# World Bank Says You're Not Poor if You Make $1.26 per Day

[This is a letter I sent to friends on Aug. 28, 2008,
along with an article from *The Economist*. –S.H.]

Hi everybody,

For some time now the World Bank and other capitalist institutions have been claiming that the number of poor people in the world has been falling, due to the benefits of capitalism and capitalist globalization. How have they "determined" this? By counting how many people are forced to live on incomes below $1 per day!

By that munificent standard the number of "poor" people in the world is now just under 1 billion (or about 1 in 6 people). But the fact is that it is becoming just about impossible to live on less than $1 in more and more places in the world, so that the decline of the number of those in this category is pretty much meaningless.

The article below, from the new issue of *The Economist* describes how the World Bank has finally admitted that people should now be counted as "poor" only if they live on less than $1.25 per day. I have to admire their extreme concern for the poor which has moved them to finally increase this cut off point so enormously! By this new standard there are now 1.4 billion poor people in the world (or about 1 in 4).

But I think any reasonable person would say that someone making only $1.50 per day, or only $2 per day, or even only $3 per day, is also desperately poor. And how many people are there in each of these categories? How many billions? The World Bank doesn't choose to say.

Too embarrassing, I guess, if you are promoting the virtues of capitalism!

And what does *The Economist* focus on in the article? Not this gross understatement of how many billions of poor people there are, but rather how poor people should perhaps be considered to be not so poor after all, since they are lucky enough to be forced to buy cut-rate low quality food and other goods.

Damn I hate the capitalists and their apologists! I can't wait for the day when we get to wring a few of their necks.

Scott

**Poverty**

# The bottom 1.4 billion

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From *The Economist* print edition

**The world is poorer than we thought, the World Bank discovers**

IN APRIL 2007 the World Bank announced that 986m people worldwide suffered from extreme poverty—the first time its count had dropped below 1 billion. On August 26th it had grim news to report. According to two of its leading researchers, Shaohua Chen and Martin Ravallion, the "developing world is poorer than we thought". The number of poor was almost 1.4 billion in 2005.

This does not mean the plight of the poor had worsened; only that the plight is now better understood. The bank has improved its estimates of the cost of living around the world, thanks to a vast effort to compare the price of hundreds of products, from packaged rice to folding umbrellas, in 146 countries. In many poor countries the cost of living was steeper than previously thought, which meant more people fell short of the poverty line.

Ms Chen and Mr Ravallion have counted the world's poor anew, using these freshly collected prices. They have also drawn a new poverty line. The bank used to count people who lived on less than "a dollar a day" (or $1.08 in 1993 prices, to be precise). This popular definition of poverty was first unveiled in the bank's 1990 World Development Report and was later adopted by the United Nations (UN) when it resolved to cut poverty in half by 2015.

The researchers now prefer a yardstick more typical of the 15 poorest countries that have credible poverty lines. By this definition, people are poor if they cannot match the standard of living of someone living on $1.25 a day in America in 2005. Such people would be recognised as poor even in Nepal, Tajikistan and hard-pressed African countries such as Uganda. But for those who still think a "dollar a day" has a better ring to it, the authors also calculate the number of people living on less than that at 2005 prices (see table).

The discovery of another 400m poor people will not satisfy some of the bank's critics, who think it still undercounts poverty. Its cost-of-living estimates are based on the prices faced by a "representative household", whose consumption mirrors national spending. But the poor are not representative. In particular, they buy in smaller quantities'a cupful of rice, not a 10-kilogram bag; a single cigarette, not a packet. As a result, the "poor pay more".

Such concerns prompted the Asian Development Bank (ADB) to carry out its own study of the prices faced by the poor in 16 of its member countries (not including China). Its results, released on August 27th, found that in nine of those countries the poor in fact pay less. Even though they buy in smaller quantities, they save money by buying cut-price goods from cheaper outlets: kerbside haircuts not salons;

open-air stalls not supermarkets; toddy not wine.

This penny-pinching adds up. In Indonesia, for example, the poor's cost of living is 21% below the World Bank's estimate. The survey also shaved more than 10% off the cost of living in other populous countries, such as Bangladesh and India. The difference was narrower in smaller countries, such as Cambodia. This may be because in big countries, such as India, the rich are large in number, though a tiny part of the population. Perhaps their spending has an undue influence on the prices faced by the representative household.

The ADB's findings face an obvious philosophical objection. In theory a poverty count is supposed to calculate how many people fail to meet a certain standard of living. A person eating coarse rice, not fine-grained basmati, dressed in polyester not cotton, has a lower standard of living, even if he eats the same amount of grain and owns the same number of shirts. And when a household buys fruit in a supermarket, its members are buying more than just an apple. They are also enjoying the comfort of air-conditioning, the convenience of a parking space, and the hygiene of airtight packaging. But until such comforts are within the poor's reach, the ADB is right to track the prices the poor actually pay. It hopes the next global price survey, due in 2011 and led by the World Bank, will do the same. Then, perhaps, the number of poor will be back to nine digits.