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CHAPTER 1

Introduction

Why did I write this book and why should you read it? The simple answer to the first question is to be found in my personal history. I became an economist in the 1960s on account of reading *The Poor and the Poorest*, a landmark study of poverty in the United Kingdom by Brian Abel-Smith and Peter Townsend (1965) published on Christmas Eve 1965, and of my earlier personal experience of working with deprived children in Hamburg. My first book (Atkinson 1969) was about poverty in Britain and the need for urgent action. Some half a century later, I remain deeply concerned that, in countries that are many times richer than in the 1960s, poverty has become more, rather than less, entrenched. One of the main aims of the book is to highlight the lack of progress in tackling poverty and to hold our governments to account for their failure. At the same time, I am encouraged by the wider ambition that underlies the global poverty goals that have now been agreed worldwide—unthinkable when I first started work—and believe that it is important that words agreed at the United Nations in New York should be translated into effective action.

The simple answer to the second question is indeed that poverty is one of the two great challenges facing the world as a whole today, along with climate change, with whose consequences poverty is intimately connected. Achieving the ambitious Sustainable Development Goals to which world leaders committed themselves in 2015 is challenging in the extreme, and the book does not pretend to offer a route map to success. Instead, it seeks to provide the evidence about the extent and nature of poverty that is necessary to spur action and to design effective policies. Greater understanding of what is meant by "poverty" and its relation to action worldwide is, I believe, essential to keep the challenge high on the agenda of governments and citizens at a time when there is a risk that we become inward-looking and dismissive of the urgent need to work together.

THE SALIENCE OF POVERTY STATISTICS AND THEIR IMPLICATIONS FOR ECONOMICS

Learning about the extent of poverty is important in terms of understanding the world in which we live, but it is the link with action that marks out this issue from many other subjects of study in the social sciences. Poverty statistics matter because they motivate people to tackle a key challenge. The "rediscovery" of poverty in rich countries helped in the past place poverty on the

political agenda. Greater knowledge about uneven development has played an essential role in demonstrating the need for development policy to consider a wider set of objectives than economic growth.

Motivating political action

The history of poverty measurement contains many examples of the ways in which poverty statistics have raised awareness and led politicians to campaign, often reflecting voter concerns and the lobbying of pressure groups. In the United States, President John F. Kennedy, while campaigning in the Appalachian region of West Virginia, was made aware of the levels of deprivation there. Later, after reading Michael Harrington's influential book *The Other America* (1962), which detailed the extent of poverty, Kennedy asked his advisers to plan new measures to deal with the one-fifth of Americans who had incomes below the poverty line. After Kennedy's death, President Lyndon B. Johnson, immediately on taking office, moved to develop this idea, calling in his 1964 State of the Union address for "an unconditional war on poverty."

In the European Union in the early 1980s, the first European Action Programme to combat poverty made use of estimates of the number of poor people in the European Community (as it then was) to motivate the investment being made in antipoverty policies. Later, the European Commission president, Jacques Delors, publicized the estimates of two academics, Michael O'Higgins and Stephen Jenkins (1990), and their use was instrumental in developing the social dimension of the EU. This led to the regular monitoring of the extent of poverty in the EU and the adoption of the Europe 2020 Agenda, with a target of reducing the number in poverty by at least 20 million. (How successful this has been is considered in chapter 9.)

Meantime, many countries have adopted their own national poverty objectives. In Europe, following the 1995 UN Social Summit in Copenhagen, the Irish government launched a National Anti-Poverty Strategy that contained a poverty reduction target relating both to the numbers below the poverty line and to those experiencing basic deprivation. In Africa, as described by the minister of finance in Tanzania, "the fight against poverty is a long standing agenda in the history of Tanzania. . . . The Tanzania Development Vision 2025 designed in 1999, together with the National Poverty Eradication Strategy and the Poverty Reduction Strategy Paper, set the goal of eradicating abject poverty by 2025" (Tanzania National Bureau of Statistics 2014, preface). The wider implications of poverty eradication were set out clearly in a speech in 2011 by Chinese president Hu Jintao, who observed that poverty reduction "had contributed to promoting economic development, political stability, ethnic unity, border security and social harmony."[1]

[1] *Editors*: We could not find the source of this quote. It appears on a Wikileaks page under the heading "China raises poverty line by 80 pct to benefit over 100 mln," and similar wording is

At a global level, the research initiated by Hollis Chenery, chief economist of the World Bank in the 1970s, provided the basis for the president of the Bank, Robert McNamara, to write in the foreword to the first *World Development Report* in 1978 that "some 800 million individuals continue to be trapped in what I have termed absolute poverty: a condition of life so characterized by malnutrition, illiteracy, disease, squalid surroundings, high infant mortality, and low life expectancy as to be beneath any reasonable definition of human decency" (World Bank 1978, p. iii). Ahluwalia, Carter, and Chenery (1979) had made estimates from household survey data of the number of people living with incomes below a poverty line set on the basis of Indian experience, but McNamara's concerns clearly embraced a multidimensional approach, that is, one which considers more than people's incomes. Such an approach, and supporting statistical evidence, underlay the UN's Human Development Index (HDI) initiated by the Pakistani economist Mahbub ul Haq and introduced in the *Human Development Report 1990*, the opening sentence of which is "this Report is about people—and about how development enlarges their choices" (UNDP 1990, p. 11). A broader range of statistics served to widen the agenda.

The statistics on poverty, in all its dimensions, underlay the subsequent setting of ambitious global goals. In September 2000, the members of the UN agreed on the Millennium Development Goals (MDGs) that included halving the proportion of people living in extreme poverty between 1990 and 2015. Statistics on the extent of poverty were necessary to establish the baseline. They were necessary to assess progress. The Central Statistical Office of Zambia stressed the role played by household surveys in monitoring "whether the economic growth the country is experiencing is pro-poor. . . . The LCMS [Living Conditions Monitoring Survey] was partly designed to help evaluate the impact of the FNDP [Fifth National Development Programme] and . . . to help assess whether the country is on course in terms of achieving the Millennium Development Goals" (Zambia Central Statistical Office 2012, p. 172). In China, the household surveys allowed the government to establish that the country had reached the MDG goal five years ahead of time.

The MDGs have in turn been followed by the Sustainable Development Goals (SDGs). In September 2015, the heads of state and government and high representatives agreed on a new set of global goals and committed themselves to their achievement by 2030. The new goals, the SDGs, which are listed in box C in chapter 5, came into effect on 1 January 2016 and are to guide development effort over the subsequent fifteen years. Goal 1 is to "end poverty in all its forms everywhere," and specific targets have been adopted towards this and the other goals. The establishment of these global targets could not have taken place without the possibility of providing quantitative evidence about the

found in a *China Daily* (Europe) news story of 30 November 2011 ("China raises poverty line to benefit at least 100m").

extent of progress. If we cannot monitor poverty in all relevant dimensions, the political commitment has no force.

The design of effective action

The ability, just discussed, to monitor progress is the first prerequisite for effective action. The second requirement is for the statistical information to be appropriate to design effective policy actions, seeking to establish what works and what does not. This has been an important role for research on poverty measurement: for example, "poverty measurement in China is mainly related to policy design and programme evaluation" (Zhu 2015, p. 1). We are concerned both with the retrospective evaluation of policies already in effect and with the prospective analysis of policies that are contemplated for the future. The value of this information arises for a wide range of actors. One thinks naturally of national governments, and of regional or local governments. Aid donors and international agencies are other obvious users of this information. But it is also relevant to nongovernmental bodies, such as development charities, and individual citizens.

