

Global poverty For the first time ever the number of poor people is declining everywhere

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Global poverty

A fall to cheer

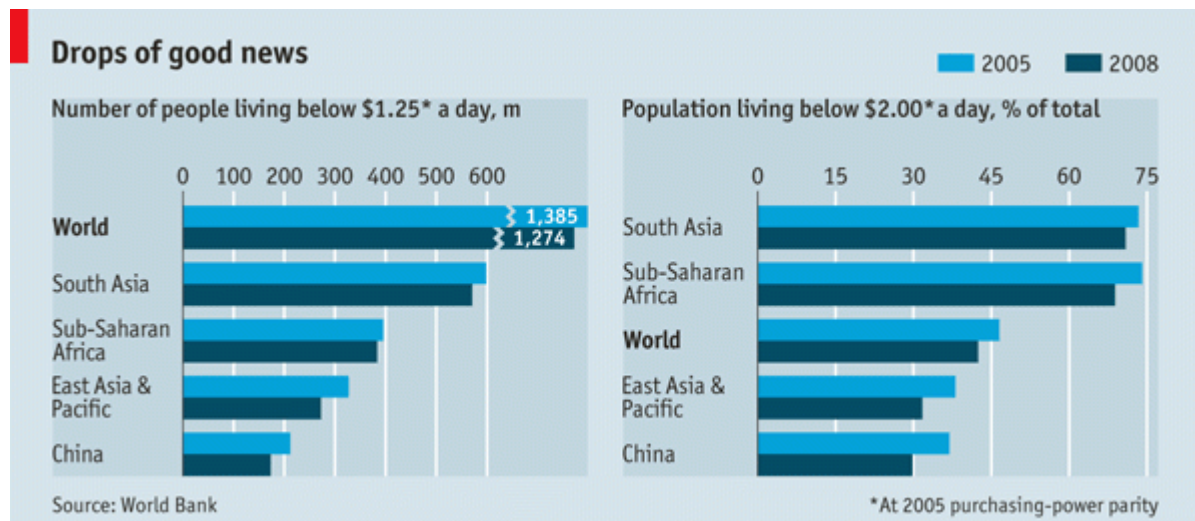
For the first time ever, the number of poor people is declining everywhere



THE past four years have seen the worst economic crisis since the 1930s and the biggest food-price increases since the 1970s. That must surely have swollen the ranks of the poor.

Wrong. The best estimates for global poverty come from the World Bank's Development Research Group, which has just updated from 2005 its figures for those living in absolute poverty (not be confused with the relative measure commonly used in rich countries). The new estimates show that in 2008, the first year of the finance-and-food crisis, both the number and share of the

population living on less than \$1.25 a day (at 2005 prices, the most commonly accepted poverty line) was falling in every part of the world. This was the first instance of declines across the board since the bank started collecting the figures in 1981 (see chart).



The estimates for 2010 are partial but, says the bank, they show global poverty that year was half its 1990 level. The world reached the UN's "millennium development goal" of halving world poverty between 1990 and 2015 five years early. This implies that the long-term rate of poverty reduction—slightly over one percentage point a year—continued unabated in 2008-10, despite the dual crisis.

A lot of the credit goes to China. Half the long-term rate of decline is attributable to that country alone, which has taken 660m people out of poverty since 1981. China also accounts for most of the extraordinary progress in East Asia, which in the early 1980s had the highest incidence of poverty in the world, with 77% of the population below \$1.25 a day. In 2008 the share was just 14%. If you exclude China, the numbers are less impressive. Of the roughly 1.3 billion people living on less than \$1.25 a day in 2008, 1.1 billion of them were outside China. That number barely budged between 1981 and 2008, an outcome that Martin Ravallion, the director of the bank's Development Research Group, calls "sobering".

If China accounts for the largest share of the long-term improvement, Africa has seen the largest recent turnaround. Its poverty headcount rose at every three-year interval between 1981 and 2005, the only continent where this happened. The number almost doubled from 205m in 1981 to 395m in 2005. But in 2008 it fell by 12m, or five percentage points, to 47%—the first time less than half of Africans have been below the poverty line. The number of poor people had also been rising (from much lower levels) in Latin America and in eastern Europe and Central Asia. These regions have reversed the trend since 2000.

All this is good news. It reflects the long-run success of China, the impact of social programmes in Latin America and recent economic growth in Africa. It is also a result of the counter-cyclical fiscal expansions that many developing countries, notably China, embarked on in response to the 2007-08 crisis. Many economists (including some at the World Bank itself) were sceptical about these programmes, fearing they would prove inflationary, inefficient and ill-timed. In fact, the programmes helped make poor and middle-income countries more resilient.

The poverty data chime with other evidence. Estimates by the Food and Agriculture Organisation that the number of hungry people soared from 875m in 2005 to 1 billion in 2009 turned out to be wrong, and were quietly dropped. Derek Headey of the International Food Policy Research Institute has shown that despite the world food-price spike, people's assessment of their own food situation in most poor and middle-income countries was better in 2008 than it had been in 2006.

Most of the progress has been concentrated among the poorest of the poor—those who make less than \$1.25 a day. The bank's figures show only a small drop in the number of those who make less than \$2 a day, from 2.59 billion in 1981 to 2.44 billion in 2008 (though the fall from a peak of 2.92 billion in 1999 has been more impressive). According to Mr Ravallion, poverty-reduction policies seem to help most at the very bottom. In 1981, 645m people lived on between \$1.25 and \$2 a day. By 2008 that number had

almost doubled to 1.16 billion. Even if many of these middling poor move up, their places are often taken by those who have just escaped from absolute poverty; population growth does the rest. **The poorest of the poor seem to have escaped the worst of the post-2007 downturn. But the growth in the middling poor shows there is much to be done.**