What do the new World Bank poverty statistics really tell us?

Robin Broad and John Cavanagh, guest bloggers


If it were only that easy. Let us dig into what the World Bank’s new briefing note really tells us and ask two questions: Do the statistics really show a fall in extreme poverty across the world? And, what policies lie behind the changing poverty figures?

What the figures tell us and do not tell us:

1. The figures do not tell us anything about the impact of the recession: The actual data cover 1981-2008; figures ending in 2008 cannot possibly tell us anything about the impact of a recession that started in the United States in late 2008. The briefing note alludes to “preliminary estimates” for 2010; based on these, the Bank makes the bold assertion that the Millennium Development Goal of halving poverty (defined as $1.25/day) from its 1990 level was achieved in 2010. But, preliminary estimates are, well, just preliminary estimates. These are extrapolated from significantly smaller samples. Hence, the data cannot back up the Bank’s confident claim because, again, the real data end in 2008. We have been following World Bank projections and estimates for decades now and have found them highly unreliable – and typically over-optimistic.

2. If one sticks to the 1981-2008 period, China is the key: Between 1981 and 2008, the entire drop in the number of people living in “extreme poverty,” that is those who live below $1.25 a day, is accounted for by China — where the number of extreme poor fell by 662 million. Over this period, the number of people living below $1.25 a day outside China actually rose by 13 million, and hovered around 1.1 billion people throughout this period. More people fell into poverty in South Asia over this period (interesting, given India’s rapid growth over the past decade) and in sub-Saharan Africa. Hence, a more accurate headline would have read: “Numbers in poverty plunge in China over past three decades from 1981-2008, while rising marginally in the rest of the world.”

3. To extend this last point: As we have argued elsewhere, in countries such as South Africa, where government services are generous, $1.25 a day goes further than, say, in Haiti. Furthermore, as nations grow rapidly, as have China and India over the past decade and a half, the amount of money needed for people in the cash economy to maintain a decent standard of living also rises. As for those who subsist in rural areas on less than $1.25 a day, many consume much of what they produce. Many live in self-built homes and depend on traditional medicines. While their poverty may be “extreme” by the Bank’s monetary measure, their quality of life may be much better than that of their urban counterparts, even though their incomes are often smaller.

Related to this, our experience living with poor families in rural areas suggests that it has been the opening of their natural resources to global agribusiness, factory fishing fleets, and corporate interests that often leads to real poverty. Millions have been pushed off their land over the past few generations into urban slums where they live in squalor, although they may bring home a few dollars a day. In sum, the statistics upon which most poverty elimination strategies are based are extremely misleading, and often steer experts toward the wrong solutions.

This raises the other question of what policies are behind the figures:

1. Neoliberalism and poverty: What is behind the data that shows those in poverty outside China increasing in most regions from 1981 to 2005? This period coincided with the heyday of corporate-friendly neoliberal policies in most countries. So the data could be read as a confirmation of what critics of neoliberalism have been saying: the wave of market fundamentalism contributed to increases in the numbers of people in poverty. That data also reveals that in one region, sub-Saharan Africa, the percent of people living below the poverty threshold also rose over this period. We hardly need to point out that in the one country where poverty plunged – China – leaders did not pursue blind neoliberalism, but instead combined state direction of much of the economy with market-openings in selected sectors.

2. How about the subsequent period from 2005 to 2008, a time range during which the data reveal poverty numbers and rates falling in all regions of the world? As opposed to 1981-2005, this was a period of spreading cracks in the neoliberal Washington Consensus. It was also a period of rising of commodity prices and rising of balance of payments surpluses in many Southern countries. As a result, many Southern countries were able to repay the IMF and World Bank and wean themselves from World Bank and IMF loans and neoliberal conditionality.
Hence, the new World Bank poverty figures may tell a very different story from what has been suggested elsewhere: The numbers in poverty outside China rose during the heyday of neoliberal policies, and began to fall as the grip of those policies was loosened after 2005.


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