

**Supplementary report for complaint to Press Complaints Commission**

The Economist: material on global poverty

'Towards the end of poverty', 1 June 2013 and other printed and online material

Complainant: Matt Berkley

The proposed remedy is that the Economist give at least as much prominence to the corrections as the distortions. Otherwise, they may contribute to mistaken goals and policies for large numbers of highly vulnerable people. The Commission may consider that systematic distortions can add up to something more significant.

The editor and the Commission might consider a statement of the following form, not limited to issues mentioned in this illustration. This is not intended to be a comprehensive list, but an indication of the kinds of corrections and clarifications which may be thought necessary to rectify any damage to the policy-making and goal-setting process.

### **Proposed form of a statement by the Economist**

We erred in implying that the United Nations' "dollar a day" pledge of 2000 has been officially met. We referred to a "baseline of 1990" which is not in the text of the resolution. The statistics which we presented related to the Millennium Development Goal target, which is substantially easier to meet than the pledge. It does use a 1990 baseline; and since it is only on the proportion in "developing" countries, statistical progress is easier because of population growth among people above the line. The pledge was therefore not "enshrined" in the Goals as we stated. The pledge in the Millennium Declaration implies, by the current World Bank line and method, a target of under 17% rather than 21.5%.

We note that the Millennium Declaration included a pledge to spare no effort to eradicate extreme poverty.

## *Proposed form of statement by the Economist*

We misled in presenting statistics on numbers of people alive as if they showed aggregate outcomes for people. Cross-sectional statistics such as proportions of the population or the number in a category at a particular time are on whoever is alive. They do not in themselves show what happened to people. If used to judge benefits to people, they are other things being equal influenced in the wrong direction by life length. Other things being equal the method wrongly shows poorer people as doing "better" if they die.

Cross-sectional statistics should therefore be used with caution in or between populations where mortality rates are not known to be constant across time, location or other variables, such as may be the case for the poor, or periods of war, starvation or disease. Proportions of people may be influenced by births, deaths and migration on either side of the line. A fall or rise in a proportion may be due to, for example, a different population growth rate on the other side of the line, rather than changes among people under the line.

We should have made clearer that the "\$1", "1.25" and "\$4" lines are not in real dollars. They are in "purchasing power dollars" which in poor countries are typically worth half or less of a real dollar.

We clarify here that the World Bank report 694 million people as having left extreme poverty in 1990-2010, and not "nearly 1 billion".

We accept that our statement that the "\$1.25" line is *"the yardstick by which poverty reduction in poor countries is measured"* misled, since the median national line for countries other than the poorest 15 whose lines were used to set the level of the "extreme poverty" line was estimated by the World Bank team at twice that level.

We recognise that there is no solid factual basis for the idea that either spending or consumption patterns constitute people being simply "in" or "out of" either poverty or extreme poverty. We also recognise that there is no solid factual basis for implying that any economic gains at this level are more sustainable than for people at another level of spending.

We gave a misleading impression that fast reported progress at the "\$1.25" level reflected similar progress in the "field of poverty reduction" outside the narrow scope. The language used included

- unreasonably frequent use of words relating to poverty rather than extreme poverty;

- *"poverty rates began to collapse"*; and

## *Proposed form of statement by the Economist*

- *"the world's achievement in the field of poverty reduction is, by any measure, impressive"*.

We note three implications of the fact that there have been many people just under the "\$1.25" line. First, since many people will not have had to have experienced a large change in spending to cross the line, numbers stated as crossing this line should not be seen as representative of their progress being great. Secondly, if it takes only a small spending rise for people to be seen as "out of extreme poverty", then other things being equal the numbers for whom this is true will have over-represented spending changes among people further under or over the line. Third, the fact that there are many people at around the line's level means that any errors or misconceptions about the numbers are amplified.

We wish to make clear that the progress we reported at the "\$1.25" level is not in fact reflected in World Bank reports using lines more representative of national "poverty" lines, the measure of "relative poverty" used by the World Bank global monitoring team in 2012, or other reports within the field of poverty reduction from the Food and Agriculture Organisation and UNICEF on food and water.

In the context of our analysis including *"the world's achievement in the field of poverty reduction is, by any measure, impressive"*, we note, without judgement as to their reliability, the statement by the World Bank monitoring team itself which had produced the "absolute" numbers we used, in 2012 that *"it would be unwise to base global poverty comparisons"* on only "relative measures" or "absolute measures", the "\$1.25" line being described as an example of the latter; their assessment of numbers of relatively-poor people as 2334 million in 1981 and 2693 million in 2008; and that the World Bank's numbers for people in extreme absolute consumption poverty outside China are given as 1102 million in 1981 and 1059 million in 2010.

We accept that the achievement on poverty reduction is not impressive by other measures: heads of governments' pledge in 1996 on a plan for the number of undernourished people to be under 400 million by 2015 - the current official numbers are almost 900 million; and their pledges of 2000 to cut the proportion of hungry people by half the 2000 rate by 2015, and to cut child and maternal mortality by half and two-thirds respectively of their levels in 2000.

We misled by giving the impression that our, and the researchers', claims on poverty trends and the effects of "growth" were based on "consumption" when "spending" was much more accurate. Passages included *"GDP, though, is not necessarily the best measure of living standards and poverty reduction. It is usually better to look at household consumption based on surveys."* Since the researchers do not know prices faced by the poor, they cannot know how much people consumed. "Consumption" and other language such as references to "poverty" and "purchasing power differences" gave the impression that our statements about poverty trends and what reduces poverty, and our reports of researchers' claims on these, were based on estimates of inflation rates faced by the poor themselves.

We accept that our characterisation of the crossing of the "\$1.25" line as of greater significance than at other levels, using such phrases as "rescued from poverty", and the statements involving such a characterisation, comprised conjecture as to the sustainability of progress at that particular level rather

## *Proposed form of statement by the Economist*

than any other, and the presentation of such conjecture as fact.

We accept that we should not have presented our statements about poverty or researchers' results as factual, in view of considerations in this present statement, the researchers' own caveats, and other considerations. These further considerations include that:

The comparability, availability of the surveys may not be adequate; similar problems apply to the price data; there were no estimates of food needs even in periods of large demographic change; there were no estimates of other needs in periods of urbanisation; people may falsely look richer in some places or times purely because the rent they pay, which reduces their prosperity, is wrongly counted as a benefit. The surveys do not count the benefit of free accommodation to those living in their own home. We accept that this may be a problem in a period of urbanisation; cross-sectional statistics for populations in which birth rates and mortality rates are not known to be constant are inappropriate without further information.

We misled in stating: *"Since 2000, the acceleration of growth in developing countries has cut the numbers in extreme poverty outside China by 280m"*; and incorrectly reported that *"Mr Ravallion calculates that the acceleration in growth outside China since 2000 has cut the number of people in extreme poverty by 280m"*. The relevant section in Professor Ravallion's paper did not concern "growth", but percentages of people. He wrote of a *"trajectory of poverty reduction"* and stated, *"If the pre-2000 trajectory had continued, then 29.6 percent...would have lived below \$1.25....representing an extra 280 million"*.

[et cetera]

We have no wish to contribute, or to have contributed, to global decision-making on a mistaken basis, especially for such large numbers of vulnerable people.

We recognise the risk of making policies and goals on the basis of inaccurate information. We accept that both the name and reputation of the newspaper imply a degree of reliability and scientific thoroughness which were not achieved in this area, in either our reporting or our analysis.

In view of the current discussions on post-2015 goals, and the fact that those and related discussions affect large numbers of people, we accept that the principle that newspapers should rectify significant errors applies more than usually in this case.

We are also aware that the reach of initial articles and headlines is wide, partly as a result of newer technology, so that errors or distortions in the original material may have been perpetuated by social media, the ease of reproduction, or other means.

## *Proposed form of statement by the Economist*

- We have therefore adopted the principle of ensuring that the corrections are at least as prominent as the distortions, in the hope of rectifying any damage.

We accept the principle that if a newspaper's output on a subject has clear tendencies to distort in particular directions, the significance of individual distortions is, in a way relevant to the interpretation of the meaning of "significant" in the UK Editors' Code, increased.

We accept that factual inaccuracy and misleading language tended to distort towards particular conclusions on the suitability of the method for judging progress or the benefits from particular policy choices.

We overstated the official report of progress on extreme poverty; the significance of the World Bank target in the MDG structure; progress relative to a UN pledge; the known relevance of World Bank and national price data to the poorest; the scope of the "extreme poverty" research; the scope, reliability and real-life significance of research data available to macroeconomists; knowledge of differences between being under or over the "\$1.25" line; and evidence that increases in GDP per capita help the poorest.

We overstated the relevance of consumption expenditure data to economic benefits or losses (claims on "poverty" or "consumption" when spending data can tell us neither consumption level nor consumption adequacy, and there are no safeguards in the research method to ensure that statements about economic benefits are not made in the face of competing evidence about assets or debt levels); and overstated the objectivity of the research by omitting the subjective choices involved in valuing accommodation, quality of food, quality of water, or modelling the complex effects of food price rises on wages, the money valuation of own food and necessary expenses.

We understated the conceptual and technical problems; and both the level and fundamental nature of disagreement over the methods we cited; we understated the nature and extent of debate over the intellectual foundations and reliability of the World Bank claims.

The material thus significantly distorts the evidential picture on both progress of poor people and the relationship between GDP per capita and poverty.

As a result, we are revising our analysis, and the new analysis will follow in good time for readers to provide input into the post-2015 goal planning process.

## **Supplementary report**

### Summary

- The Economist has systematically distorted facts on goals, targets and research over a period of years.
- The complaint does not imply an intention to deceive.
- Prominent corrections at this time of discussion on post-2015 goals may save lives.

### **Preliminary notes**

The significance of the errors is greater in view of the name of this newspaper, which implies a degree of professional rigour not supplied in this particular material.

The newspaper misled by failing to distinguish, in its claims on poverty, consumption and distribution, between economic activities which are productive and sustainable, from those which are neither.

People taking and influencing decisions on future goals and policy will have taken this newspaper's factual reporting seriously.

Points below should be taken as applying to similar material in other output from the newspaper.

The list of errors in this and other material on the newspaper's website is long. I have therefore limited the scope of points below to what was reasonably practicable to provide in a short time, and may complain of further material later.

In what I have written here and elsewhere, I have attempted to use language which communicates clearly the limitations of what I state. Doing so without making sentences unreadable is difficult. For the avoidance of doubt, none of what I say should be interpreted as meaning that I endorse any particular statistic, statistical method, philosophical approach, inference or researcher unless my statement is highly specific to that effect. I am not saying, for example, that the Economist overstated progress on poverty. I do state that the Economist overstated the World Bank claim on people escaping extreme poverty, and overstated by implication the reliability of the claim, and the significance of the claim.

These notes and the notes at the end are integral parts of the complaint.

There may well be more grounds for optimism than the Economist implies. If the Economist can take the bold step of stating the uncomfortable truth, then other media organisations might.

Readers of this document should not infer that the mention of statistics, statistical methods or inferential methods implies any claim or view as to reliability.

The nature and content of the points should not be taken as implying that people have done worse overall than the Economist claims, or that any particular factor is less helpful to poor people than the newspaper states. Those are complex matters. What is also complex, but less subjective, is how the research was carried out. It is with that issue that much of this document is concerned.