The significance of survey data was clearly recognised by the minister of finance of Tanzania in her preface to the 2011–2012 Household Budget Survey cited earlier: "The review of PRSP [the Poverty Reduction Strategy Paper] guided formulation of the National Strategy for Growth and Reduction of Poverty (NSGRP or MKUKUTA). . . . The MKUKUTA strategy has been the guiding frameworks for growth and poverty reduction in Tanzania. To monitor all these, information from Household Budget Survey (HBS) is very crucial" (Tanzania National Bureau of Statistics 2014, preface). In his analysis of the Poverty Eradication Action Plan (PEAP) in Uganda, Kenneth Mugambe stressed

> another feature of the revision process—the use of information on poverty in the revision of the PEAP. The 1999 Poverty Status Report was particularly influential. The Report drew from three main types and sources of data. The first source was the Uganda Bureau of Statistics surveys, particularly the Demographic and Health and Household Surveys, which allowed the monitoring of national progress against many poverty indicators. The second was the management information systems in sector ministries. . . . The third source was the PPAs [Participatory Poverty Assessments]. The Poverty Status Report provided a sound body of evidence for the revision of the PEAP. Crucially, MoFPED [Ministry of Finance, Planning, and Economic Development] leadership was willing to use the analysis and information in the Poverty Status Report in their decision making. (Mugambe 2009, p. 162)

Statistics are essential in the design of effective antipoverty programmes. In Trinidad and Tobago, the government commented that the information from

the Survey of Living Conditions "was critical in identifying suitable locations for the Government's Early Childhood Care Centres. Information from this survey was used to help shape the ministry's other outreach programmes" (*Trinidad and Tobago Guardian*, 26 April 2014).

For this reason, the World Bank established in 2015 the Commission on Global Poverty, which reported in October 2016 (World Bank 2017) with recommendations as to how extreme poverty should be monitored and as to the complementary measures that should be implemented. As chair of the Commission, I felt that the issues raised were ones that should be brought to a wider audience and presented in a less technical form. The agreement on the SDGs recognised the crucial nature of the challenge posed by global poverty, and the aim of this book is to bring home the nature and extent of this challenge.

The establishment of targets for tackling poverty means that the statistical measures play an essential role in assessing performance. Our political leaders have been courageous in setting goals, and we should be equally courageous in holding their feet to the fire. The annual monitoring of the numbers for people living in poverty and for those suffering material deprivation should be the occasion for asking what progress has been made and what new actions are necessary. Indeed, one of the reasons I was attracted by the analysis of *The Poor and the Poorest* in the United Kingdom was that the authors asked how far the government was successfully guaranteeing the minimum income that was embedded in the social assistance scheme. They questioned the adequacy of that minimum, but argued: "Whatever may be said about the adequacy of the National Assistance Board level of living as a just or publicly approved measure of 'poverty,' it has at least the advantage of being in a sense the 'official' operational definition of the minimum level of living at a particular time" (Abel-Smith and Townsend 1965, p. 17). Today, too, we may question the adequacy of the poverty standards embedded in national or global targets, but they are the politically accepted criteria by which it is legitimate to judge the extent of progress. It is on this account that they receive particular attention in this book.

At the same time, questioning the officially agreed poverty standards is of critical importance because there is a reverse relation between poverty measurement and political decisions. In many countries, the poverty lines and other indicators of deprivation are used in the administration of social transfers and other government spending. In the United States, the official poverty line is the basis for determining eligibility for many federal and state government programmes. In China, the Accurate Development-Oriented Poverty Alleviation Project employs multidimensional poverty indicators to identify and register poor households and poor villages. In many countries, at a geographical level, the percentages in poverty are the basis for allocating spending between districts or regions. Massachusetts Institute of Technology professor Abhijit Banerjee has emphasised this crucial role of poverty measurement in India and

suggested that we may need two different poverty lines: "an ethical poverty line to describe the standard we should aspire to . . . and an administrative poverty line, which tells us how to best target our limited resources. As we get richer, perhaps the latter will be raised till it is effectively the same as the former" (Banerjee 2011, p. 2). Globally, development assistance decisions by donors and multilateral agencies may take account of poverty measures. Understanding and refining the poverty statistics may therefore be of key significance for individuals and their benefits and for governments at all levels. Statistics matter.

Economics, framing, and the environmental challenge

Although I am an economist, this is not a book about economics. (An account of poverty measurement much more orientated towards economists is the 2016 volume by Martin Ravallion, *The Economics of Poverty*. It is an excellent account, but long—700 pages. Readers who have also read Thomas Piketty's *Capital in the Twenty-First Century* will know that economists write long books!) At the same time, economic thinking underlies important parts of the analysis. The reader should therefore be aware that this leads in places to a specific "framing" of key issues. Indeed, one of my objectives is to highlight the need to break out of the conventional framework so as to avoid becoming prisoners of a particular view of the world.

To be more concrete, the typical economist, when asked to consider the problem of poverty, has in mind the standard microeconomic theory of a household taking decisions about which goods and services to buy from a given income, where that income depends on how many hours are worked by people in the household as well as on other sources, such as savings income. The decisions about consumption and about work are assumed to be taken to maximize the welfare of the household. A household is in poverty where the best that the household can do, in terms of maximizing its welfare, still leaves the household at a welfare level below a specified poverty level. This approach points in the direction of measuring poverty in terms of achieved consumption. It would, for example, be no use to a household to have a generous savings account paying interest if, on account of racial or other discrimination, no one will rent accommodation to the household. The approach also gives primacy to the choices made by the household: "One should avoid making judgments that are inconsistent with the preferences that guide people's own choices" (Ravallion 2016, p. 132). On this approach, we should not be looking separately at food intake or the availability of medical care.[2]

[2] *Editors*: This follows the doctrine of "consumer sovereignty," which posits that the consumer knows best what serves his or her own well-being. Poverty measurement is prevented from focussing on the consumption of separate items because this would mean interfering with the consumer's preferences: it is for the consumer to choose whether to sacrifice some food for

The explanation just given relates to the standard "workhorse" of microeconomics, taught in introductory courses. As I argue in the next chapter, we need to move beyond this, to take on board richer accounts of economic behaviour and alternative ethical frameworks. Here I simply want to stress that the standard version imposes a particular framing, closing down important issues. The textbook story rules out of court certain key questions. I give two examples. The first concerns what happens within the household. The model of household consumer choice takes for granted that there is harmony of interest within the household; there is assumed to be agreement on preferences. It is assumed that poverty, measured in terms of consumption, is a property of the household as a whole. Either everyone is poor or no one is poor. But one of the crucial issues concerns the way in which resources are divided within the household. If, as seems commonly to be the case, women get less than their proportionate share, then the wife may be below the poverty line but the husband above. Within-household inequality is one of the issues discussed here.

The second example concerns the role of the household in the wider community. The standard model sees each household as existing in splendid isolation, with the total of the economy formed by simply adding up all the individuals. But people have extended families; people live in towns or villages; people share ecosystems. Each household may be a small part of the total, but individual decisions may affect other members of the shared group. Suppose that the breadwinner in the textbook household can either work in a factory or go fishing in the communal lake, which he or she is free to do. However, the latter choice affects the fishing possibilities for other members of the community and over time may lead to the exhaustion of fish stocks. The textbook account does not entertain this possibility. The model does not allow for the erosion of natural capital. The particular framing adopted rules out a key set of concerns. The introduction of environmental concerns widens the range of variables with which we should be concerned when measuring nonmonetary poverty. But it also builds an important bridge with the second great global challenge—taking action to meet climate change and environmental degradation.

What is the relation between tackling global poverty and sustainable development? The overview to the first *Human Development Report* stated categorically that "poverty is one of the greatest threats to the environment. In poor countries, poverty often causes deforestation, desertification, salination, poor sanitation, and polluted and unsafe water. And this environmental damage reinforces poverty" (UNDP 1990, p. 7). More recently, Nicholas Stern, the economist responsible for the *Stern Review on the Economics of Climate Change*, has written that "the two greatest problems of our times—overcoming poverty

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some medical treatment or vice versa. What matters is only whether total expenditure is sufficient to achieve the threshold welfare level.

in the developing world and combating climate change—are inextricably linked. Failure to tackle one will undermine efforts to deal with the other" (Stern 2009, p. 8).

