

# World Bank: Two and a half billion people live on less than \$2 a day

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The World Bank reported Tuesday that in 2005 an estimated 1.4 billion people in the so-called 'developing world,' one-fourth of its population, lived on less than \$1.25 a day, the new official poverty line. This figure is 400 million more than the Bank's 2004 estimate of 985 million. Another 1.2 billion people live on between \$1.25 and \$2 a day.

The report issues from an institution correctly identified by great numbers of people around the world as a reactionary pillar of the global financial system. Despite efforts by Bank officials to put the best face on things, that more than two and a half billion people continue to live in unspeakable poverty in the first decade of the 21st century is an indictment of the capitalist system.

Martin Ravallion and Shaohua Chen, of the World Bank's Development Research Group, in a study entitled, "The Developing World is Poorer than We Thought, But No Less Successful in the Fight Against Poverty," note that in 2004, for the first time, the Bank's global poverty count had fallen below one billion.

They continue: "Alas the revised estimates reported in the present paper suggest that our celebrations in finally getting under the one billion mark for the '\$1 a day' poverty count were premature. ... We find that the incidence of poverty in the world is higher than past estimates have suggested."

The 2005 estimates are based on surveys conducted in 116 countries and interviews with some 1.23 million households.

The most dire conditions exist in Sub-Saharan Africa. After a quarter-century (1981-2005) that witnessed the most extraordinary advances in technology, the percentage of people living in absolute poverty in that region remained unchanged; some 50 percent of its

population subsists on \$1.25 a day or less.

The actual number of the extremely poor in Sub-Saharan Africa almost doubled, from 200 million in 1981 to about 380 million in 2005. "If the trend continues," notes a World Bank press release, "a third of the world's poor will live in Africa by 2015. Average consumption among poor people in Sub-Saharan Africa stood at a meager 70 cents a day in 2005."

Most of the 15 poorest countries in the world—Malawi, Mali, Ethiopia, Sierra Leone, Niger, Uganda, Gambia, Rwanda, Guinea-Bissau, Tanzania, Tajikistan, Mozambique, Chad, Nepal and Ghana—are located in Africa.

In South Asia, the percentage of those living below the \$1.25 poverty rate has decreased from 60 to 40 percent over 1981-2005, but the absolute number of desperately poor people did not decline; there are some 600 million in that category. In India, extremely uneven economic development reduced the poverty rate as a share of the total population from 60 percent in 1981 to 42 percent in 2005, but the number of the destitute increased from 420 million in 1981 to 455 million in 2005.

The largest factor in lowering the percentage of extremely poor people in East Asia has been the explosive industrialization of China. In 1981 East Asia was the poorest region in the world. In China the number of people surviving on less than \$1.25 a day in 2005 prices dropped from 835 million in 1981 to 207 million in 2005. A quarter of a century ago, the report states, "China's incidence of poverty (measured by the percentage below \$1.25 per day) was roughly twice that for the rest of the developing world; by the mid-1990s, the Chinese poverty rate had fallen well below average."

In the former colonial world, outside of China, the progress has been far more limited; the total number of extremely poor people has remained at about 1.2 billion. The percentage of the ‘developing world’ population living in absolute poverty has decreased from 40 percent in 1981 to 29 percent in 2005, according to the Bank. Excluding China, however, the most oppressed countries are not on track to reach the Millennium Development Goal (MDG) of halving the 1990 poverty rate by 2015.

In Eastern Europe and Central Asia (EECA), the former Stalinist-ruled countries, the picture is bleak. “The mean consumption of EECA’s poor has actually fallen since the 1990s, even though the overall poverty rate was falling.” In passing, the authors note that social inequality has grown in that region since the collapse of Stalinism: “The paucity of survey data for EECA in the 1980s should also be recalled. Thus our estimates are heavily based on extrapolations, which do not allow for any changes in distribution. One would expect that distribution was better from the point of view of the poor in EECA in the 1980s, in which case poverty would have been even lower than we estimate—and the increase over time even larger.”

The poverty rate in Latin America and the Caribbean has also declined, but not enough to bring down the number of extremely poor people.

Ravallion and Chen point to two phenomena that tend to undercut even the limited progress they cite.

First, although hundreds of millions of people have lifted themselves out of absolute poverty since 1981, the improvement has been very slight for vast numbers. While the increase in wealth at the other pole of global society, registered in the number of billionaires and the share of national incomes held by the top one or five percent of the population, has been explosive, the very poor have only inched ahead and remain immensely vulnerable.

The study’s authors point to the phenomenon of “bunching up” that has occurred between \$1.25 and \$2.00 a day. They observe that the number of people living at that level “has actually risen sharply over these 25 years, from about 600 million to 1.2 billion. This marked ‘bunching up’ of people just above the \$1.25 line suggests that the poverty rate according to that line could rise sharply with aggregate economic contraction.”

Speaking of the same phenomenon in relation to both East and South Asia, they note that a total of some 900 million people live on between \$1.25 and \$2.00 a day, “roughly equally split between the two sides of Asia. While this points again to the vulnerability of the poor, by the same token it also suggests that substantial further impacts on poverty can be expected from economic growth, provided that it does not come with substantially higher inequality.”

In a press release, the World Bank notes that its estimates “suggest less progress in getting over the \$2 per day hurdle. Indeed, we have seen no change in the number of people living below \$2 per day at around 2.5 billion, between 1981 and 2005.”

In another press release, the Bank is also careful to point out that the new estimates “do not yet reflect the potentially large adverse effects on poor people of rising food and fuel prices since 2005.”

Or, as Ravallion and Chen write in their conclusion, “There are a great many people who have reached the frugal \$1.25 standard, but are still very poor, and clearly vulnerable to downside shocks. One such shock is the steep rise in international food and fuel prices since 2005. Despite the progress in reducing the lags in survey data availability, it will probably not be until 2010 that we can make a reasonably confident assessment of the ex post impacts of the rising food and fuel prices on the world’s poor. Until then, ex ante assessments will be required, based on pre-crisis data and economic assumptions. Such assessments suggest that at least a few years of the progress reported here have been eroded since 2005.”



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