The aim of the corrections would be that policy decisions are made on the basis of using statistics only with an appropriate level of understanding as to what they mean.

In assessing what follows, representatives of the newspaper and the Commission might wish to imagine themselves in the position of a subject of the research, or how the newspaper's statements about large numbers of people might be accurate or inaccurate about a single village.

The Commission might conclude that one or more of the following statements are true, and/or are true of similar output from the newspaper.

The presence of factual error and misleading language in older articles adds to the significance of similar problems in more recent material, especially as the overall tendencies to give particular impressions coincide.

The following are examples of problems, not necessarily the most serious, repeated across items in the newspaper's output:

1. The claims to show trends in consumption adequacy across time and different levels of "growth" misled, since the newspaper does not have prices for clean water. i
2. The newspaper misled in presenting statistics on people alive at different times as showing aggregate outcomes for people. ii
3. The newspaper's use of social science failed what might be called the humanity test or the love test, since it is implausible that the journalists would apply the methods of inferring lack or economic gains to, or to set targets or policy for, people dear to them. iii
4. The fact that the name of the newspaper refers to the same profession as that of the researchers, in combination with the newspaper's categorical claims on poverty, misled that the journalists assessed the claims to a reasonable degree of thoroughness. iv



5. The newspaper misled that the official sources have a history of giving reliable information about statistics. v
6. The newspaper misled that the journalists knew the statistics reliably show levels of spending. vi
7. The newspaper misled by not qualifying its claims with a statement that the fact that many people have been just under the \$1.25 line would amplify problems or uncertainties in the statistical methods and inferences as to what the spending numbers meant about poverty.
8. The newspaper misled by omitting the researchers' own caveats on survey data comparability, national CPI rates, lack of adjustment for economies of scale in households with more people, and other matters.
9. The newspaper misled that if a new aim is set to reduce the proportion under a line, that must constitute "poverty reduction", despite the fact that it tempts governments to help the "least badly off".
10. The newspaper misled that spending shows economic gains to the poor without any information on whether the spending comes from increased debt or increased prosperity.
11. The newspaper misled that spending measures welfare when the extent is unknown to which in different places or times spending was on harmful items such as on addiction or excessive junk food. vii
12. The newspaper misled in implying that Millennium Goal indicators on poverty had been reported on, since the World Bank has only reported recent figures for two of its three current indicators. viii
13. The newspaper misled in implying that World Bank indicators for MDG1 are wholly based on consumption or spending levels of the poor independently of other people's levels, since indicator 1.3 is "share of poorest quintile in national consumption".
14. References to the data being on "consumption" and to adjustments for "purchasing power" misled that the newspaper's and researchers' claims were based on specific estimates of, or specific reasoning as to, inflation faced by the poor in different countries.

*'Towards the end of poverty'*

*'Towards the end of poverty'*

15. *"Nearly 1 billion people have been taken out of extreme poverty"* and other phrases distorted the World Bank 694 million, nearer to half a billion. ix
16. *"Have been taken out of extreme poverty..."* is conjecture presented as fact, since "fewer alive now" does not show the net number who crossed the line upwards. x
17. *"Have been taken out"* presented as fact claim a conjecture that crossing this line meant a sustainable, permanent and/or significant change, compared to changes for people remaining above or below the line.
18. *"Have been taken out"* and similar, in combination with other features of the article, stated as fact a conjecture that it is governments and those who are not extremely poor who cause people in extreme poverty to rise out of it. xi
19. The categorical statements on poverty, and links with GDP per capita, misled that the spending numbers themselves, apart from their interpretation as poverty indicators, are not open to question. xii
20. The statements about poverty levels, and links between poverty and factors such as GDP per capita, presented comment as fact, since whether people are "out of extreme poverty" is subjective. xiii
21. The article gave a misleading impression that the researchers' reasoning did not involve particular steps involving subjective judgements and assumptions which were in fact made. xiv
22. *"The world's achievement in the field of poverty reduction is, by almost any measure, impressive"* misled, since it is contradicted by other official measures in the field of poverty, and by the implications of intergovernmental pledges. xv
23. *"Poverty rates started to collapse towards the end of the 20th century largely because developing-country growth accelerated, from an average annual rate of 4.3% in 1960-2000 to 6% in 2000-10"* misled, since these figures only indicate a trend break occurring after the claimed effect.
24. The article misled that according to official statistics governments have fulfilled a pledge of September 2000. xvi
25. The Millennium Development Goals were not *"set in September 2000"*. xvii

*'Towards the end of poverty'*

26. *"The aim of halving global poverty was achieved"* overstated the scope of the aim and achievement, since they are a) not global, b) not on "poverty" at levels above "\$1.25", and c) not on poverty in general, economic or otherwise. xviii
27. The article misled by implying that the target does not have indicator 1.3, "Share of poorest quintile in national consumption".
28. *"Around two-thirds of poverty reduction within a country comes from growth"* misleads, since the research conclusions are based on correlations between data for many countries, not in any particular country. xix
29. The article misled that there is something of special importance to people themselves about crossing the "\$1.25" line. xx
30. The "\$1.25" line is not accurately described as *"the official misery limit"*. It is national lines, not this line, which have been used primarily within countries. Official national lines in the relevant countries have a median of \$2 in 2005 PPP dollars, and a mean higher than that. Further, the World Bank uses its own poverty assessments for countries, and those assessments are not dependent on the "\$1.25" method. xxi
31. *"When growth makes them even slightly better off, it hauls them over the line"*, and the other references to "growth" causing poverty reduction, present conjecture about causation as fact. The statistics are on correlation, not causation. xxii
32. *"\$63 a day for a family of four.... \$4 a day is the poverty barrier...below \$1.25 (the average of the 15 poorest countries' own poverty lines, measured in 2005 dollars and adjusted for differences in purchasing power)"* was likely to give a significant proportion of readers an impression of the purchasing power of the extremely poor, of the order of twice its real level. xxiii
33. America is two continents.
34. *"\$1.25...adjusted for differences in purchasing power"* and the relevant use of words related to "poverty" gave a misleading impression that the World Bank trends, the research claims on "growth" and poverty, and macroeconomic research in general on poverty, are based on prices faced by the "poor". xxiv
35. The article's presentation of spending data as showing poverty levels exaggerated the degree to which macroeconomic researchers have estimated, or excluded as a relevant "variable", differences in needs. xxv

*'Towards the end of poverty'*

36. By making and reporting claims on poverty without mentioning the researchers' caveats or other conceptual and technical limitations or problems, the article contributed to a misleading impression of the reliability, relevance, availability and/or comparability of data generally available to macroeconomists for assessing poverty, economic gains and policies. The newspaper thus gave a significantly exaggerated impression of the factual foundations on which policy advice from macroeconomists on related matters has been based. xxvi

*'Poverty: Not always with us'*

37. The Economist misled by omitting to report that its claim of 3 March 2012 that numbers in poverty in all regions had fallen was no longer supported by the World Bank. xxvii

38. The Millennium Declaration pledge on a dollar a day did not use "*1990 as a baseline*". xxviii

39. The pledge on a dollar a day was not what was "enshrined" in the Goals, since the pledge was to achieve more progress than the target now used.

40. The article wrongly implied that official statistics show the UN pledge as met.

41. The article would reasonably be taken as implying that any other pledges of 2000 with counterparts in the MDG targets were also "enshrined", meaning taken unchanged, into the MDG targets. xxix

42. The article exaggerated the significance in the MDG monitoring structure of the economic research by wrongly presenting one of the 21 targets as one of the eight goals. xxx

43. "*Then defined as subsisting on \$1 a day*" and "*\$1.25, the average of the 15 poorest countries' own poverty lines in 2005 prices, adjusted for differences in purchasing power*" were not clear enough to avoid giving a significant proportion of readers an exaggerated impression of purchasing power. The \$1 and \$1.25 are in "purchasing power parity" dollars worth typically half or less the value of a real dollar. xxxi

44. "*There is a lot of debate about what exactly counts as poverty and how best to measure it*" misleads by understating the extent of doubt as to whether these matters are objective at all, and whether these particular methods are adequate for public policy. xxxii

*'Poverty: Not always with us'*

45. *"There is a lot of debate about what exactly counts as poverty and how best to measure it"* misleads in context, since the World Bank team producing the main "extreme absolute consumption poverty" reports until 2012 no longer debate the view that it is inadequate. xxxiii
46. *"Adjusted for differences in purchasing power"* and the claims and reports of claims on "poverty" and "extreme poverty" levels or trends or links between other variables and poverty gave the misleading impression that the researchers had estimated prices specifically faced by the extremely poor.
47. The statements about poverty levels were, in view of the subjectivity involved, comment presented as fact - for example: *"It took 20 years to reduce the number of absolutely poor people from 1.9 billion in 1990 to 1.2 billion in 2010"*.
48. *"The first"* in *"It will be more difficult to rescue the second billion from poverty than it was the first"* distorts the World Bank claim of 694 million.
49. *"It will be more difficult to rescue the second billion from poverty than it was the first"* and *"everyone will have escaped poverty"* presented as fact a conjecture that crossing this line meant a sustainable or permanent change in a way that making progress above or below the line did not.
50. *"Growth alone does not guarantee less poverty. Income distribution matters, too"* misleads by confusing income and profit. Income could not be a measure of consumption poverty, or prosperity, without estimates of necessary expenditure.
51. *"Income distribution matters, too"* misleads, since the mathematical term "distribution" used in an article for non-mathematicians implies distribution *to* people, more of the surveys are on spending than income, and spending comes from people, not to them.
52. The article omitted the qualifier "extreme" too many times in headline, text and charts to avoid a misleading impression that research results were on poverty in a wider sense, which would clearly cover many more people. xxxiv
53. *"Consumption"* and *"consume"* in the text and the third chart misled non-economists that the spending numbers show what people received in return, since the numbers are not adjusted by prices faced by the poor. xxxv
54. *"Mr Ravallion calculates that the acceleration in growth outside China since 2000 has cut the number of people in extreme poverty by 280m"* is inaccurate, since he was not referring to "growth", but his estimated fall in the proportion of people under the line. xxxvi

*'Poverty: Not always with us'*

55. The article's next words, "*Can this continue? And if it does, will it eradicate extreme poverty by 2030?*" mislead, since they are naturally taken as based at least partially on the non-existent calculation.
56. "*Has cut the number...by 280m*" misled that research showed a fall of that number. xxxvii
57. The article misled that economists can "calculate" effects of "growth" on poverty, since a) poverty being subjective is not subject to "calculation", b) the macroeconomists cited did not estimate needs, debts, assets, or prices faced, and c) economists calculate correlation and theorise about causation.
58. "*To keep poverty reduction going, growth would have to be maintained at something like its current rate*" misleads. It is untrue, since transfers of assets from rich to poor, shifts towards more effective public services, shifts towards commerce of more benefit to the poor, and shifts towards consumption which is less wasteful do not have to raise GDP or consumption expenditure per capita. xxxviii
59. The article misled by using the present tense and a form of the future tense to describe past correlations.
60. "*Misery*", "*destitution*", and "*out of poverty*" misled that the newspaper, researchers or readers could reliably infer that the research shows changes in economic welfare despite the lack of data on prices, needs, assets and debts; and the problems of availability, comparability and reliability.
61. The idea that the world is at a "*sweet spot*" just because many people are just under the line is misleading, as is the idea that there will be "diminishing returns" later, because comparing the smaller increases necessary now and the larger increases necessary in the future for people to cross the line is inappropriate. xxxix
62. The article misled that research is on how far "growth" causes, rather than correlates with, changes in statistics for the poor. xl
63. "*Growth is still producing big falls in poverty*" and "*As a rough guide, every 1% increase in GDP per head reduces poverty by around 1.7%*" mislead, since "poverty" without a definition is contentless. If they refer to the \$1.25 line, they mislead that the research behind these particular claims is on poverty at higher levels of spending and beyond a narrow economic definition. xli
64. The article misled that the statistics show aggregate trends for real people, which are in fact conjectured. The statistics only cover people alive at the time. xlii
65. "*The international poverty line*" misleads, since the "\$1.25" line is officially described as an extreme-poverty line, and when communicating clearly World Bank staff state that the "\$2" line is for poverty.