My focus is on poverty, but I attempt to bring together the two challenges. Such a bridge is made conceptually in the discussion of the dimensions of non-monetary poverty, where environmental quality is a potentially significant part of the story. This in turn raises the basic question of the unit of analysis. In my example earlier, a whole village would become environmentally deprived if the fish stocks were exhausted: it is a matter of poverty at the level of the community, not the individual.

WHY SHOULD WE BE CONCERNED?

I began to write this book towards the end of 2016. There cannot perhaps be a less promising time to embark on an enterprise designed to raise the priority attached to the concerns of the world as a whole and to urge people to look beyond national interests. As the United Nations Research Institute for Social Development (UNRISD) said, in launching its 2016 report, "There are signs that countries are starting to retreat into isolationism, which could threaten prospects for much-needed international cooperation. The President-elect in the US has signalled his intention to withdraw from the Paris climate deal, and the UK is retreating from over 40 years of European cooperation" (UNRISD 2016).

Globalization and freedom for foreign travel

I begin with a request, which is to urge you to forget, if only temporarily, the word "globalization." This word has become a portmanteau term for all that is wrong with the world today, and this obscures the fact that there are many different dimensions to the changes that have led to unhappiness with the state of the planet. There is no doubt in my view that freedom of movement of capital and the failure to properly regulate and tax the activities of multinational companies have led to the loss of employment and to the creation of a sense of insecurity among workers and their families in many countries. Our governments have lost sight of their obligation to act on behalf of all their citizens; they have allowed them to become subservient to economic forces. We need to return to a situation where "the economy" is a means of fulfilling the life hopes and ambitions of people, not vice versa. "Putting people first in macroeconomics" is the title of a report that I wrote some ten years ago for the European Commission, and I remain convinced that this should be our aim.

But there are other dimensions to freedom. An important freedom is that for individuals to travel. In this respect, the world has changed beyond recognition. When I was young, there were many countries that one could not visit,

or could only do so armed with a great deal of paperwork. I can recall travelling on a night train from Germany to Paris, and the police taking one of my fellow passengers off the train because he had failed to notice that the train passed through Belgium and he lacked the necessary visa.

I give this example because I believe that the freedom to travel is one important reason why the citizens of rich countries have, in recent decades, become more aware of the extent and depth of poverty in the rest of the world. The rise in charitable giving for development in the United Kingdom as a proportion of household income is highly correlated with the rise in the increased share of spending on overseas travel. As a result, many more people appreciate that the residents of rich countries neither should, nor can, cut themselves off from global challenges. Indeed, a benign interpretation of the Brexit vote in the United Kingdom is a rejection of any present-day concept of "Fortress Europe," whereby the citizens of a rich continent seek to insulate themselves from poverty in the rest of the world. This is not a perspective of the EU that I share, and such an interpretation of the Brexit vote is scarcely consistent with the avowed policies on immigration advocated by many of its supporters. But to the extent that it sees the United Kingdom as playing a global, rather than a regional, role, then such an ethical stance would indeed lead people to be concerned with the issues addressed in this book. And it is not just ethics; it is also self-interest. Raising the drawbridge will become less and less feasible if it remains the case that more than 40 per cent of those living in Sub-Saharan Africa live below the International Poverty Line (to be defined later in this chapter).

What are our responsibilities? Instrumental reasons

The reader may well ask at this juncture, what are our responsibilities? As citizens of one of the world's richer countries, what can we be expected to do, if anything? The case for being concerned can be either *instrumental* or *intrinsic*. In his book *Should Rich Nations Help the Poor?*, David Hulme opens his first chapter, "Why Worry about the Distant Poor?," with a clear statement of the instrumental case: "Rich nations, and their citizens, are increasingly experiencing the consequences of living in a very unequal world" (2016, p. 1). The instrumental reasons have been to the fore in the globalization debate, where the interests of the rich nations are seen as bound up with measures to improve labour standards and abolish sweated workshops in poor countries. This approach has been highlighted in the Decent Work Agenda of the International Labour Organization (ILO), which is now embodied in SDG Goal 8 ("Decent work and economic growth"). Such measures may reduce, or halt, profit-driven firms transferring production to such low-cost locations. Thereby, jobs are saved in rich countries. It is not pure gain to the poor in rich countries, since they are losing the ability to buy ultra-cheap goods. Goods of low quality may

cease to be available. But it can certainly be seen as an instrumental reason for concern in rich countries about the circumstances of the poor in poor countries.

The instrumental line of argument has received much publicity on account of the publication in 2009 of *The Spirit Level* by epidemiologists Richard Wilkinson and Kate Pickett, and of *The Price of Inequality* by economist Joseph Stiglitz in 2012. However, I have never been a great fan. Wilkinson and Pickett may be quite right in asserting the "pernicious effects that inequality has on societies" (Equality Trust 2016). But I am all too conscious of the difficulties of establishing a direct causal connection between inequality and poverty, on the one hand, and social problems, on the other.

The instrumental argument is attempting a harder statistical exercise than that with which this book is concerned. Consider, for example, the argument that poverty in poor countries leads to increased outward migration and hence pressures for entry on the borders of rich countries and illegal immigration. (I am taking an argument directly relevant to the present book, not one drawn from the two cited books.) Here in this book we are concerned with establishing a satisfactory estimate of the poverty rate. The instrumental argument in contrast depends on estimating the strength of the relationship between the poverty rate and another variable, in this case outward migration, and establishing the direction of causality. This is a tougher assignment and leaves one open to a much wider range of potential criticism. In the case of migration, there are many possible determinants other than poverty that have been investigated. It is not enough to plot two variables, one against the other in a scatter plot, where poverty is measured along the horizontal axis and migration on the vertical axis, and look at whether countries with higher poverty rates tend to have higher rates of out-migration. As summarised by Ian Goldin, Geoffrey Cameron, and Meera Balarajan:

> To the extent that the decision to migrate is a choice, it is one that is influenced and constrained by a variety of factors. The desire to move on account of wage differences between countries is not sufficient to turn a potential migrant into an actual migrant. Migration assumes different levels of cost and risk for each individual, depending on their level of education, their financial resource, social capital, access to information, social networks, and other endowments. (Goldin, Cameron, and Balarajan 2011, p. 120)

It is clearly challenging to try in a multivariable analysis to isolate the role played in determining migration flows by living standards in the out-migration country and, even more, to convince people that the relationship is causal. Poverty and out-migration may covary, but this covariance may arise because they are both governed by a third variable, such as ethnic or religious status. Pulling the lever for poverty reduction will not in this case lead to a reduction in the out-migration of a persecuted minority.

The second reason I attach less weight to the instrumental argument is that I would not change my view about the urgency of tackling poverty if I were to learn that the causal argument did not stand up. To take an example from *The Spirit Level*, it is concluded that "levels of obesity tend to be lower in countries where income differences are smaller" (Wilkinson and Pickett 2009, p. 91).[3] However, if I were to wake up one day and discover that the line in the scatter plot sloped the other way, and that reducing income differences would increase obesity, this would not cause me to change my concerns about poverty, which are based on intrinsic arguments. In the case of global poverty, I share the view of Hulme that "having so much poverty and inequality in an affluent world means that rich nations and their citizens have no choice but to think through how they relate to the distant poor" (Hulme 2016, p. 3). But I am concerned that if this is the sole driver of our sense of responsibility, then the degree of support is fragile and unpredictable. As Hulme rightly says, there has to be a moral dimension, and this depends on the intrinsic case.

