

The bottom 1.4 billion

The Economist

2008.8.30

Extreme poverty

- World Bank (2007.4): 986m suffered from extreme poverty
- World Bank (2008.8): 1.4 billion in 2005
- Not that the plight of the poor had worsened—only that the plight is now better understood
- The estimates of the cost of living around the world is improved

A new poverty line

- New definition: \$1.25 a day in America in 2005
- Old definition: \$1.03 in 1993 prices
- Using the old definition: 879 million

Poverty line study critics

- World bank's cost-of-living estimates are based on the prices faced by a "representative household"
- "The poor are not representative"
- "The poor buy in smaller quantities, and pay more"

ADB study

- ADB: Asian Development Bank
- ADB study (2008.8.27): In 9 of the 16 Asian countries, the poor pay less
- kerbside haircuts vs. salons, open air stalls rather than supermarkets, toddy rather than wine
- For example, in Indonesia the poor's cost of living is 21% below the World Bank's estimate

However ...

- A person eating coarse rice, not fine-grained basmati, dressed in polyester not cotton, has a lower standard of living
- 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 hygiene of airtight packaging
- Still, the poor actually pay less