*'Poverty: Not always with us'*

66. *"Of course, there will be other forms of poverty"* misleads that the method of inferring poverty from spending takes account of need. If people's needs for spending rise, for example if they begin paying rent because they lose their house, they can be in a very similar situation economically as before yet be above a spending line.
67. *"The cost of helping them will fall to almost trivial levels; it would cost perhaps \$50m a day to bring 200m people up above the poverty line"* overstates the difference between the present and future cost of helping the extremely poor, since there seems no reason why the amount would not, in that case, be almost trivial to raise the spending levels of 200 million by the same amount now.

*'How did the global poverty rate halve in 20 years?'*

68. "Global" overstated reported progress, since the reports excluded countries with high GDP per capita.
69. The headline overstated the significance of the research, since the omission of the word "extreme" gave a misleading impression that "the poverty rate" cited was somewhere near national lines. xliii
70. The headline, by stating that a poverty rate was halved, misled that the data, interpretation and concept were not reasonably questionable.
71. *"Poverty is easy to spot"* misleads, since consumption financed by debt is not, and nor, necessarily, is inequality within a household.
72. *"America sets its poverty line at ... Any income below that amount is judged inadequate for the provision of fundamental wants.....The threshold for dire poverty in developing countries is set much lower, at \$1.25 ....This figure is arrived at by averaging the poverty lines in the 15 poorest countries..... This is the yardstick by which poverty reduction in poor countries is measured"* misled, since the statements on a threshold and a yardstick are more true of national lines, which are mostly significantly higher. xliv
73. *"Any income below [the US line] is judged inadequate for the provision of fundamental wants"* gave a misleading impression of the problems in the international lines, through misrepresenting both the facts about the US line and the problems involved in using such a line even in a rich country. xlv

*'How did the global poverty rate halve in 20 years?'*

74. The idea that the \$1.25 line is a "yardstick" misleadingly implies a fixed standard, since there is no reason to assume that "\$1.25" shows a fixed level of consumption adequacy across countries or times.
75. *"America sets its poverty line at....over \$30 a day....The threshold for dire poverty is set much lower, at \$1.25 a day of consumption"* greatly overstated purchasing power of the poor by implying that this is in real dollars, typically twice or more as much as "PPP" dollars.
76. *"\$1.25 a day of consumption"* misled that the statistics show what people got for their money. The spending numbers are not adjusted for prices faced by these people.
77. The article overstated the consistency of the data by inaccurately referring to *"\$1.25 a day of consumption (rather than income)"*. xlvi
78. *"In 2000 the United Nations announced a series of eight Millenium Development Goals"* is incorrect and contributes to a misleading impression that the commitment in the Millennium Declaration of 2000 has been met. xlvii
79. *"Between 1981 and 2001 China lifted 680m people out of poverty"* misleads as the official Chinese poverty line is at about 1.8 "purchasing power parity dollars".
80. *"Since 2000, the acceleration of growth in developing countries has cut the numbers in extreme poverty outside China by 280m"* is conjecture presented as fact, since it is necessarily based on comparison with a hypothetical situation with unknown correlates; it is not a factual matter but a hypothesis about causation; it is a categorical statement when in fact poverty is a substantially subjective matter; and it further gives the appearance of being conjecture because no reason is given for the figure of 280 million. xlviii
81. *"Since 2000, the acceleration of growth in developing countries has cut the numbers in extreme poverty outside China by 280m"* misleads that it is possible to calculate the effect of "growth" on poverty. In reality it is only possible to hypothesise as to the causes of correlations between the data, and make judgements as to the relevance or otherwise of spending data to real-life economic gains.
82. *"Has cut"* misleads that there was a reported cut of 280 million in the numbers outside China since 2000. xlix



**'Poverty, geography and the double dilemma'**

**June 3rd 2013**

83. "Extreme poverty - those who live on \$1.25 a day or less....6% of those on \$1.25 a day live in such countries.....The annual aid budget is currently \$125 billion per year" and the other references to \$1.25 and \$125 billion misled that all were real dollars.
84. The repeated references to the \$1.25 level as if it were uncontroversially "extreme poverty", and "*the maths on ending poverty*" misled, since there are no estimates of needs for spending and there are other problems as described in the present document.

Multimedia presentation:

*'Daily chart: Towards the end of poverty'*

June 5th 2013

<http://www.economist.com/blogs/graphicdetail/2013/06/daily-chart-2>

85. "Almost two billion in 1990 to a bit over 1 billion in 2010" exaggerated the World Bank claim of a fall of 694 million. 1
86. Since the Economist is here making a factual claim itself, "*the number of people in poverty*" misleads on subjectivity, technical problems and so on as described elsewhere in the present document.
87. The commentary exaggerates evidence on "growth and poverty" by presenting "consumption growth" as *causing* changes rather than correctly referring to a *correlation* between what the statistics are on.  
li
88. The presentation gave an inflated impression of the scope of the projections by omitting the qualifier "extreme": "*Even this does not get to zero poverty*"... "*200 million poor people implies a poverty rate of around 3%. To get to zero*"... "*The international poverty line*" misleads, since the World Bank also uses a higher line and states that the "\$1.25" is for "extreme poverty".

*'How to eradicate extreme poverty'*

Text and multimedia

<http://www.economist.com/blogs/feastandfamine/2013/06/how-eradicate-extreme-poverty>

June 6th 2013

Text:

89. *"Almost a billion people out of extreme poverty in the past 20 years"* exaggerated the World Bank report by substituting *"almost a billion"* for 694 million.

Audio commentary:

90. *"Extreme poverty... that means the poorest of the poor in the poorest countries"* is inaccurate. China and India, for example, are far from "the poorest countries".

91. The Economist exaggerated the significance of the line and the research by stating inaccurately *"living under the \$1.25 line... means people without land or shelter"*. lii

92. The commentary presented conjecture as fact by implying that people under the line must be, to a significantly greater extent than the next few hundred million people spending slightly more, *"without clean water"* and prone to disease. liii

*'Poverty reduction: A selection of letters on our article'*

From the print edition

June 10th 2013

93. *"We ran an article looking at poverty"* exaggerated the scope of the article, of the newspaper's factual claims in it, and of the research which the article had cited. liv

94. *"We ran an article looking at .... challenges of building on the achievement of the....Goals"* contributes to a misleading impression that the "Goals" have been or will be largely met before the current process of choosing new goals begins. That confuses goals and targets, and is not clear overall even of the targets.

'A fall to cheer: For the first time ever, the number of poor people is declining everywhere'

'A fall to cheer: For the first time ever, the number of poor people is declining everywhere'

3 March 2012

<http://www.economist.com/node/21548963>

95. The World Bank did not claim that extreme poverty was falling *"in 2008, the first year of the finance-and-food crisis"* but in 2005-8.

96. The World Bank did not claim that the number fell in Africa south of the Sahara *"in 2008"* but in 2005-8.

97. The Economist inaccurately stated that the World Bank claimed a fall of 12 million people in Africa south of the Sahara, rather than 9 million.

98. The headline's categorical statement, *"For the first time ever, the number of poor people is declining everywhere"*, and the fuller version in the text, misled as to the reliability of the statistics even within the World Bank method. lv

99. *"All this is good news. It reflects recent economic growth in Africa"* misled in view of

a) the wrong reference to "12 million";

b) the misleading implication that a 2% reported fall on the basis of the 2005 and 2008 estimates, in a continent where statistics are not very available, and are problematic in the first place, is necessarily reliable.

100. *"\$1.25 a day (at 2005 prices...)"* gave a greatly exaggerated impression of the purchasing power of these people.

Real dollars would be worth much more than the "purchasing power parity" dollars. Twice as much or more would not be unusual. There is nothing in the Economist's words here to suggest these are not real dollars.

101. The idea that the World Bank *"started collecting the figures in 1981"* is incorrect: the first presentation was for the World Development Report 1990.

*'A fall to cheer: For the first time ever, the number of poor people is declining everywhere'*

102. The World Bank does not "collect" the figures. It produces them using judgements on extrapolation, childrens' needs and other matters. For example, where the statistics arrived with adjustments for children's needs, the World Bank researchers have removed them.
103. *"The poverty data chime with other evidence"* juxtaposed with a statement concerning estimates from 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"* gave a misleading impression that the World Bank and FAO trends now "chimed".
104. The headline and text overstated the World Bank claim by stating that "poverty" rather than extreme poverty, was falling everywhere. lvi
105. *"“Millennium development goal” of halving world poverty"* exaggerated the target's scope as discussed earlier, and by conflating goal and target exaggerated the World Bank role in MDG monitoring. lvii
106. *"Half the long-term rate of decline is attributable to [China]"* misled on what the World Bank states. In their reports, in terms of numbers it is far more.

*'The Millennium Development Goals: Global targets, local ingenuity'*

Sep 23rd 2010

<http://www.economist.com/node/17090934>

107. *"meeting the Millennium Development Goals (MDGs), a set of targets"* conflates goals and targets.
108. *"Goals...a set of targets adopted by world leaders at the UN ten years ago. The leaders gave themselves 15 years to reach the goalposts set in 2000... This week they returned to the UN for another meeting"* and in the context of that passage *"targets set at UN-sponsored summits"* misled that the pledges became MDG targets, as explained above.
109. The following overstated the target, the scope of the \$1.25 line and a claim of progress, by omitting the qualifier "extreme": *"Take the goal of halving the poverty rate....internationally accepted poverty line of \$1.25" " drop in China's poverty rate from 60% in 1990 to 16% in 2005."*
110. *"Goal of halving the poverty rate"* misled that the "\$1.25" target is one of the eight goals.

*'Growth is good'*

*"What the World Bank knows...."*

11 January 2007

[http://www.economist.com/node/8520574/print?story\\_id=8520574](http://www.economist.com/node/8520574/print?story_id=8520574)

111. The article misleadingly implied that the evaluation team had formally evaluated and were impressed by the World Bank researchers' claims to have counted the number of extremely poor people.  
lviii

112. *"[The World Bank] sent in its best economists to lance its detractors"* is clearly misleading, in view of the criticisms levelled by the panel, the evaluators and others. The view that they were the best economists and the view that the detractors were lanced appear to contradict what the panel said and implied. It also appears to contradict the existence of other problems s, some mentioned in this complaint.

*'Growth is good'*

25 May 2000

113. The article made use of research later severely criticised by the team invited by the World Bank to evaluate it.

114. The article claimed that the research showed causative relationships between "growth", "policy variables" and economic conditions on the income of the poor when the most the numbers could do was show correlations.

115. The article misled by implying a rise in income was a rise in profit.

116. The article misled in claiming differences in levels of benefit to the poor without considering inflation rates for the poor.

