of the national currency equivalents of the global poverty line, and of changes in their value through time. And the third type of error involves the building into the methods used of false precision and mistaken inferences, in the face of data limitations.(Chakravarthi Raghavan 2002). And because of such conceptual errors the data are likely to yield very distorted picture of poverty and may lead to a substantial underestimation of poverty. These may have lead to the conclusion regarding the lessening of poverty claimed by the Bank where probably it may have actually increased. In any case the data are so flawed that no clear reading of the trend is possible.

Pogge and Reddy (2003) have published an excellent critique of the ways in which the faulty measures were constructed and arbitrarily used. The choice of the household surveys on which the whole set of measures were constructed were done leaving out China and India, as a result of which a “massive element of guess-work and gap-filling” was involved in the construction of the measures. Monbiot (2003) calls it a “mixture of guesswork and wild extrapolation” and adds that a set of global poverty figures, presented with six-digit precision, which contains no useful comparative data from the two largest nations on earth, could be described as *imaginative*. Pogge and Reddy thus conclude that “the current estimates should no longer be employed, and new ones corresponding to a defensible methodology, covering past as well as current years, should be generated.”

The Bank, fortunately, took these accusations seriously and responded to them. Martin Ravallion argues for the Bank that Pogge and Reddy claims do not stand up to close inspection. Reddy and Pogge (2002) in a reply refutes every one of the Ravallion criticisms showing that he seriously misstates some of their criticisms and gives inadequate response to others and fails to address some others and they continue to stand by their own analysis. With or without the Bank's acceptance of the criticism, Reddy and Pogge have definitely stirred up the hornet's nest. They have shown that by using a faulty methodology WB have generated a picture of poverty that may have underestimated people below poverty line by as much as 30 or 40%. Similarly, Other studies, including those of the UN, which follow the WB method of the poverty count, have also commented on the shortcomings of the WB data. The Least Developed Countries Report 2002, recently published by the UNCTAD questioned the World Bank's poverty data calculated from household surveys, and claimed that these understated the extent of poverty in Africa. Although the report did not challenge the methodology it suggested the use of national income data instead (Chakravarthi Raghavan 2002). Jan Vandemoortele (2002) similarly finds that the use of the \$1-per-day poverty norm "under-estimates the extent of global poverty; at the same time it over-estimates progress in reducing income-poverty" and argues that these distortions could be avoided by using national poverty lines that are adjusted regularly.

Although few are equipped to challenge the data of the Bank, as Chakravarthi Raghavan (2003) notes, some like the civil societies at the Copenhagen +5 Summit did challenge the WB claims of poverty reduction as the Summit found little evidence of it at the country level. Similarly others, like Pogge and Reddy, also have very strong reservations about the WB data. Vandemoortele (2002) shows that the quest for comparable poverty data is elusive and that the global poverty estimates of the WB "are not a reliable source of information". Commenting on a similar set of WB data on inequality James K Galbraith says that the WB has compiled the best set of household survey data into a single set of inequality data and the "result is just nonsense". In his opinion, "[i]t's not consistent across countries, it's not consistent through time - it fails every reasonable standard of reliability" He goes on to argue that the WB data are so inconsistent "that they produce measures that are *obviously false*" (Galbraith quoted by Laura Secor 2003). George Monbiot (2003) finds the WB figures "without foundation" and "useless".

Therefore, Pogge and Reddy are genuinely surprised that the WB has been publishing their poverty data on a regular basis and others, including the academics, are using these without paying "significant attention" to the "massive flaws" in its procedures. These actually go to show the crass attitude with which the Bank deals with poverty and the poverty alleviation issues. Monbiot (2003) in his essay "Rich in Imagination" concludes "[t]hat the key global economic statistic has for so long been derived by means which are *patently useless* is a telling indication of how little the men who run the world care about the impact of their policies. If they cannot be bothered even to produce a meaningful measure of global poverty, we have no reason to believe their claim that they wish to address it" (Monbiot 2003). These merely speak of the poverty of the Bank itself.