What are our responsibilities? Intrinsic concerns

To explore the intrinsic argument, let us commence with a simple example. Suppose that there is an upstream village and an equal-sized, in terms of population, downstream village. A project is being considered to dam the river upstream, causing the inhabitants of the upstream village to lose fishing possibilities worth $1 each per month, in order to supply a fish farm in the downstream village.[4] The inhabitants of the upstream village are asked how large the benefits to the downstream village would have to be in order for them to agree to the $1 per capita loss. Their reply might be that no gain to the downstream village would compensate for their loss: they are concerned only with their own standard of living. This may be referred to as an "isolationist" position. At the other extreme, they may say that any gain for the downstream villagers in excess of $1 would be acceptable. (Remember that there are the same

[3] As a sidelight on the problems of obtaining international data in other fields, it may be noted that the International Obesity Task Force, on whose work *The Spirit Level* draws, notes that "few countries conduct systematic measured surveys to obtain reliable nationally representative data to assess the degree of overweight and obesity in their populations. Self-reported surveys tend to significantly underestimate the scale of the problem. For example, the annual Behavioral Risk Factor Surveillance System telephone survey in the USA produced a self-reported estimate of the prevalence of obesity of 20% of adults in the same year that the National Health and Nutrition Examination Survey, using measurements obtained by trained personnel conducting a comprehensive examination, provided an estimate of 28% of men and 34% of women with a BMI>30" (2005, p. 6).

[4] *Editors*: The figure of $1 per month means that the value of the lost fishing is only modest in relation to a household budget equal to the International Poverty Line, defined later in the chapter as $1.90 per person per day. In other words, the upstream village is not living primarily from fishing, so its loss would not threaten the villagers' livelihood.

number of people in each village, so that the total would also be larger.) This may be described as a "cosmopolitan" position, where everyone in the world gets the same weight as oneself and everyone believes that social judgements should be formed by adding up the welfare of everyone, equally weighted. In between come answers where upstream villagers agree to the project but only if the gain per person in the downstream village is sufficiently large, for instance, at least $5 per month. Such a judgement by upstream villagers would be like saying that they take account of the gain in the standard of living of the downstream villagers, but give it only a weight of one-fifth relative to their own consumption. If they had required that the gain be at least $10, then the implied weighting factor would be one-tenth. Such a "limited sympathy" ethical position was described by the Oxford economist Francis Edgeworth as that of a person "for whom . . . his neighbour's well-being compared with his own neither counts for nothing, nor 'counts for one,' but counts for a fraction" (Edgeworth 1881, p. 102; I have substituted "well-being" for "utility").

How is this example relevant? If your answer falls in the isolationist category, then this book is probably not for you. The intrinsic argument is based on some degree of empathy with one's fellow citizens. But if your answer falls in the limited sympathy category, and still more if you are a global cosmopolitan, then the book is designed to help you think further about the ethical implications. To begin with, what should the weighting factor be? Here it is helpful to distinguish two separate reasons for applying a weight less than one to the plight of others: the first is that they are not you, and the second is that they may be better or worse off than you. You may say that inhabitants of the downstream village should get only a weight of one-fifth, but that this should be scaled up or down according to how well-off they are. You may even be a global cosmopolitan, starting from a weight of one, but scale this down if you take the view that the recipients are well-off. If you believe that the fish farm operators will become plutocrats, then you may well reduce the weight to zero. On the other hand—and this brings us to the subject matter of the book—you may say that you are concerned if the downstream village is currently living below the poverty line, but not otherwise. So the project is justified in your eyes if the gain exceeds $5 *and* the downstream villagers are currently at least $5 below the poverty line. (I will not go into the complications where the villagers are currently below the poverty line, but by less than $5.)

We need also to consider geography. For some people, "isolationism" involves concern only for people who live in their own country. They attach zero weight to the poor in other countries. However, they should read on. Much of the book is about poverty at the national level, and chapter 9 deals specifically with poverty in rich countries. Isolationist US citizens should be concerned with whether there are people in their country living on less than $2 a day. At the other extreme, for global cosmopolitans geography is irrelevant. As it was

put by philosopher Peter Singer, "It makes no moral difference whether the person I help is a neighbour's child ten yards away from me or a Bengali . . . ten thousand miles away" (1972, pp. 231–232). In between these two positions comes that held by those for whom the weight attached to the additional consumption of beneficiaries may be larger for members of their immediate community and may fall as we cross national boundaries, while remaining strictly positive. For instance, for a project that benefits people in another country, the hurdle may rise from $5 to $10.

There is, however, a further important consideration. The discussion so far has assumed that there can be transfers without leakages. Yet the constructors of the fish farm may extort part of the benefits; the fish farmers may have to pay protection money; the bank may make an excessive charge for loans; and where cash is involved, as with transfers from other countries, part may be siphoned off by local or national politicians before it ever reaches the intended beneficiaries. The leakages may themselves have negative consequences, such as maintaining in power corrupt governments and encouraging people to seek careers in illegal redistribution rather than productive activities, as has been argued by Dambisa Moyo in her 2010 book *Dead Aid*. All this concerns the potential donors. To reach a $5 net transfer, the gross amount allowing for leakages may have to be $8. The weighting factor on the consumption transfer falls to one-eighth from one-fifth on account of the leakages. This applies to the fish farm example. In reality, the weighting factor will depend on the nature of the policies pursued.

What does this all mean for the measurement of poverty around the world? Suppose that we reject the extreme of isolationism and note that the other extreme of complete global cosmopolitanism corresponds to the existing calculations by the World Bank and others. While complete global cosmopolitanism is the only valid approach for an international organisation that has to give all world citizens equal weight, we need also to explore the implications of limited sympathy. Placed in terms of the concerns of a national government for counting the number in poverty, it may give full weight to those within its borders and a weight less than one but greater than zero to the poor in other countries (building on the suggestion made for measuring inequality by Brandolini and Carta 2016). So that, in the case of the United States, the poverty total is the sum of the number in poverty in that country plus the sum of the weighted numbers in poverty in each of the other 196 countries. The determination of the weights to be applied (with values between zero and one) will be governed by the considerations that have been rehearsed above. Since the different influences vary across countries, the weights too may vary, with the poverty number for India being weighted differently, say, from that in Indonesia. It is also clear that the calculation will be different for each country: what is being constructed is a *nationally specific* count of world poverty. The magnitude

of world poverty as seen from India will be different from that seen from the United States; the two world poverty counts may even be moving in opposite directions.

All this may seem complicated, and the reader may settle for the global cosmopolitan position—which does indeed underlie the global results presented in the next section and in chapter 5. But we have to recognise that sympathy may, in today's world, be less than complete, and that this needs to be reflected in the measures employed. How the limited sympathy measure works may become clearer when we return to its use in chapter 9.

Sharing the burden

I have suggested a way of thinking about an intrinsic justification for concern about poverty that recognises that people have a positive but limited degree of altruism and that takes account of the potential leakages. It does, however, raise a further question about how much responsibility we should bear. Why, you may ask, do the upstream villagers bear all the cost? Taking the example to the world stage, how much should the citizens of one country contribute to solving the problem of global poverty? One country like the United Kingdom, France, Germany, or even the United States cannot be expected to shoulder all the burden. How should the burden be shared?

Exactly the same issue arises when it comes to the costs of climate change mitigation. In this context, one of the arguments is that of historical responsibility. In their review *Burden Sharing in the Context of Global Climate Change: A North-South Perspective*, Ringius, Frederiksen, and Birr-Pedersen begin with the norm that "those who have caused the problem are responsible for solving it," which they describe as "undoubtedly a generally accepted norm in international environmental affairs" (2002, p. 17). In the context of world poverty, application of a principle of historical responsibility points to the costs being borne today by those countries that benefitted from exploitation in the past of today's poor countries: it would be restitution for the slave trade and for centuries of resource extraction. There can be little doubt that today's rich countries benefitted greatly. When, in the eighteenth century, George III of England inquired as to the owner of the carriage that had just passed them, a carriage that was much more splendid than his own, he was told that it belonged to a "sugar baron" (Parker 2011, p. 296). There can be equally no doubt that part, at least, of the historically acquired wealth continues to benefit individuals and institutions in rich countries today. At the same time, the links are opaque and may not be recognised by those involved. The historical responsibility argument may therefore be less easily prosecuted, if only because it appeals to negative feelings of guilt rather than to any positive commitment. In view of this, I limit myself to the other side of the account, asking in chapter 7 how far present poverty can be traced to colonial heritage.