117. The article misled in claiming differences in levels of benefit to the poor while failing to mention that the researchers did not consider how much of items people needed to buy or use, such as rent needs, food needs, expenditure on water, debt interest.

118. It was misleading for the newspaper to state that critics "often" claim that growth is "beside the point" and that it serves "only" the rich. A more obvious criticism is that "growth" widens the gap in

## 'Growth is good'

absolute terms - in terms of how many units of money poor or rich people gain - which the researchers and the Economist implied is the case.

119. The Economist distorted by implying that people have the "same" increase if a rich person's income is increased by 10% from 100 to 110 currency units and the poor person's from 1 to 1.1.
120. The article misled that the research method was statistically valid. *lix*
121. *"On average, incomes of the poor rise one-for-one with incomes overall"* misled that the researchers had data about trends in individuals' or families' incomes rather than simply inferring from cross-sectional data without considering the necessary demographic factors.
122. *"if the claim is that incomes of the poor fall in crises by proportionately more than the incomes of the rich, it is wrong"* misled. Since the research method confused longitudinal and cross-sectional data, it failed to distinguish between deaths of the poorest during crises and them getting richer.
123. *"the poor participate in full"* misleads by misrepresenting a presumed proportional change in income is "in full" and omitting the fact that the researchers did not use any safeguards to make sure that gains or losses were not outweighed by changes in assets or debts.
124. The article misled as to critics' reasons for scepticism: *"It is hard to believe that this study is going to change many backslashers' minds. After all, the authors are from the World Bank, so their work can be put in the bin unread."*
125. The article misled that what was required to assess the paper was reading it rather than understanding it.
126. *" they have been shown so plainly that growth is as good for the poor as it is for everybody else"* misled that the newspaper had assessed the paper thoroughly.
127. *"they have been shown so plainly that growth is as good for the poor as it is for everybody else"* misled that GDP per capita shows the degree of benefit to people. *lx*
128. The article misled by failing to take adequate account of the fact that the paper was labelled "preliminary and incomplete".
129. The article misled by claiming levels of benefit from particular policies or economic conditions while failing to exclude the possibility that prices for the poor, or needs for expenditure, or assets or debt levels, or significant technical differences in survey and aggregation methods, varied systematically with the policies or economic conditions under discussion.
130. The article misled in its categorical statements of benefits and relative levels of benefits by implying that the data were unquestionably adequately comparable and reliable for the purpose.

*'Growth is good'*

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Evaluator describes work repeatedly praised by the Economist as "misleading assertions in another World Bank research project—Dollar and Kray—which has had a quite devastating influence"

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Chen, Shaohua and Martin Ravallion, July 2012. "More Relatively-Poor People in a Less Absolutely-Poor World," Policy Research Working Paper 6114, World Bank.

<http://documents.worldbank.org/curated/en/2012/07/16458176/more-relatively-poor-people-less-absolutely-poor-world>

Gives World Bank statistics, some more detailed than 2013 statistics; and proposal for "relative poverty measure":

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*"the number of relatively poor has changed little since the 1990s, and is higher in 2008 than 1981"....."it would be unwise to base global poverty comparisons on only one of the two measures".*

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## Notes

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i

Economists do not have prices for clean water because the quality of water is not monitored on a large scale.

The United Nations Millennium Development Goal Report 2013 states:

*"768 million people still drew water from an unimproved source in 2011.....concerns about the quality and safety of many improved drinking water sources persist. As a result, the number of people without access to safe drinking water may be two to three times higher than official estimates";*

*"... valuable time and energy queuing up at public water points and carrying heavy loads of water home, often meeting only minimal drinking water needs. The most affected are the poorest and most marginalized people in society—many of whom, especially in urban areas, pay high prices for small amounts of often poor quality water."*

The Economist's claims on consumption adequacy and reports of researchers' claims on this can be seen in the light of the lack of data on trends in the cleanliness of water.

The 2013 statements implying the number of people without access to safe water may be 1.5 to 2.2 billion in 2013 may be viewed in the context of the Secretary-General's "Road Map towards the implementation of the United Nations Millennium Declaration" of 2001:

*"nearly 1 billion people are still denied access to clean water supplies".*

Any "price" we might assign to clean water may depend on judgements as to what is "sustainable" and how far away an "accessible" source might be for different people. That does not help the case that consumption adequacy has been measured by spending.

ii

This kind of statistic cannot on its own provide information on consumption adequacy, not least because the method counts the poor as having done worse if the poorest survive longer.

iii

The fact that the newspaper made categorical statements about poverty necessarily gave the impression that the journalists had assessed this particular social-scientific method as adequate, because otherwise the statements would have been conjecture presented as fact. The impression that the journalists had assessed

## Notes

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the method necessarily involved the impression that the method met a rule without which social science cannot possibly be adequate: that the method is one which they would use on themselves in a similar position. Otherwise, it runs a strong risk of being inhumane.

But that would imply that the journalists would gauge their own prosperity or poverty by looking at their spending without considering the prices they faced, or how much food they and their children needed, or whether the water they bought was safe, or whether they needed to pay rent or for transport to work, or whether they lived on their own, or how many people in the household shared food and fuel, or whether their assets or debts rose or fell. That is the macroeconomic method which was used.

The journalists therefore appear to have misled the public that they had assessed the statistics before making the factual claims.

iv

See previous note.

The World Bank Handbook on Poverty and Inequality (2009) states, "analysts need to be aware of the strengths and limitations of any measure they use."

[http://mail.beaconhill.org/%7Ej\\_haughton/HandbookPovIneq.pdf](http://mail.beaconhill.org/%7Ej_haughton/HandbookPovIneq.pdf)

The newspaper would have been correct, if selective, in simply reporting what the researchers said with their caveats to ensure that a brief summary was not misunderstood. But in this case the newspaper made its own categorical claims.

v

Unreliability of official sources of statistics

The following refers to the USA: *"A report by a former Chair of the Council of Economic Advisers (Boskin Commission, 1996) found that inflation was overestimated by 1.3 percentage points per year from 1978 to 1996."*

Introduction to the book *Debates on the Measurement of Global Poverty*. Sudhir Anand, Paul Segal, Joseph E. Stiglitz 2010

[http://www.bupedu.com/lms/admin/uploaded\\_file/Debates\\_on\\_the\\_Measurement\\_of\\_Global\\_Poverty.pdf](http://www.bupedu.com/lms/admin/uploaded_file/Debates_on_the_Measurement_of_Global_Poverty.pdf)

The Economist misled as to the past reliability of the World Bank in claiming poverty trends and the effects of variables on poverty, even in its own terms.

The World Bank flagship papers of 1997 and 2001, "Assessing Aid" and "Growth is good for the poor"

## Notes

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were each praised by the Economist at the time. They were criticised by the academic team invited to evaluate World Bank research in 2006. The team said of the latter type of study that the results were "not remotely reliable".

The World Bank researchers given the task of monitoring indicators for MDG target on a "dollar a day", Shaohua Chen and Martin Ravallion, appear to state that they thought their previous "purchasing power parity" information was not good enough even while they were using it: their 2009 methodology paper reads, *"Prior to the present paper, our most recent global poverty measures had been anchored to the 1993 round of the ICP. An independent evaluation (known as the Ryten Report; see UN, 1998) of the 1993-96 ICP rounds identified a number of methodological and operational concerns, including lack of clear standards in defining internationally comparable commodities. This is a serious concern when comparing the cost of living between poor countries and rich ones, given that there is likely to be an economic gradient in the quality of commodities consumed; without strict standards in defining the products to be priced, there is a risk that one will underestimate the cost of living in poor countries by confusing quality differences with price differences. PPPs will be underestimated in poor countries"*

For another example of the official misuse of statistics, here is the second sentence of Ban Ki-Moon's foreword to the UN's MDG Report 2013:

*"Significant and substantial progress has been made in meeting many of the targets—including halving the number of people living in extreme poverty and the proportion of people without sustainable access to improved sources of drinking water."*

That is incorrect on both the "\$1.25" and water statistics. The World Bank has not reported that the "number" has halved, but the proportion. There is no official "target" on improved sources of drinking water: Target 7C refers to safe water, a very different matter. The target includes sanitation: "Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation". Indicator 7.8 is "Proportion of population using an improved drinking water source". Since the statistics are on the indicator, not on the "target", which is on safe water, and not on "sustainable" sources, Mr Ban misleads three times in one sentence. All three inaccuracies overstate the statistical progress reported.

The MDG Report's Overview states,

*"Over the last 21 years, more than 2.1 billion people gained access to improved drinking water sources. The proportion of the global population using such sources reached 89 per cent in 2010, up from 76 per cent in 1990. This means that the MDG drinking water target was met five years ahead of the target date, despite significant population growth."*

Again, there is in fact no official "target" on improved water sources - a category which is not very useful in real life, as the monitors themselves acknowledge. They do not know about safety, and this is reflected elsewhere in the MDG Report:

*"768 million people still drew water from an unimproved source in 2011.....concerns about the quality and safety of many improved drinking water sources persist. As a result, the number of people without access to safe drinking water may be two to three times higher than official estimates".*

Similarly, Ban Ki-Moon's foreword to "Progress on Drinking Water and Sanitation, 2012 update" from UNICEF and WHO stated:

*"Since the adoption of the Millennium Development Goals, the WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation has reported on progress towards achieving Target 7c: reducing by half the proportion of people without sustainable access to safe drinking water and basic sanitation. This report contains the welcome announcement that, as of 2010, the target for drinking water has been met."*

That misled, in view of the text of the report:

*"The safety and reliability of drinking water supplies and the sustainability of both water supply sources and sanitation facilities are not addressed by the current set of indicators used to track progress."*

It stated what was later in the MDG Report:

*"768 million people still drew water from an unimproved source in 2011. .... Furthermore, concerns about the quality and safety of many improved drinking water sources persist. As a result, the number of people without access to safe drinking water may be two to three times higher than official estimates."*

In view of the above, it is difficult to avoid the conclusion that the World Bank's Global Monitoring Report 2013 makes a baseless claim on something fundamental to human welfare:

*"In 2010, 96 percent of the urban population but 81 percent of the rural population in developing countries had access to safe drinking water."*

vi

There are several sources of problems with estimating people's spending from their answers to questions.

There are comparability, reliability and availability issues. It should be no surprise that for poor countries' governments high-quality statistical gathering and processing systems, harmonised across time and across countries have often not been a high priority over the last 30 years. The World Bank figures state that until the nominal survey date (surveys are grouped into three-year blocks) of 1993, there was less than 50% coverage of mid- and southern-latitude Africa. One problem of comparability, for example, stems from this fact: People give different answers about their spending if they are asked about, say, the last week from if they are asked about the last month, and methods have varied in this respect.

It is hard to say what answers people would have given if they had been asked the same types of questions in every country and at every time since 1981.

vii

By the "household per capita" method used, harmful spending by one person, such as on addiction, excessive junk food or impulse purchases, makes the whole family look richer.

viii

Indicator 1A, "Proportion below national poverty line", was dropped, and the World Bank have released no recent data on indicator 1.3, "Share of poorest quintile in national consumption".