Yet it may not be so difficult to have a methodology to measure poverty across countries and to make it comparable over time. Pogge and Reddy (2003) have suggested the construction of a reference basket of commodities that allows the individual to meet the basic requirements. The international poverty line could then be constructed on the basis of the local currency needed to purchase this reference basket in the country or in a locality within the country. The procedure thus focuses on a specific basket of goods needed by the poor and not a general list of commodities and these could be revised depending on the situation. Some countries already use this or a similar consumer basket of goods for their measurement of poverty lines. For instance Gao Hongbin, the Chinese official quoted above, insisted that 22 cents were all that was required in rural China to buy the necessities, "that is, to have enough to eat and wear and to have a place to dwell" (Agence France Presse 2000). Jan Vandemoortele (2002) in his study concludes that trends based on national poverty lines are likely to provide more meaningful information than the \$1/day estimate. The \$1/day merely distorts the reality.

Benjamin Friedman (2002) agrees with Pogge and Reddy and says that “thinking of poverty in this context as the inability to purchase some basic basket of consumer necessities—presumably including food, shelter, clothing, and so on— is a superior strategy”. He is of course aware of the difficulties involved in implementing such a scheme. However, he adds that the US is one of the few countries that try to define its poverty line on the basis of what Pogge and Reddy suggest. Friedman also argues in favour of looking at poverty as both a *relative* concept and as an *absolute* concept and says that the distinction between the two is very important. He points out that most countries treat poverty as a *relative* concept in which “if the average person's income moves up, then to stay out of poverty someone at the bottom of the scale needs more income too” (Friedman 2002). The US is the only country that uses the *absolute* concept in which, “if the average person's income rises, but the prices of consumer necessities (as represented by food) remain unchanged, then it takes no more income to stay out of poverty than before”. He suggests that the *absolute* concept of poverty may be used for international comparisons as Pogge and Reddy advocate, while the *relative* concept may be used for domestic discussion within the country as is already done in most countries.

In any case, poverty seen through such constructs merely reveals the tip of the iceberg. To capture the reality of poverty many different notions of poverty need to be looked into including income poverty, which is only one aspect of poverty. Other poverty estimates, based on under-nutrition, infant mortality, access to health services, and other indicators, can continue to inform us even in the absence of usable figures concerning global income poverty (Chakravarthi Raghavan 2002).

Most countries of the world use one or a number of these notions separately or in combination to assess poverty. Although a unitary set of statistics could serve better for international comparison, the one generated by the World Bank is not the answer. Perhaps, a measure like the “net worth”, which is often used to estimate the wealth of the rich, may serve as a better indicator. As wealth, or the “net worth” of the personal possessions, is likely to be a more constant feature than income or consumption and may be more amenable to cross country comparisons.

It is unfortunate that the WB data are so poor, especially because the WB remains as the only source of such data and the WB figures influence or guide major policy decisions all over the world including the alleviation of poverty and poverty aids. It is also regretted that WB does not allow access to its databases. Most of the data used in the poverty counts are not available to independent researchers or to agencies outside the Bank (Deaton 2002). As such no independent verification is possible, and, therefore, WB data lack transparency. Deaton (2002), to make the data more transparent, calls for an independent outside agency or an auditor “who either produces the numbers under a carefully specified contract or verifies their construction”. Pogge and Reddy (2003) call for a proper methodology and the conversion to a specific set of commodities for assessing the poverty line and until that is done *not to use* the present measures as their use can only lead to a misunderstanding of this important issue.

Thus from the above it stands to reason that the data and the arguments presented in Part One are redundant. The claims to the reduction of poverty by the WB, whether in China or in the rest of the world, not only fail to be convincing they are most likely to be wrong. They are definitely not based on any reliable methodology or on a valid notion of poverty. With so much at stake, particularly the reduction of poverty itself, researchers and policy makers alike require a more reliable set of data than the WB has so far produced. The Bank has the resources to provide a more reliable set of data, or even use an alternative system, like following the national poverty lines or use a construct based on an altogether different concept than income poverty. The current set of WB data are flawed on so many counts

that they do not only distort reality, their use amounts to a cruel joke perpetrated on the poor of the world. The poor definitely deserve better than that from the Bank.

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