A forward-looking, rather than backward-looking, approach to responsibility may be reached by framing the issue in a way that makes sense of, on the one hand, the concern of the citizens with the disadvantaged in other countries and, on the other hand, the capacity of a single country to have an impact. In just the same way as a single donor to charity is often encouraged to "identify" with single families of recipients, so, too, it is reasonable for a country to see itself as responsible, not for the whole problem, but for its proportionate share. What is meant by "proportionate share"? It does not mean literal proportionality to its national income, but rather a relation to its ability to contribute, taken to be the excess of its national income per head over an affluence threshold. Countries would be identified as potential donor nations when their national income per head passes this threshold, and their contribution would rise from zero at the threshold in proportion to the excess of their national income per head. The implications of this approach naturally depend on the world distribution of income. As more countries enter the "high-income" category (see box A), this expands the range of donor countries, but at present, in round figures, this means each person in a DAC (OECD Development Assistance Committee) donor country "taking responsibility" for one person living in extreme poverty according to the International Poverty Line defined below.

In sum, my answer to the question posed at the outset of this section is that any judgement about the degree of responsibility accepted is a personal matter. It is understandable that some people have no concern for the well-being of their fellow citizens at home or abroad, and that they are not convinced by the instrumental arguments for tackling poverty. They do not believe that their own well-being would be advanced by measures to reduce poverty either at home or abroad, and they abdicate from any responsibility. Others may be persuaded by the instrumental case for action, although I have noted the difficulty of establishing a direct causal connection between poverty, on the one hand, and social problems, on the other. At the other extreme is the position of global cosmopolitanism, which in effect underlies the total poverty counts produced by the World Bank and other bodies. It is not, however, clear that such a position, while appropriate for international organisations, is accepted in general at the national level. My own view is that an enduring source of motivation is provided by people having a positive but limited degree of concern for their fellow citizens on this planet. The extent to which we are concerned may be limited to those below the poverty line and may be attenuated as we leave our borders and as account is taken of potential leakages. Countries may reasonably restrict their contribution to their proportionate share of income in excess of the donor threshold. But to varying degrees, we are accepting that we have a responsibility.

A FIRST LOOK AT THE EVIDENCE ABOUT POVERTY AROUND THE WORLD

The media—to their credit—often report the latest estimates of the extent of global poverty. Following the title of Paul Collier's best-seller published in 2007, they often refer to "the bottom billion." Today the number given by the World Bank is less than a billion, and their estimates suggest that global poverty is falling. Let us look at this more closely.

The extent of global poverty

In seeking to understand the extent and nature of global poverty, it is natural to start by looking at *poor countries*, which are countries where on average living standards fall far below those for the world taken as a whole. The World Development Indicators (WDI) assembled by the World Bank provide estimates of the gross national income (GNI) of each country divided by the total population of that country, in each case adjusted to allow for differences in purchasing power. The latter adjustment converts the figure obtained in local currency units (i.e., in India, so many rupees per person) to purchasing power parity (PPP) dollars calculated so that each dollar has the same purchasing power in that country as one dollar would have in the United States. Such an adjustment is not straightforward—see chapter 3 for further discussion—but for the present is taken at face value, as is the fact that we are looking at income rather than consumption. The resulting estimates of per capita GNI in 2015 expressed in PPP dollars per day (per capita incomes, for short) are used to construct figure 1.1.

For the world as a whole, the average per capita income is PPP$42.20 per day, a level at which one finds countries such as Brazil, Thailand, and Botswana. At half the world average, one finds countries such as Bhutan and Morocco. But many countries have an average income less than a quarter of the world average (PPP$10.50 a day), a level close to what one finds in Mauritania, Ghana, and Zambia. Forty-five countries are below this level, of which two-thirds are in Africa. The twenty-five countries with the lowest average incomes are shown in figure 1.1. All but three are to be found in the African region, the exceptions being Afghanistan, Haiti, and the Solomon Islands. The average per capita income in every case is below PPP$6.00 a day.

People who live in poor countries are not necessarily poor, and poor people do not necessarily live in poor countries. Poverty is an attribute of individual households, and whether or not a household is poor depends on how total income is distributed within the country. A high level of inequality may mean that a country has a much greater level of poverty than another country with the same average income but less inequality. But other things equal, poverty

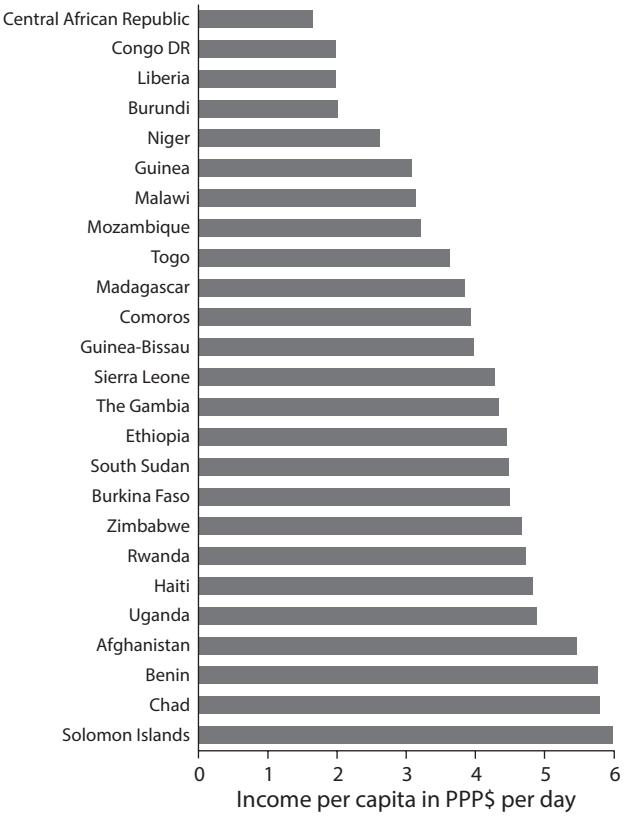

Figure 1.1. Twenty-five poorest countries in 2015, measured by GNI per capita in PPP dollars

Source: World Bank, World Development Indicators, table 1.1 (downloaded 8 October 2016).
Reading note: In the Central African Republic, the GNI per capita in 2015 was $1.64 per day (in international PPP dollars).

measured in terms of a number of dollars per day, such as the PPP$1.90 embodied in the first target under Sustainable Development Goal 1 of eradicating poverty by 2030, is likely to be lower the richer the country. In the extreme case where average income is below PPP$1.90, as in the Central African Republic in 2015, it is arithmetically inevitable that some people fall short of the SDG threshold.

Let us now look within countries and investigate how many people are in fact poor. Using its PovcalNet database, the World Bank calculates the number of poor people by considering each country in turn and estimating (in a way described further in later chapters) the proportion living in households

with consumption per head (or income in some countries) less than PPP$1.90 a day in 2011 prices. The Bank considers these people to be living in "extreme poverty." This threshold of PPP$1.90 is referred to as the International Poverty Line (IPL), following the practice used earlier in the literature for the predecessors of this threshold, endorsed by Recommendation 1 in the report of the Commission on Global Poverty (World Bank 2017), where "International" reflects the fact that it is the result of an international agreement. (The abbreviation IPL is not to be confused with the Indian Premier League!) The $1.90 standard is today's version of the original well-known "dollar a day" line and its successors (for example, $1.25). Figure 1.2 shows the resulting estimates of the number of people living in households below this latest version of the International Poverty Line and the percentage of the world population this represents for the period since 1990.[5]

The Millennium Development Goal target that preceded the one just described under Sustainable Development Goal 1 was to halve extreme poverty between 1990 and 2015. The data for the last two years of this twenty-five-year period are not yet available, but figure 1.2 shows that a halving of the total number in extreme poverty had already been achieved by 2012. The percentage of people in the world living below the International Poverty Line fell from more than a third (35 per cent) in 1990 to just over 10 per cent in 2013. This is a dramatic reduction. The proportionate fall in the absolute number was smaller, since over the period the world population had increased from 5.3 billion to 7.2 billion, but nonetheless the total number was more than halved, to 767 million.