The United Nations Millennium Development Goal Report 2013 Statistical Annex reads:

*"Indicator 1.3 Share of poorest quintile in national consumption (Percentage)*

*No global or regional data are available."*

ix

*"Nearly 1 billion people have been taken out of extreme poverty", "nearly 1 billion" in the URL, "the same again", "another billion", and "almost 1 billion" significantly distort the World Bank 694 million.*

x

The Economist wrongly implied:

a) that a net number crossing the line upwards can be reliably inferred without counting how many died, the demographic effects of AIDS or falling birth rates, or

b) that the researchers had taken these things into account.

*"The world should aim to do the same again" likewise misleads that a fall in the proportion will in future necessarily show how many were "taken out". The aim of taking a billion people out, and the aim of reducing the number by a billion, are different. "China pulled 680m people out of misery" has a similar problem.*



The single problem of how to count death as an outcome compared to changes in variables during one's life is complex both statistically and morally.

xi

*"Have been taken out"* and similar are not fact as presented, but conjecture, since people may have, at least partially, lifted themselves: other examples are *"the world has done a remarkable job...lifting"*; *"China pulled"*, *"bare achievement of pulling people over the \$1.25-a-day line"*, and *"it will be more difficult to push large numbers over it."*

Other features of the article which combine to make the impression:

- a) the overstating of the World Bank trend,
- b) the implication that official statistics must be reliable,
- c) the implication that there are no significant conceptual or technical problems with the World Bank statements,
- d) the inaccurate implication that an intergovernmental pledge has been met, and
- e) the inaccurate implication that researchers calculate causative effects of GDP per capita or national consumption expenditure growth on poor people rather than, as is in fact the case, correlations between the processed data.

xii

Part of the misleading impression given was that poor countries must have produced reliable statistics on both spending and prices since 1981. There are clearly problems with survey data reliability, comparability, and availability; the price methodology, and price data availability. The Research Director of the World Bank wrote in 2012, in the paper to which the Economist's feature of 1 June linked, *"Understandably, there are continuing concerns about the comparability of the surveys over time and across countries."*

xiii

The Economist clearly meant the word "poverty" to communicate "lack of resources to meet needs". Choices are necessarily subjective as to both resources to count (for example, assets, environment, shared assets, clean water) and what to decide they need (for example, because of their age, work, health status, freedom from debt, natural resources and so on).

xiv

The Economist misled by omitting mention of the subjective choices which the researchers actually make, for example on whether or how to:

- a) assign market values for people's own produce where there is no market;
- b) assign market values for owner-occupied housing where there is no market;
- c) assign values for different quality of food across countries;
- d) infer prices and inflation faced by the people without compiling any international statistics on this;
- e) extrapolate for periods of low or non-existent survey coverage;
- f) omit estimates of changes in food needs per person in periods of demographic change;
- g) omit estimating economies of scale in larger or smaller family units;
- h) guess medical needs;
- i) guess values for clean versus dangerous water.

xv

As with other statistics, statistical methods and inferential methods mentioned in this document, readers should not infer that the mention implies any claim as to reliability.

*"The world's achievement in the field of poverty reduction is, by any measure, impressive"* misled, because:

- a) It would naturally be taken with the misleading statements about a *"billion"*.
- b) The "\$1.25" trend cited was not accurately described as *"the world's achievement in the field of poverty reduction"*. It was only intended to cover extreme absolute consumption poverty.
- c) *"By any measure, impressive"* misled because it is not supported by the World Bank monitoring teams's reports at other levels using the same method.

They estimated the median of national lines at \$2 in 2005 PPP dollars. The mean is higher. In 2012 the World Bank researchers estimated numbers below the "\$2" line outside China:

1981: 1613 million.

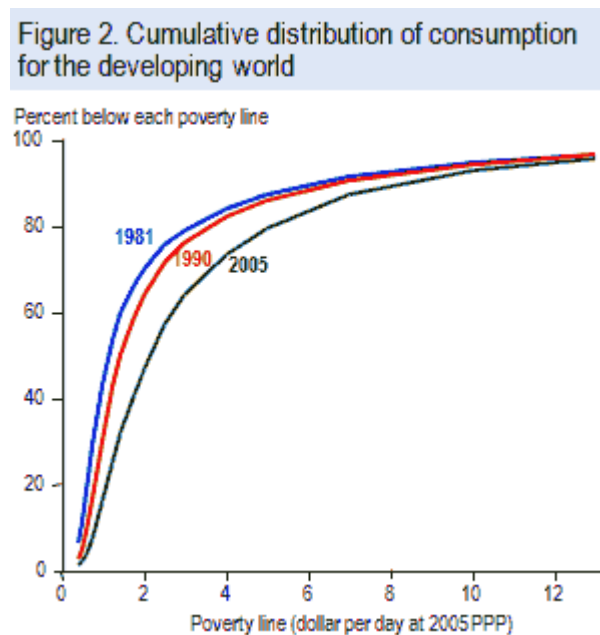
2008: 2076 million.

Even including China, when the researchers reported on the PPP \$2.50 level - which they give as the median for relevant countries outside the sample of 15 "poorest" which they used to set the lower line at PPP \$1.25 - they recorded an increase in numbers:

*"if the bar is set at \$2.50/day, there were 2.7 billion poor in 1981 and 3.1 billion in 2005, representing 48 percent of total world population, and 57 percent of the population of less-developed countries, at this latter date."*

(Haughton and Khandker, Handbook of Poverty and Inequality, World Bank 2009).

The idea that poverty is halved in general is far from what the World Bank has claimed about it, except when employees spoke or wrote incautiously. Here, for example, is a chart on different levels of the same statistics. It may help to remember that the maximum amount on the chart might typically be \$4 to \$6 per day in real dollars per day.



[http://siteresources.worldbank.org/INTRES/Images/469231-1254757025948/fig2\\_measuring\\_poverty.gif](http://siteresources.worldbank.org/INTRES/Images/469231-1254757025948/fig2_measuring_poverty.gif)

Here is a statement on how the US line would show far from a halving, even in terms of the proportions of people:

*"In 2005, 95.7 percent of the population of the developing world lived below the US poverty line; 25 years earlier it was 96.7 percent".*

World Bank: Research - Knowledge in Development Note: Measuring Global Poverty  
<http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/0,,contentMDK:22452035~pagePK:64165401~piPK:64165026~theSitePK:469382~isCURL:Y,00.html>

It does not take very much imagination to see that in view of population increases, the number of people below the US line, according to the World Bank's statements about proportions, would be substantially greater than in 1981.

- d) *"By any measure, impressive"* misled in view of the UN pledge of 2000 to halve the proportion of hungry people in the world, with no indication that the starting point was to be backdated as in the MDG target.

The FAO has reported slower progress on Goal 1 hunger indicators than the World Bank reported. This is despite the fact that they use the same or similar household expenditure surveys.

The UN MDG Report 2013 Statistical Annex gives the following figures, among others, for "Indicator 1.9 Proportion of population below minimum level of dietary energy consumption (Percentage)":

World:

1990-92	18.6
1999-01	15.0
2010-12	12.5

Developing regions:

1990-92	23.2
1999-01	18.3
2010-12	14.9

The heads of state and governments pledged to halve the world proportion from around 15% to around 7.5%.

That would mean about twice the fall in the percentage between 2010-12 and 2015 as the total fall reported since 2000.

That would mean we now need five times the annual rate of fall in the percentage as already seen.

As with other statistics, statistical methods and inferential methods mentioned in this document, readers should not infer that the mention implies any claim as to reliability.

- e) *"By any measure, impressive"* misled in view of concern at UNICEF on water, in *"the field of poverty reduction"*. As mentioned elsewhere in the present document, the UN MDG Report 2013 states,

*"768 million people still drew water from an unimproved source in 2011.....concerns about the quality and safety of many improved drinking water sources persist. As a result, the number of people without access to safe drinking water may be two to three times higher than official estimates"*.

- f) The Economist misled in presenting the World Bank claim as an unquestioned "achievement" despite the problems in the method and the fact that since there were many people just under the line already, any flaws in the method of inferring the relative level of people's consumption adequacy at the end of the period would be amplified by showing a greater error in the number of people crossing the line.

- g) *"By any measure, impressive"* misled in light of the "measure" for heads of governments' pledge of 1996 in the Rome Declaration on hunger. The plan envisaged halving the 1996 number of undernourished people by 2015, and if possible by 2010, to 400 million.

1996 plan: 400 million hungry.

2013 report: Almost 900 million.

- h) *"By any measure, impressive"* misled in view of another World Bank "measure", the statements of trends in numbers of extremely poor outside China, which the research director last year called "sobering".

- i) *"By any measure, impressive"* misled in view of the World Bank global monitoring team's statement and "relative poverty" "measure" of 2012:

They stated: *"the number of relatively poor has changed little since the 1990s, and is higher in 2008 than 1981".....*

*"it would be unwise to base global poverty comparisons on only one of the two measures"*.

The Economist cited only the measure with faster progress.

- j) *"Goals...which were set in September 2000"* misleads that *"original MDGs—such as cutting maternal mortality by three-quarters and child mortality by two-thirds"* refers to pledges in the UN resolution.

Those particular pledges clearly had a baseline of 2000.

The text of the UN resolution refers to "current rates".

*"By [2015] to have reduced maternal mortality by three quarters, and under-five child mortality by two thirds, of their current rates."*

The pledges were to achieve the targets in 15 years, not 25 years as in the MDG targets.

The shortfall in progress on them is therefore greater than for the MDG targets. *"By any measure"* therefore misleads in relation to these measures.

- k) *"By any measure, impressive"* misled in view of the *statistical* reason the Economist gave in the same article for what we might reasonably call the appearance of recent fast progress: *"the bare achievement of pulling people over the \$1.25-a-day line has been relatively easy in the past few years because so many people were just below it."*
- l) The claim misled since it is on *"the world's achievement in the field of poverty reduction"* but the analysis and information presented omit the effects of the financial crisis on poverty in countries with high GDP per capita.

*"Poverty rates started to collapse towards the end of the 20th century"* similarly misleads that poverty in general started to collapse as reported by official agencies or a reliable source. The statement is especially misleading given the use of the plural. The categorical statement also exaggerated the reliability, comparability and availability of the data themselves, as implied elsewhere in the present document. The wisdom of this might appear less in view of the slow progress of FAO hunger estimates - though I am not claiming that they are reliable.

It does not seem clear that the heads of government meant that the pledge on halving the proportion on under a dollar a day was the sum of what they pledged on extreme poverty.

The text of the Millennium Declaration, General Assembly resolution 55/2 of September 2000 states:

*"We resolve further: To halve, by the year 2015, the proportion of the world's people whose income is less than one dollar a day and the proportion of people who suffer from hunger and, by the same date, to halve the proportion of people who are unable to reach or to afford safe drinking water."*

Another passage appears not to promote the income part to higher status, but if anything the reverse:

*"We consider certain fundamental values to be essential to international relations in the twenty-first century. ...Men and women have the right to live their lives and raise their children in dignity, free from hunger...."*

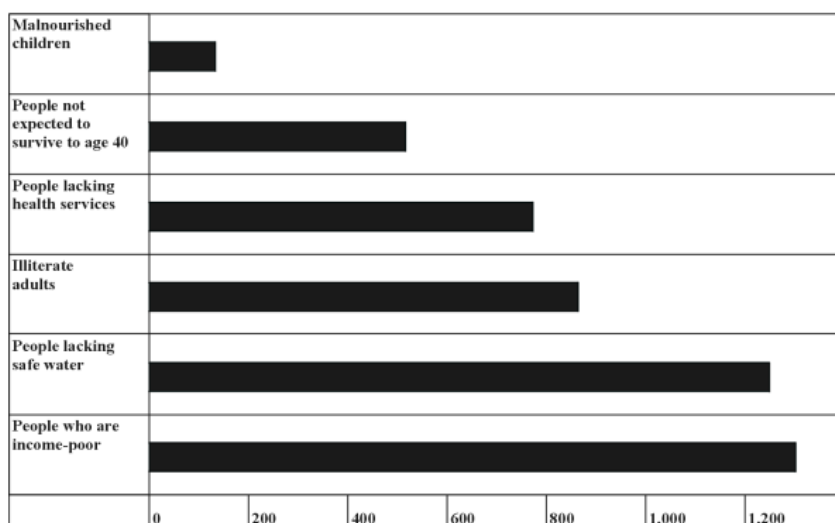
## Notes

The Secretary-General's recommendation document of March 2000 to the Millennium Summit is background information to what the governments were resolving to do.

<http://unpan1.un.org/intradoc/groups/public/documents/un/unpan000923.pdf>

*"68. While more of us enjoy better standards of living than ever before, many others remain desperately poor. Nearly half the world's population still has to make do on less than \$2 per day. Approximately 1.2 billion people — 500 million in South Asia and 300 million in Africa — struggle on less than \$1 (see fig. 1; for other measures of poverty, see fig. 2)."*

The Secretary-General's Figure 2 seems clearly to mean that several things are measures of poverty:



**Figure 2**  
**Measures of poverty**

(Millions)

Source: United Nations Development Programme, *Human Development Report, 1997*.

The Secretary-General did write of a target on extreme poverty:

*"73. I call on the international community at the highest level — the Heads of State and Government convened at the Millennium Summit — to adopt the target of halving the proportion of people living in extreme poverty, and so lifting more than 1 billion people out of it, by 2015. I further urge that no effort be spared to reach this target by that date in every region, and in every country."*

He also wrote:

*"364. First, we must spare no effort to free our fellow men and women from the abject and dehumanizing poverty in which more than 1 billion of them are currently confined. Let us resolve therefore:*

- To halve, by the time this century is 15 years old, the proportion of the world's people (currently 22 per cent) whose income is less than one dollar a day.*

• *To halve, by the same date, the proportion of people (currently 20 per cent) who are unable to reach, or to afford, safe drinking water.*"

xvi

See next note.

xvii

In September 2001 the Secretary-General wrote, "The *proposed* formulation of the eight goals, 18 targets and more than 40 indicators are listed below" (my emphasis). The goals, targets and indicators were agreed by consensus, not a UN resolution, in 2002. There was a General Assembly resolution on them in 2005. They are currently in a revised form labelled in the official list as "effective 15 January 2008".

The Economist misled that the Goals' intermediate targets are the same as the UN pledges of 2000. In reality some of the current targets are easier than the pledges. The section on "Not always with us" below has further detail in relation to the "dollar a day".

xviii

The article may also have exaggerated the significance of the "\$1.25" report in the MDG structure by conflating goal and target. "*Many MDGs...will not be met*" should refer to "targets". In conjunction with "*the aim of halving global poverty was achieved*", it misleads that "*halving global poverty*" is one of the eight goals and that a goal is met. MDG 1 is "Eradicate extreme poverty and hunger".

xix

The Economist here overstates the applicability of general correlations to particular countries. That problem is separate from the problem that correlation does not show causation, and the problem of whether these specific research results, in view of the limitations described in the present document and elsewhere, can be accurately described as on "poverty reduction".

xx

A section in the article concerned it being relatively easy to "push" people over the line in the last twenty



years. The reason is that many under it were near the line already. But whether it is easy or hard for governments to achieve a target is not relevant to the purpose of assessing what is good for people, or assessing their progress.

Progress in future on the proportion below a line, other things being equal, will be more meaningful per person crossing the line. It would be a surer sign that people had had a significant change, because starting from a lower position, they will need a bigger change to cross it.

xxi

MDG Indicator Handbook, United Nations, 2003:

*"The one dollar a day poverty measure is used to assess and monitor poverty at the global level, but like other indicators it is not equally relevant in all regions because countries have different definitions of poverty. Measurements of poverty in countries are generally based on national poverty lines."*

*"While the one dollar a day poverty line helps in making international comparisons, national poverty lines are used to make more accurate estimates of poverty consistent with the characteristics and level of development of each country. "*

*"Most poverty analysis work for countries is based on national poverty lines. National poverty lines tend to increase in purchasing power with the average level of income of a country."*

xxii

*"Poverty rates started to collapse.... largely because developing-country growth accelerated"* is conjecture presented as fact since the statistical conclusions are only on correlation.

xxiii

*"In the richer parts of the emerging world \$4 a day is the poverty barrier....\$1.25 (the average of the 15 poorest countries' own poverty lines, measured in 2005 dollars and adjusted for differences in purchasing power)"* is likely to give a significant proportion of readers a greatly exaggerated impression of what the people can afford or consume.

In these countries a "purchasing power parity dollar" is typically worth a fraction of a real dollar. There is no reference to the fact that the \$4 is in PPP dollars, and the passage on the "\$1.25" is not clear enough to give the correct impression.

xxiv

The article wrongly implied that macroeconomists consider prices faced by the poorest for their large-scale claims about "extreme poverty" and "growth and poverty". The World Bank researchers used no prices specifically estimated as faced by the "extremely poor" from 1981 to the projections for 2030, despite the potential for compounded inflation rate differences.

The statistics could not be "*adjusted for differences in purchasing power*" as stated by the Economist, since the researchers did not estimate such differences. They adjusted using other statistics and then inferred. The Economist's words mislead that what may have been an intention to adjust for differences was in fact fulfilled.

The article's presentation of spending data as showing poverty levels gave a significantly exaggerated impression of the availability of price data and the thoroughness of macroeconomic research in that respect.

xxv

*"They lack...enough food for physical and mental health"* contributed with other material to misleading impressions. The World Bank method takes no account across countries or times of what is "lacked" or "enough".

The misleading impressions were:

- a) that the researchers used prices faced by the poor,
- b) that falling child-adult ratios, falling economies of scale, and trends toward less manual labour were known not to influence food needs per person and
- c) that for a given level of expenditure or "consumption" or income, there was no significant difference across countries or times in respect of availability of money left over after rent and other necessary payments.

One aspect of this was put by Anand, Segal and Stiglitz in 2010 as, "*Of course, these basic necessities could differ in different parts of the world—illustrating that a global standard (e.g., \$1 or \$2 a day) must be viewed simply as an approximation, a point of reference.*"

[http://www.bupedu.com/lms/admin/uploaded\\_file/Debates on the Measurement of Global Poverty.pdf](http://www.bupedu.com/lms/admin/uploaded_file/Debates on the Measurement of Global Poverty.pdf)

Clearly, the same thing applies to different years. The Economist misled by making categorical statements about poverty levels.

xxvi

There are numerous problems with both the data and with interpreting them. For example (and these quotations mention only a few of the numerous problems):

Martin Ravallion the World Bank research director, wrote in the paper Benchmarking Global Poverty Reduction, September 2012:

*"Monitoring performance against these benchmarks poses a number of serious data challenges."*

*" many problems remain. There are persistent lags and uneven coverage."*

*"There are continuing concerns about the comparability of the surveys over time and across countries. And there are continuing concerns about under-reporting and selective compliance in household surveys; the rich are hard to interview, and that task is not getting any easier. The weak integration of "macro" and "micro" data is also a long-standing concern, warranting far more attention than it has received. Our collective success in addressing these and other data problems will determine how confident we are about both these benchmarks and how close we are getting to reaching them in the future."*

The paper by Laurence Chandy and colleagues cited in the Economist's briefing refers to a paper by Mr Chandy of May 2013 entitled "Counting the Poor". In it he describes sources of unreliability of both surveys and price indices. He also writes:

*"This reliance on multiple sources of data reflects the challenge of making disparate survey results compatible with one another. It is also an inherent weakness of poverty estimates. Each source introduces errors, which are compounded in aggregate poverty numbers. Together, these sources form a house of cards on which household surveys perch. An exhaustive account of the reliability of poverty estimates would therefore require a full analysis of each data source. In this paper we highlight only the most egregious problems..."*

Mr Chandy does not explain how we can know what the most egregious problems are without the exhaustive analysis.

Anand, Segal and Stiglitz (see last note) write of a well-known problem:

*"Beyond national income statistics, there are also serious issues regarding the household surveys that are used to measure living standards within countries. Most data on the distribution of income come from asking people their income and consumption levels. It is often difficult for individuals to recall this information perfectly. We know that something is wrong because the total amount reported, when extrapolated to the whole economy, does not add up to the national accounts estimate of total income of the economy. Is this due to conceptual differences between surveys and national accounts, or to underreporting in surveys? If the latter, is the underreporting uniform, or are the rich underreporting*

## Notes

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*more than the poor? The answer to these questions, as we shall see, makes a great deal of difference to one's view about what is happening to global poverty."*

[http://www.bupedu.com/lms/admin/uploded\\_file/Debates\\_on\\_the\\_Measurement\\_of\\_Global\\_Poverty.pdf](http://www.bupedu.com/lms/admin/uploded_file/Debates_on_the_Measurement_of_Global_Poverty.pdf)

Other problems are mentioned in the present document.

xxvii

*"Sub-Saharan Africa is the only region in the world for which the number of poor individuals has risen steadily and dramatically between 1981 and 2010".*

World Bank, State of the Poor, April 2013.

*"Note that because new and more complete surveys for Sub-Saharan Africa have become available this year, even the 2008 poverty number had to be revised upward from the 47.5 percent estimate last year to 49.2 per-cent this year. This new estimate adversely affected the projection of extreme poverty by 2015 for the region, which is now estimated at 42.3 percent, compared to 41.2 percent at the time of last year's GMR."*

World Bank, Global Monitoring Report 2013.

xxviii

a) The reference to a *"1990... baseline"* is incorrect, and significantly understates the pledge. The text of resolution 55/2, the Millennium Declaration, gives no reason to believe that a baseline would be other than 2000.

b) The pledge as written was therefore not, as the Economist claimed, *"enshrined.. in the.. Goals"*.

If the baseline were the only difference, then if the current World Bank statistics, level of line, and method are applied to the Declaration's mention of a dollar a day, the UN pledge would have a target of 17%, not 21.5%. However, that is not the only difference.

c) *"[The pledge] was the first...in the...goals"* misled that the MDG target is based on *"the proportion...on the earth"*.

In fact the MDG target excludes high-income countries. Those have slower population growth than there

is among people who are not "extremely poor" in other countries. Since the proportion of "extremely poor" is influenced by births among other people, the target is in this respect slightly easier for governments than meeting the pledge.

When submitting the original complaint, for some reason I accepted the Economist's incorrect version that the pledge became a target. I cannot say if it would be more accurate to say that I had already forgotten the differences or that I was misled by the Economist's version. The result was that I made a false statement to the Commission, that *"It [ie the pledge's scope] is in fact the proportion of people in "developing" countries."*

d) It is misleading to separate out as on "poverty" the part of the pledge on income from the rest of the Declaration's sentence on hunger and water.

xxix

The article would reasonably be taken as implying that pledges on hunger, water, and child and maternal mortality were also among a *"litany of worthy aims" "enshrined"* in the Goals' targets. These pledges, like the pledge on a dollar a day, were in fact to achieve greater statistical progress than the targets now used.