The International Poverty Line plays a prominent part in this book. From this point on, for simplicity, the text referring to the $1.90 threshold or earlier values of this international line does not include "PPP" before the dollar sign. Nevertheless, the reader should keep in mind that the threshold to be applied in each country is one measured in international purchasing power dollars (a concept explained further in chapter 3) and not U.S. dollars converted at market rates. When the text refers to the $1.90 line, the reader should therefore understand this as $1.90 in international purchasing power dollars at 2011 prices.[6]

[5] *Editors*: Throughout the book, Tony refers to estimates published in the October 2016 release of PovcalNet and in World Bank (2016); we indicate where we have updated the figures. (Minor differences between these two sources are ignored.)

[6] *Editors*: The qualification that the $1.90 is in 2011 prices is also important to remember. In years other than 2011, whether earlier or later, the value in local currency of $1.90 at the PPP rate is "then converted to the prices prevailing at the time . . . using the best available Consumer Price Index (CPI). . . . All inter-temporal comparisons are real, as assessed using the country-specific CPI" (PovcalNet website, methodology page). Hence, the poverty rates shown in figures 1.2 and 1.3 are based on a $1.90 threshold adjusted in each country for changes in local prices.

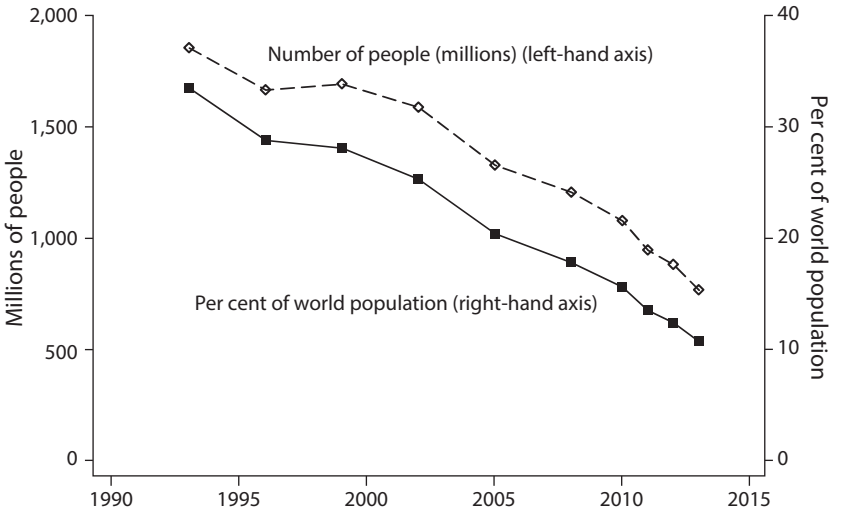

Figure 1.2. World Bank estimates of the extent of global poverty ($1.90 a day poverty line), 1990 to 2013

Source: World Bank (2016, annex 2A).

Reading note: In 1990 the number of people living in households below the International Poverty Line of $1.90 per person per day was 1,850 million (1.85 billion), or 35 per cent of the world population.

Where the poor live

Where do the poor live? Figure 1.3 shows the proportion of the population living below the International Poverty Line for four of the main regions where people are living below that threshold. Not shown are two further regions with substantial numbers in extreme poverty: Europe and Central Asia, and the Middle East and North Africa (for the latter of which the survey data coverage is too low).[7] Poverty fell in all four regions shown in figure 1.3, but there are striking differences. In 1981, the East Asia and Pacific region was bottom of

[7] *Editors*: The April 2018 release of PovcalNet includes figures for the two missing regions. The World Bank (2016, table 2.1 note) explained the absence of the Middle East and North Africa from the October 2016 version as follows: "Estimates . . . are omitted because of data coverage and quality problems. The population coverage of available household surveys is too low; the share of the total regional population represented by the available surveys is below 40 percent. There are also issues in the application of the 2011 PPP U.S. dollar to the region. These issues revolve around the quality of the data in several countries experiencing severe political instability, breaks in the consumer price index (CPI) series, and measurement or comparability problems in specific household surveys. These caveats suggest that more methodological analyses and the availability of new household survey data are needed before reliable and sufficiently precise estimates can be produced."

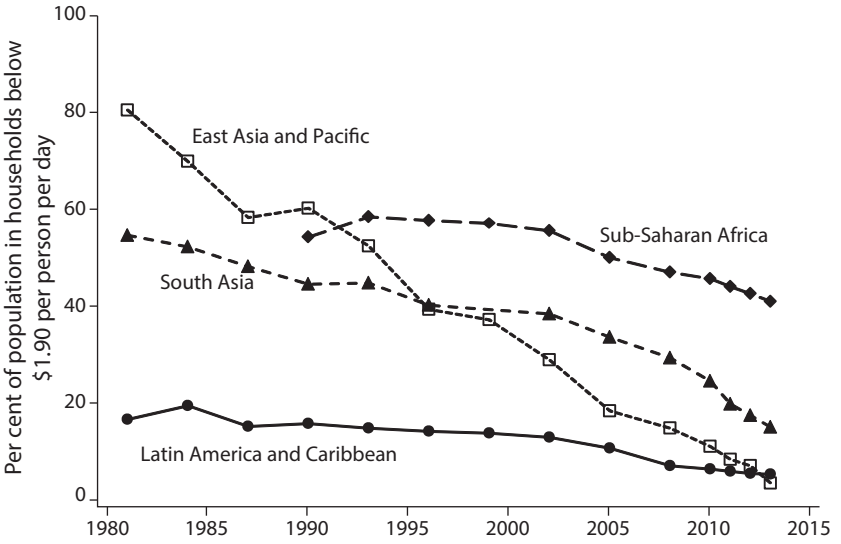

Figure 1.3. Poverty reduction by region ($1.90 a day line), 1981 to 2013
Source: World Bank, PovcalNet (downloaded 19 November 2016).
Reading note: In 1981, 80.5 per cent of the population of the East Asia and Pacific region were living in households with consumption below the International Poverty Line ($1.90 per person per day). The World Bank defines six geographic regions; the two not shown are the Europe and Central Asia region and the Middle East and North Africa region.

the class (at the top of the diagram); by 2013, it had the lowest percentage in poverty. Its line crosses that for South Asia in 1996. The reduction in South Asia is impressive: the poverty rate in 2013 is not much more than a quarter of the rate in 1981. But it is evident to the naked eye that the downward slope is much greater in East Asia and the Pacific. Latin America and the Caribbean began with a much lower rate in the 1980s, but in 2013 the region was level-pegging with East Asia and the Pacific. The series for Sub-Saharan Africa begins in 1990. Since then, the poverty rate has indeed fallen, but at a slower rate than in the other regions shown. In 1990, the proportion living below the International Poverty Line in Africa was ten percentage points higher than in South Asia; by 2013, the gap had widened to twenty-five percentage points. In this sense, Sub-Saharan Africa is being left behind.

Poverty in rich countries

In the World Bank global poverty count, high-income countries (defined below) are assumed to have zero extreme poverty, described as "a useful simplifying assumption that appears to closely approximate the correct estimate" (Ferreira

et al. 2016, p. 160).[8] At the same time, the adoption of a truly global approach to poverty measurement certainly implies that these countries should come within the scope of inquiry. A number of recent studies have suggested that there are significant numbers in the United States living on incomes below $2.00 a day (Shaefer and Edin 2013; Edin and Shaefer 2015; Chandy and Smith 2014; see the review by Jencks 2016). Chandy and Smith, for example, estimate that some 2 per cent of the US population had incomes below $2.00 a day in 2011 (Chandy and Smith 2014, table 1, p. 10, more extensive measure of income), although they demonstrate major differences according to the definition of income and the treatment of zero and negative responses to household surveys (for example, due to losses from self-employment). They also show that there are marked differences in the United States between low income and low consumption. "The range of consumption levels for those reporting zero or close to zero income is not only wide but indistinguishable from the equivalent range for those reporting income levels up to 20 dollars of income per person per day" (p. 14). Using consumption data from the US Consumer Expenditure Survey for the fourth quarter of 2011, they find that only 0.07 per cent (or 0.09 per cent when using a more selective definition of consumption) of the US population were below $2 a day.

High-income countries should be seen as within scope, and as raising significant issues that will be explored in later chapters. First, observation of the extreme bottom of the distribution in rich countries highlights the distinction between "consumption" and "income" and the choice between the two for the measurement of poverty.

Second, high-income countries illustrate the incomplete coverage of the data used to estimate poverty levels. These data typically exclude, for example, the homeless and may fail to capture adequately recent migrants to the country. As emphasised by the submission of the international movement ATD Fourth World to the Commission on Global Poverty, "Europe is confronted with an unprecedented flow of refugees fleeing war and destitution" (2016, p. 1), and many are suffering a high level of deprivation. Moreover, looking ahead to 2030 and the probable impact of climate change on the risks of weather disasters, it is likely that these will not be confined to developing countries.

Third, these countries underline the importance of monetary indicators of poverty being accompanied by nonmonetary indicators. To take just one example from the United States, there is evidence from the study of Case and Deaton (2015) of rising mortality among middle-aged white non-Hispanics between 1999 and 2013. As the authors say, "Concurrent declines in self-reported health, mental health, and ability to work, increased reports of pain, and dete-

[8] *Editors*: Following Tony's advice in the Commission on Global Poverty report (World Bank 2017, p. 47), the World Bank now includes high-income countries in its global poverty count and provides estimates for them in PovcalNet.

riorating measures of liver function all point to increasing midlife distress" (2015, p. 15078). Elsewhere, in his 2013 book *The Great Escape*, Angus Deaton has written that "it is easy to think of the escape from poverty as being about money—about having more and not having to live with the gnawing anxiety of not knowing whether there will be enough tomorrow" (p. xiii). But he goes on to argue that "the story of human wellbeing, of what makes life worth living, is not well served by looking at only a part of what is important." In Europe, the presentation of statistics on monetary poverty by the EU statistical agency Eurostat is now accompanied by measures of material deprivation that record households' lack of particular items such as a telephone or heating to keep the home sufficiently warm, and these measures contribute to the EU's monitoring of its 2020 poverty targets.

Relating the global to the national: Choice of countries for case studies

In studying the global poverty estimates, it became increasingly clear to me that there was a worrying gulf between the measures of global poverty—just discussed—and the measurement of poverty at the level of the individual country. The World Bank global estimates are built up from national data, but the loop does not seem to be closed by relating the country constituents of the global figure to the national studies of monetary poverty. Put bluntly, how do the poverty numbers for country X that appear in the World Bank database compare with those published by country X in its national poverty report for the same year? The figures may not be the same, but are they congruent? We need to "drill down" to the national level, and this is why the book contains case studies for sixty countries around the world and at very different levels of development.[9]

The gulf is worrying for two reasons. The first is because the country case studies provide a method of triangulation. Not only can the poverty estimates be compared, but the national data sources contain additional information that can be used to contextualize the World Bank numbers. Measures of nonmonetary deprivation, where available, may help us interpret the evidence. The second, and more important, reason is that it is largely at the country level that action to tackle poverty is realised. It is the national (and local) governments that use the statistics to plan policy interventions, in partnership with development agencies and other actors at the country level. For them, it is the national poverty figures that are paramount. Moreover, the issues that arise at the country level may well differ in different parts of the world and, indeed, be specific to a particular context.

[9] *Editors*: As explained in the foreword, completed national reports are present for fewer than sixty countries.

The book takes sixty countries for national case studies. What fraction is this of all the countries in the world? That is not a question that is easily answered. The UN had (in January 2016) 193 members and two permanent observers (the Vatican and Palestine). But this is not a complete list of countries. There are 249 country codes in the ISO 3166-1 list. The difference between 195 and 249 in the ISO list is explained in part by the latter's inclusion of two states with partial recognition, Kosovo and Taiwan, but most of the difference lies in the fact that the ISO list also includes Antarctica and forty-five inhabited (and six uninhabited) dependent territories. The modest, or zero, populations of these territories (which include Montserrat and St. Helena, both with populations under 5,000) suggest that we can take 197 (193 + 2 + 2) as the base figure and think of our sixty countries as nearly a third of the world's total. Indeed, in terms of population, while some large countries are not included, such as Nigeria, Pakistan, and Russia, the sixty are much more significant: they account for nearly three-quarters of the world's inhabitants.

How representative are they? Measured again in terms of counting countries, the sixty include nine of the twenty-five poorest counties as measured by per capita national income, as in figure 1.1—again around a third. They include some of the larger ones, such as Ethiopia with a population of 100 million. Are the countries biased towards those that are more or less successful? One test is provided by location of countries according to the World Bank groupings by GNI per head and their pattern of advance over time. Figure 1.4 shows the history of the sixty countries from 1987 to 2017. The World Bank method of classification is summarised in box A, and it should be noted that this is based on GNI valued at market exchange rates rather than using PPP dollars. This makes a big difference for many countries, as will be shown in chapter 3, where the PPP adjustment is examined further.

Thirteen of the countries were classified throughout the period as high-income. At the other end of the scale, ten countries were classified as low-income in 1987 and remained so classified in 2015, with no intervening change in their status. But there were an almost equal number (eleven) that were classified as low-income in 1987 but upwardly mobile, in the sense that their 2015 classification was higher: Bangladesh, Cambodia, China, Ghana, India, Indonesia, Kenya, Solomon Islands, Sri Lanka, Vietnam, and Zambia. It may be noted that all but one of the stationary groups are from the African region, and that this region supplies only two from the upwardly mobile group. There were twelve countries that began as lower-middle-income countries and ended with a higher classification, including countries from Africa (Botswana and South Africa) and Latin America and the Caribbean (Colombia, the Dominican Republic, Jamaica, Mexico, and Peru). Finally, mobility was not always upwards. Botswana, Brazil, the Côte d'Ivoire, Egypt, Georgia, Indonesia, Korea, Panama, Solomon Islands, South Africa, and Tunisia were all reclassified downwards at some point during the period. So that, while the selection was not made in such

Box A. The World Bank classification of countries

The World Bank classifies countries into four groups according to their gross national income (GNI), calculated using the World Bank Atlas method: low-income, lower-middle-income, upper-middle-income, and high-income.

The classification is revised each year, so countries may move between groups. For the 2017 fiscal year, the following cutoffs in US dollars apply:

Low-income economies: Annual GNI per capita of $1,025 or less in 2015
Lower-middle-income economies: Annual GNI per capita between $1,026 and $4,035
Upper-middle-income economies: Annual GNI per capita of between $4,036 and $12,475
High-income economies: Annual GNI per capita of $12,476 or more

The Atlas method of calculating GNI in US dollars uses a conversion factor that for any year is the average of a country's exchange rate for that year and its exchange rates for the two preceding years, adjusted for the difference between the rate of inflation in the country and international inflation; the objective of the adjustment is to reduce any changes to the exchange rate caused by inflation. The Atlas method aims to reduce the impact of exchange rate fluctuations in the cross-country comparison of national incomes.

a way as to be a representative sample of countries, the sixty national studies cover a range of differing development experience in recent years.

The discussion in chapters 6 to 9 of each country's experience is perforce brief and should be read in combination with the two-page (four-page in the case of China) standard reports at the end of the book. But I hope that they will together provide a flavour of what can be learned by drilling down to the level of individual countries.[10]

READING ON

Poverty is a concept with many potential meanings. Chapter 2 describes a range of different concepts, each legitimate in its own way, and each with different implications for the measurement of poverty. The discussion starts with "political" definitions—standards adopted by governments in order to classify a person as poor or not—which are then contrasted with subjective assessments

[10] *Editors*: Recommendation 2 in the report of the Commission on Global Poverty was that the World Bank should produce brief "National Poverty Statistics Reports" for each country (World Bank 2017, pp. 28–29), and the Bank accepted this advice. The national reports in this book reflect in part Tony's proposal, although his implementation differs from the World Bank's.