For example, according to the figures in the UN's MDG Report 2013, the global maternal mortality rate in 2000 was 320 per 100,000 live births. The pledge of 2000 was to reduce it by three quarters from "current rates", and the pledge does not say it was limited to "developing countries". The pledge therefore implies bringing the global rate below 80.

The MDG target has a baseline of 1990. The MDG Report's stated levels for 1990 imply that the target is either 110 for "developing regions", or 100 for the world - compared to the UN pledge to bring the global level down to 80 deaths per 100,000 live births.

xxx

*"Goal of halving poverty ...achieved"* was incorrect in using the word "goal". It also overstated the scope of the target. The target is officially only on the "\$1.25" level, and only on "consumption poverty".

xxxix

The words were likely to mislead a significant proportion of readers that the amounts were worth a real \$1 or \$1.25 - not untypically twice as much or more in reality. The Economist's mention of adjustments is not clear enough to give those readers the correct information.

xxxii

There is clearly doubt not only on what "exactly" to count or what how "best" to measure it but on:

- i) more fundamental issues of whether poverty can be "measured" at all or is significantly subjective,
  - ii) technical issues on reliability, availability and comparability of both the survey data and the price data,
- and
- iii) whether methods are *adequate*, not just "how best to..." which is a very different, in some ways more theoretical, area of debate.

The Economist's statement about debate misrepresented the position, since there are some areas of doubt on which there is relatively little disagreement among those who know the details of the method.

The statement gives a misleading impression that there must be strong and knowledgeable defenders of this particular World Bank method. In fact, the team who used it for MDG indicator monitoring until 2012, Shaohua Chen and Martin Ravallion, no longer debate the proposition that the \$1.25 line is inadequate for judging extreme global poverty.

They wrote in 2012 that "*it would be unwise to base global poverty comparisons on only one of the two measures*", one of them being "absolute poverty measures", of which the \$1.25 line which they had used themselves is an example.

Professor Ravallion has made clear that he is aware that there are subjective aspects to decisions on methods of inferring poverty.

xxxiii

Chen, Shaohua and Martin Ravallion, July 2012. "More Relatively-Poor People in a Less Absolutely-Poor World," Policy Research Working Paper 6114, World Bank. They stated on "absolute measures and "relative measures": "*it would be unwise to base global poverty comparisons on only one of the two measures*".

xxxiv

The Economist omitted too many uses of the qualifer "extreme" to avoid giving a misleading impression. The researchers described their conclusions, at least when they were communicating clearly, as on "extreme poverty". The article thus greatly exaggerates the scope of the claimed trends. For example:

*"The global poverty rate had been cut in half in 20 years";*

*"The poverty rate has fallen at a robust one percentage point a year over the past 30 years—and there has been no tailing off since 2005";*

*"The figure of 200m poor implies a poverty rate of just over 3%. To get to zero ... ";*

*"the big point about poverty reduction... "*

*" Mr Ravallion estimates that to reach a 1% poverty rate by 2027...";*

*"Mr Chandy and his co-authors .... take a projection of falling poverty...";*

*"a billion people out of poverty";*

*"In the best case, the global poverty rate falls to a little over 1%, or just 70m people";*

*" hardly any Chinese left consuming less than \$1.25 a day: everyone will have escaped poverty";*

*"It took 20 years to reduce the number of absolutely poor people from 1.9 billion in 1990 to 1.2 billion in 2010";*

*"It will be more difficult to rescue the second billion from poverty than it was the first";*

*" the number of absolutely poor people".*

The labels given to the charts, "*Hooray! Global poverty rate*" and "*Number of people in poverty*", give misleading impressions of the extent of poverty and the scope of the international trends reported. These statistics are not "global", since they left out high-income countries. Within other countries they were only about extreme poverty.

The article by Laurence Chandy and co-authors states at the outset:

*"In the remainder of this paper, all references to poverty refer to extreme, consumption-based poverty. We are acutely aware that the two are not the same, but drop the prefixes for the sake of brevity."*

Even with such a statement, the Economist would have misled in this respect, since general readers often do not read all of an article. Without such a statement, it was very likely to mislead a significant proportion of readers that it was sometimes talking about poverty in general - about a far greater number of people.

Specific claims about China are misleading: *"it lifted a stunning 680m people out poverty....This cut its poverty rate from 84% in 1980 to about 10%"; "By 2020 there will be hardly any Chinese left consuming*

*less than \$1.25 a day: everyone will have escaped poverty."*

Officially, the national line in China is at roughly \$1.80 in 2005 PPP dollars. It is misleading to call the number under the PPP\$1.25 line *"its poverty rate"* or to talk of people crossing it *"escaping poverty"*. Even if the Chinese line were not higher than the World Bank line, and even if we knew what the spending numbers meant about the real world, it would be misleading to talk in this context of the people *"escaping poverty"*.

xxxv

The words "consumption" and "consume" in the text and the third chart mislead non-economists that the spending numbers show what people got in return, since they are not in fact adjusted by prices faced by the poor. The data are according to the World Bank on what people said they *spent* or *earned*, and the value imputed by researchers to people's own produce.

The Economist wrote: *"Household consumption based on surveys"*;

*"Laurence Chandy, Natasha Ledlie and Veronika Penciakova look at the distribution of consumption (how many people consume \$1 a day, \$2 a day and so on) in developing countries. They show how it has changed over time, and how it might change in future"*;

*"More people are living at \$1.25 than at any other level of consumption. This means growth will result in more people moving across the international poverty line than across any other level of consumption"*;

*"at or just below the poverty line (at a consumption level between \$1.20 and \$1.25 a day)"*.

Related problems exist in relation to those of the data which are on answers people gave about their income, and the values which researchers imputed to people's answers about their consumption of own produce.

xxxvi

Professor Ravallion was not referring to "growth", but "poverty reduction":

*"the developing world outside China has moved to a steeper trajectory of poverty reduction since 2000.... If the pre-2000 trajectory had continued, then 29.6 percent of the population of the developing world outside China would have lived below \$1.25 a day in 2012 instead of 23.4 percent, representing an extra 280 million people who would otherwise have lived below \$1.25 a day."*



Martin Ravallion, How Long Will It Take to Lift One Billion People Out of Poverty? World Bank working paper series, 6325. January 2013.

xxxvii

It was likely to mislead a significant proportion of readers that Professor Ravallion claimed a fall of at least 280 million outside China. He wrote that if the previous rate had continued, there would have been an extra 280 million.

xxxviii

*"To keep poverty reduction going, growth would have to be maintained at something like its current rate"* is conjecture presented as fact. It misleadingly implied that there was evidence on the *necessity* of such levels of "growth, so presenting as a scientific observation what is in fact either pessimism on human ingenuity, or a lack of imagination.

One of the many alternative possibilities is in the paper written by Martin Ravallion linked to by the Economist: *"The goal could be comfortably achieved even if recent economic growth is not maintained as long as overall inequality falls"*.

xxxix

What the presence of people under the line and near to it actually means is (other things being equal, and assuming for the sake of argument that the measure indicates real progress for people):

For each million people reported as crossing the line, the achievement has in fact been relatively small during the present period, since many of them were just under the line to begin with.

Their spending does not have to rise much in order for them to be classed as "escaping extreme poverty". It is therefore a sweet spot for governments who want to claim great progress, but not currently an indicator of great progress for real people.

By contrast, the journalists' version implies that there is something of special importance to people about crossing the "\$1.25" line, since the notion of a "sweet spot" relies on that idea.

What the Economist presents as "diminishing returns" in the future would - if the statistics are a reliable guide to economic welfare, which is not clear - consist of people who are even worse off doing better, but not actually going over the line.

## Notes

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It is not a real problem at all. It is not clear why it would be "diminishing returns" for a poorer person to gain rather than a less-poor person who is nearer the line.

The real diminishing returns lie the other side of the line, because there are diminishing returns to people going over it if they do not get very far.

As is the case for other aspects of discussions about the claimed quantification of economic lack:

An adequate list of necessary qualifying statements would be long. They are necessary to avoid misleading the reader as to the conceptual and technical difficulties involved in the reasoning. The statements are that on the basis of necessarily limited household survey statistics, people are actually better off, or how much they are better off.

It is difficult to qualify the statements appropriately and still keep the words intelligible. I am not saying that if people cross the line they must be better off. I am explaining a problem in the Economist's reasoning.

From governments' point of view, the Economist's implied message about a "sweet spot" has been convenient. From the people's point of view, it is the wrong way round.

To put it crudely, at the moment there have been so many people around the "\$1.25" line that it does not mean very much, relatively speaking, how many are on one side or the other.

By maintaining an unreasonable obsession with a particular line which has no special significance in real life, the Economist misleads on past progress and also on the evidence as to what helps the poor.

xl

The Economist misled through words which say or imply that the data show causation by changes in GDP per capita on changes in statistics on poorer people.

Despite what researchers might say, the numerical research only looked at correlation. The same applies to what the article says about national spending or "consumption" levels and statistics about poorer people. For example,

*"Mr Ravallion calculates that the acceleration in growth outside China since 2000 has cut the number of people in extreme poverty by 280m".*

It is misleading to characterise such a "calculation" as possible. For one thing, there are no control countries researchers can use to narrow the range of possible causes.

Likewise, *"the strong 4.3% annual growth in consumption since 2000 has pushed the line a good distance rightward"* significantly distorts what the research is on.

Clearly the average is *caused by* (if the statistics are reliable) changes in the real world. Statistics on the poor change the average.

"Growth... pushed the line" misleads that the journalists know a fact about causation in the real world. Since the discussion is on poverty, it must mean "the average *caused changes* for the poor". The newspaper is stating, in effect, "changes for other people *caused changes* for the poor". That is conjecture, not a conclusion from data.

People could do research relevant to the conjecture, by looking at the types of transactions. But it is not clear how it could ever be proved. While there might be room for debate as to whether strictly speaking this means that the journalists get causation between statistics and the real world the wrong way round, it is something quite like it.

Similar considerations apply to similar passages in the Economist's output.

xli

The article misled that evidence was on how much "growth" reduces "poverty" as a whole.

"Extreme absolute consumption poverty" is about much smaller numbers of people than "the poor" as defined by, for example, national lines outside countries with high GDP per capita. "Poverty" in the general sense covers food poverty, water poverty, asset poverty, relative poverty, debt poverty and so on.

xlii

The article implies that particular numbers escaped or would escape poverty. This presents conjecture as fact by assuming that birth and death rates had no effect on numbers of people alive.

This assumption was made, though not mentioned, even for a period which clearly saw great demographic changes and drastic revisions to population projections for some countries due to AIDS.

Life expectancy fell in some countries during some periods.

Some similar considerations apply to statements about the future: "*Mr Ravallion's projection would lift a billion people out of poverty in 17 years*". A billion fewer is not the same thing as, and does not show, a billion rising out.

xliii

The research claims mentioned were on the "\$1.25" level, and so are much more limited than on all

"global" regions, or on "poverty" as defined by national governments. Researchers are not seriously claiming that the *"global poverty rate"* or the "poverty rate as defined by national governments in countries outside high-GDP per capita countries" was halved. The headline therefore misled.

xliv

Official thresholds in the countries themselves are generally much higher. The World Bank uses country-specific "poverty" assessments for individual countries. The official list of MDG goals, targets and indicators states, *"For monitoring country poverty trends, indicators based on national poverty lines should be used, where available."*

The article would have been correct if it had stated "the official international threshold for assessing extreme poverty "developing" countries *as a whole* is....". The median national line "in developing countries" according to the team monitoring the MDG indicator for the World Bank until 2012, Chen and Ravallion, is \$2 in 2005 "PPP" dollars. They have stated that the median for "developing" countries outside the sample of 15 countries with lowest per capita expenditure which provided the basis for the "\$1.25" line is \$2.50 in 2005 "PPP" dollars.