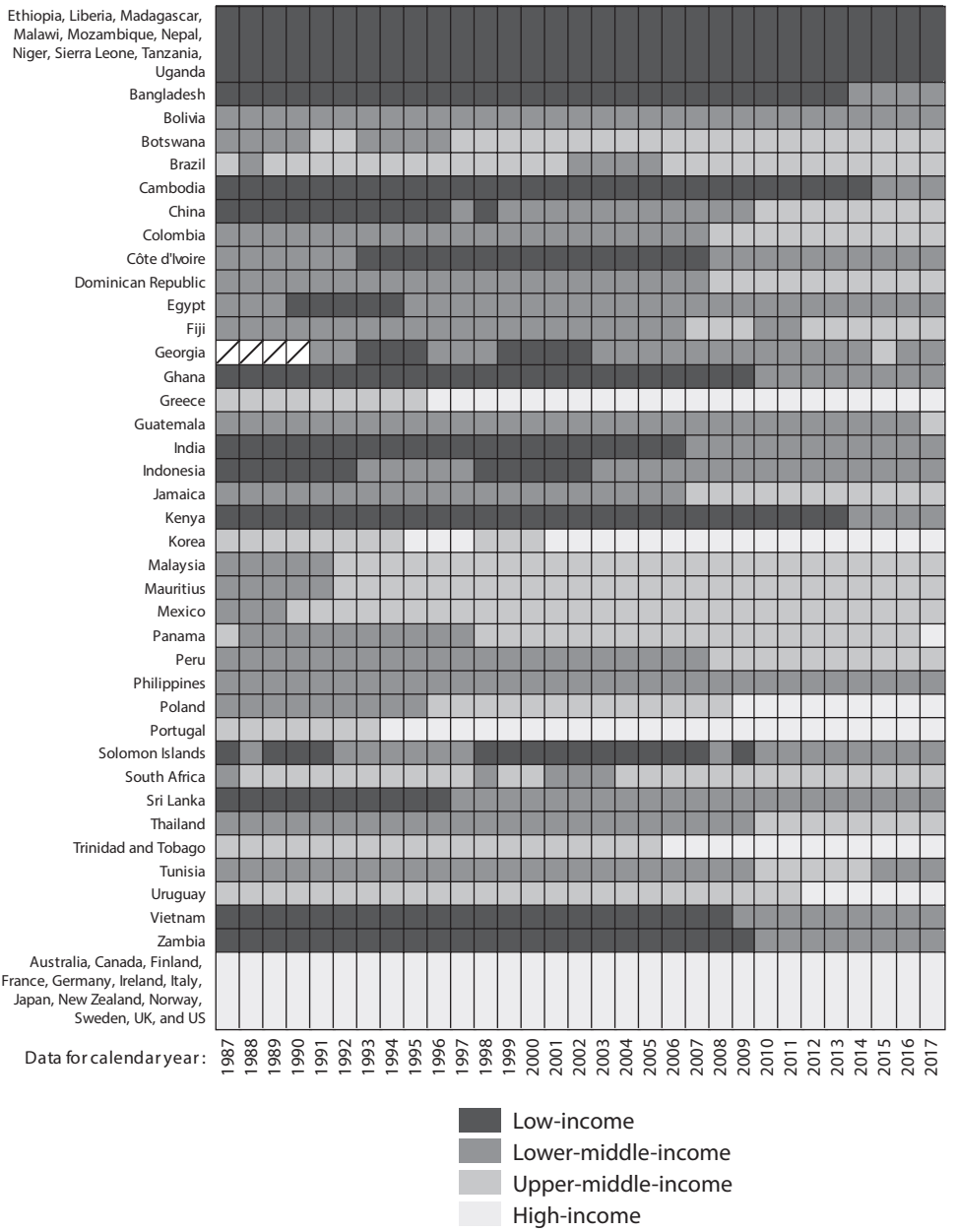

Figure 1.4. History of development of sixty countries according to World Bank GNI per capita (Atlas method) classification, 1987 to 2017

Source: World Bank website, "World Bank country and lending groups" page, historical classification by income (accessed August 2018). The graph presents the contemporaneous classification according to GNI thresholds that have changed in real terms over the period shown. (Box A shows the thresholds that applied to incomes in 2015.)

Reading note: Bangladesh was classified as a low-income country until 2013 and then as a lower-middle-income country.

based on individuals' own views of what constitutes poverty. Next come definitions based on calculations of what is needed to achieve a given minimum standard of living, such as the cost of the food required to reach a particular level of nutritional intake, an approach which has a long pedigree. The list is completed with the much more recent "capability" approach to assessing living standards of Amartya Sen and the assessment of poverty based on principles of human rights. The implications for measurement of the different concepts are taken up in the last section of this chapter with regard to the central debate between absolute and relative measures of poverty, and they are further developed in the next chapter, where the concepts of poverty are refined.

What are the key questions you should ask when faced with statistics about poverty? The purpose of chapters 3 and 4 is to provide a "checklist." Chapter 3 focusses on clarifying the concepts, dealing first with monetary measures of poverty defined in terms of levels of income or expenditure and then with nonmonetary indicators, for example, the absence of a particular item in the home or a lack of access to clean water. In both cases the user of poverty statistics needs to know what exactly is being measured and for whom it is measured—for an individual, for a family, or for a household. In the case of the monetary measures, what issues arise with the use of purchasing power parity exchange rates? How is the depth of poverty—its severity—being measured? Chapter 4 considers the data underlying the figures. To translate the concepts of poverty into concrete measures depends crucially on there being data that are fit for the purpose. What are the available data? Are they comparable over time so that trends in poverty can be measured adequately? How well measured within countries are price changes, which are vital to the updating of national poverty thresholds? And who is missing from the sources used to measure poverty? Comparability across countries is particularly important for any measure of global poverty—how comparable are the data sources? Great progress has been made in producing suitable data in recent years, but there remain major challenges.

Chapter 5 looks at the figures for poverty around the world produced by international organisations. It picks up where chapter 1 left off, with the monetary measures produced by the World Bank, after first reviewing the history of the Bank's measurement of global poverty. How rapidly is poverty falling on this basis? What is the relationship of poverty with inequality? Who is it that is living in poverty? The discussion then turns to the nonmonetary measures of poverty that are published by the United Nations Development Programme each year in the *Human Development Report*—do they tell the same story?

One of the principal aims of the book is to build bridges between the global estimates of poverty produced by international organisations and the national studies of poverty that are conducted within individual countries. Chapters 6 to 9 consider in turn the evidence about poverty in Asia, Africa, Latin America

and the Caribbean, and the high-income countries, drawing on the material in the national poverty reports at the end of the book—the sixty national case studies described earlier. Each chapter does two things. First, I compare the evidence from the national studies with the global estimates of poverty from the international agencies. Second, I address two important issues in the battle against poverty, where these are different in each chapter and typically of global rather than just regional significance. Chapter 6 considers the relationships between poverty, inequality, and growth and between poverty reduction and action on climate change. Chapter 7 discusses whether there is a legacy from the past for poverty today in countries that previously formed the colonial empires of European countries, before looking at the correlates of success and failure in Africa where poverty has been successfully tackled or where it has stagnated. Chapter 8 returns to the issue of measuring monetary poverty with consumption or with income—the latter being common in Latin America and the Caribbean—and examines poverty among ethnic minorities and indigenous peoples. Chapter 9 investigates the persistence of poverty in rich countries and then returns to the global level to provide an estimate of world poverty based on a "societal" poverty line.

Chapter 10 concludes by drawing together the main messages of the book, emphasising that although our knowledge of poverty around the world is incomplete, we know enough to act.

INDEX OF NAMES

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INDEX OF SUBJECTS

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