The Economist's version is significantly misleading especially in current circumstances, because the reported trends for the "\$1.25" and "\$2" levels, as mentioned earlier in this document, are different. At the time when they were still reporting the "\$2.50" level, Chen and Ravallion reported an increase in the numbers, even including China.

The presence of the word "dire" does not remove the misleading impression, because it is not different enough from "inadequate for the provision of fundamental wants". The reference to the US line may further the impression that the reference is to "poverty measurement" within countries. *"This is the yardstick by which poverty reduction in poor countries is measured"* gave an impression that national lines do not significantly differ from the "\$1.25" line.

xlv

See for example the Economist article of September 15th 2011, "Officially impoverished". It stated

*"the poverty line is set at three times the food bill of a typical family in the early 1960s, adjusted for inflation"*.

That is different from the line being now judged not to fulfil "fundamental wants" as the Economist stated in 2013.

The 2011 article continued, *"The Census Bureau's definition of "poverty" is about as informative as the*

*Justice Department's latest definition of "enemy combatant"*

*"the poverty measure is somewhat misleading"*

and refers to

*"methodological arbitrariness of the poverty measure".*

xlvi

The World Bank global update on which the Economist reported in March 2012, and the Ravallion paper to which the Economist's feature article of 1 June 2013 linked, state that two-thirds of the data are on "consumption".

xlvii

In fact several of the Goals' targets, subsequently agreed by consensus in 2002 and perhaps more formally in 2005, are easier. The pledge on poverty - a dollar a day, hunger, water, and child and maternal mortality - did not count progress already made in 1990-2000. The MDG targets do. The section above on "Not always with us" has more detail.

1

The passage misleads that that is the World Bank claim, when in fact that claim is of a fall from 1909 to 1215 million. This is not due to a need for brevity: the Economist used more words and syllables to mislead than to say "one point nine" and "one point two".

li

*"The strong annual growth in consumption after 2000 pushed the line so that by 2010 about 1 billion lived in extreme poverty"* was conjecture presented as fact. The commentary wrongly implies knowledge that future national "economic performance" will cause particular changes in the spending of the poor rather than referring to correlation: *"if developing countries maintain their economic performance, the number of people in poverty would fall from about 1 billion today to just 200 million in 2030"*.

lii

A moment's thought suffices to show that that is not true. It would mean that 84% of Chinese and 60% of Indians in 1981 were without land or shelter. The passage also contradicted research by Banerjee and Duflo, in the well-known "Economic Lives of the Poor" and "Poor Economics".

The Economist stated:

*"First, let's be clear about what sort of poverty we're talking about. Ban Ki-Moon referred to extreme poverty. That means the poorest of the poor in the poorest countries: people without land or shelter; without health care or clean water; whose children do not stay in school; who are subject to diseases long conquered in Europe or America."*

The error about land is more serious given the preamble *"let's be clear about what sort of poverty we're talking about...."*.

The Economist might possibly have meant that "without land or shelter" applies only to the present day, and the people did have land before. But if that is so, the idea that the line measures poverty collapses. More precisely, it would show that the idea has failed. One of the flaws of a spending line is that it takes no account of assets, which means it cannot measure economic gains or losses as a whole. So it cannot be a "poverty" line in a general sense in any case.

The error may be more serious than it looks, since the World Bank researchers state that the surveys do not give a value to people living in their own homes. People may therefore have falsely appeared richer when they paid rent, and others falsely poorer when they had a house.

The error misleads especially given the context of the Economist writing about people being taken out of extreme poverty, as explained in the next paragraph.

liii

In fact unsurprisingly health does not always correlate with spending. Although the Economist may be justified in assuming that as a whole people under the line are *more likely* to have these problems, the context is of the newspaper writing of people being *"taken out of"* extreme poverty simply because their spending went over the line. When being under the line is described, as here, as being without clean water, land or shelter, and exposed to disease, the combination is clearly misleading, because the implication must be that people who cross the line are significantly less likely to suffer these problems. To what extent that is true is conjecture, especially as the inferences from spending numbers are not based on assessments of trends or differences in need.

This error is also more serious given the preamble *"let's be clear about what sort of poverty we're talking about...."*.

Again, The United Nations Millennium Development Goal Report 2013 states:

*"768 million people still drew water from an unimproved source in 2011.....concerns about the quality and safety of many improved drinking water sources persist. As a result, the number of people without access to safe drinking water may be two to three times higher than official estimates";*

*"... valuable time and energy queuing up at public water points and carrying heavy loads of water home, often meeting only minimal drinking water needs. The most affected are the poorest and most marginalized people in society—many of whom, especially in urban areas, pay high prices for small amounts of often poor quality water."*

I cannot say how far it would be accurate to say that if people spend more money on water irrespective of whether it is clean or dangerous they are counted by the \$1.25 method as better off. But in any case the vagueness of the UN's words "may be two to three times higher" and the fact that that would equate to 1.5 to 2.2 billion people seem to indicate that it is misleading to imply that the 1.2 billion classed as under the \$1.25 line are meaningfully delineated by the idea that they do not have clean water.

liv

*"We ran an article looking at poverty"* contributed to a misleading impression that the article was significantly based on evidence or reasoning on poverty beyond the "\$1.25" line and/or beyond what the researchers define as "extreme absolute consumption poverty".

The article looked at neither trends for lines set at levels of "consumption expenditure", as typically used by national governments, nor at aspects of poverty such as assets, debts, health needs, food, water, or mortality.

The passage misled that the article looked at inadequacy of consumption, rather than at statistics largely based on spending.

Since the researchers did not estimate needs, the article could not look at consumption adequacy. Since the researchers did not use prices faced by the people themselves, the article could not even look at consumption trends.

lv

The new estimates did not "show" in a substantive sense that *"the number...living on less than \$1.25 a day.... was falling in every part of the world"*.

Firstly, the claimed reduction for middle- and southern- latitude Africa was small (more precisely 8.6 million out of nearly 400 million) and so more than usually open to question, especially since it gave the appearance of altering the past trend. In 2013 the World Bank updated its claims, now stating that it now had more survey data for the nominal survey period 2005-8 and there had in fact been a rise, not a fall in both that period and 2008-10.

Secondly, the inferences that these are poverty levels suffer from multiple problems as described elsewhere in the current document.

lvi

The Economist wrongly substituted the word "poverty" for what is officially "extreme poverty". The reference to "global poverty" also misleads. The World Bank did not claim that numbers in poverty as defined in countries as a whole, or countries excluding high-income countries, had fallen.

lvii

MDG 1 is "Eradicate extreme poverty and hunger". Target 1.A is "Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day". Indicator 1.1 is "Proportion of population below \$1 (PPP) per day". The Economist exaggerates the role of the World Bank in MDG monitoring.

lviii

The Economist wrote,

*"Some of their work is wonkishly heroic. While others emote about the world's poor, the bank's researchers try to count them, despite all the formidable conceptual challenges that poses. Its project to gauge purchasing power around the globe is now reckoned to be the world's biggest statistical initiative. Economists could say little authoritatively about world growth or poverty without it. The bank's inspectors were suitably impressed by this invaluable spadework. They would, indeed, like to see a lot more of it."*

That implied a judgement as to how far the "formidable conceptual challenges" of "counting the poor" had been overcome, since clear failure to do so would not have been either heroic or more useful than



emoting.

The passage also gives an impression through the position of the word "this" that the inspectors were "suitably impressed" with the efforts to "count the poor", that it was accurately described as "spadework" and they "would like to see a lot more of it."

There was in fact no assessment at all of the claims on poverty counts. Perhaps the closest thing in the evaluators' reports to such assessment is in the report by Esther Duflo.

<http://siteresources.worldbank.org/DEC/Resources/84797-1109362238001/726454-1164121166494/3182920-1164133928090/Esther-Duflo.pdf>

She praised the "Pro-Poor Growth" project, and the data collection on which it is based. That is very different from praising the inferences made about numbers of poor people in the world. She wrote,

*"it remains controversial whether counting the poor is a necessary exercise".*

Her report does not consider any of the limitations of the data for making inferences about poverty. It omits discussion of any problems relating to reliability, comparability or availability of spending or income surveys; reliability, comparability or availability of national consumer price data; relevance of national inflation rates to the poorest; demographic influences on the statistics or whether it is appropriate to equate cross-sectional and longitudinal trends; or lack of information on varying needs, assets or debts. She asserts that the data are

*"as measured in household surveys of comparable (and decent quality)".*

That seems to jar with what the World Bank's research director up to 2012 was still writing in a paper published in 2013:

*"Understandably, there are continuing concerns about the comparability of the surveys over time and across countries."*

[http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2013/01/22/000158349\\_20130122091052/Rendered/PDF/wps6325.pdf](http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2013/01/22/000158349_20130122091052/Rendered/PDF/wps6325.pdf)

Although the panel's summary states that a report by other evaluators praised the contribution to measurement and understanding by Martin Ravallion, that was in the context of a section entitled "theoretical work". The report did not review his work on "counting the poor".

lix

The article stated: *"a new paper...puts matters straight. Its findings could hardly be clearer"; "in fact, it*

*raises their incomes by about as much as it raises the incomes of everybody else."*

The paper was criticised by the evaluation team chaired by Angus Deaton of Princeton for the World Bank in 2006. The criticisms came from both the thematic evaluator and the panel as a whole:

The evaluator wrote:

*"if income inequality numbers are just made up and are therefore highly persistent over time, this regression will lead to a coefficient of unity, since the income of the bottom 20th percentile will co-vary mechanically with mean income. The current paper does the best that can be done with the available data, but does not engage the sort of questions raised in this paragraph, which are central to the interpretation."*

*"Does the project reflect awareness of existing knowledge from other research available at the time, and does it adequately reflect a good understanding of the countries in question? Yes and no. The paper is very well aware of the cross-country growth literature and some of the problems and prospects of this literature. But there is almost no mention of the literature that uses micro data to answer similar questions."*

*"In my view, the main problem of the paper is that the data on inequality are not very reliable"*

*"Cross-country inequality data are computed in a very suspect manner, and I find them generally unreliable... the regression methodology, as explained above, may bias the results toward finding the conclusions that the authors do find.."*

The panel wrote:

*"a serious failure in the checks and balances within the system that has led to Bank to repeatedly trumpet these early empirical results without recognizing their fragile and tentative nature. As we shall argue, much of this line of research appears to have such deep flaws that, at present, the results cannot be regarded as remotely reliable".*

lx

It is not difficult to see that GDP per capita cannot in itself show the degree of benefit to people, for several reasons including: it omits life length and other things being equal if people in the majority under the mean live longer, GDP per capita falls; it takes no account of changing need for expenditure, but assumes spending more means people are richer; it takes no account of whether people's spending is funded by prosperity or debt, as demonstrated by the consequences of debt-funded spending in the financial crisis since 2008.