

## Complaints to Press Complaints Commission: the Economist

### Fifth instalment

This is the fifth set of complaints by Matt Berkley. The others are: the original complaint of 29 July 2013; the supplementary report of 29 August; the complaint on the article of 25 July; the complaint on the article of 17 September.

Growth or safety net?

September 21st 2013

Print edition

[www.economist.com/news/international/21586601-eradicating-extreme-poverty-no-longer-pipe-dream-first-governments-must-agree](http://www.economist.com/news/international/21586601-eradicating-extreme-poverty-no-longer-pipe-dream-first-governments-must-agree)

1. *"Between 1990 and 2010 the proportion of the population living on less than \$1.25 a day in developing countries halved to 21%, or 1.2 billion people "*

The meaning of the statement is not clear. It is a categorical statement by the newspaper, not a report about what researchers claimed. The purchasing power of the poor is not known for any year, since prices have not been researched on a large scale which were actually faced by the poor. So what does "living on less than \$1.25" actually mean over time? Previous complaints describe other problems with this kind of statement.

2. *"less than \$1.25 a day"*

misleads in implying that purchasing power is much greater than it really is, as explained previously. i

3. The Economist misleads that the intergovernmental pledge of 2000 on halving extreme poverty has been met: *"That enabled the 189 governments who signed a pledge to halve the share of the poorest between 1990 and 2015 to claim they had met their goal early".* ii

4. The references to a pledge in the singular, including in *"It is not clear how much the pledge itself caused the fall in poverty"* mislead as to the full extent of what countries resolved to do. iii

5. The article gives a misleading impression that Millennium Development Goal 1 has been met. iv

6. *"Social deprivations"*

misleads and/or distorts, since *"bad education, health and so on"* are individual, not social indicators. v

7. *"the world is nowhere near meeting its goals of cutting child mortality by two-thirds and maternal mortality by three-quarters in 1990-2015"*

in combination with the "pledge" error, implies wrongly that the UN pledged these easier MDG aims in 2000 rather than the more difficult aims of halving these from "their current rates".

8. *"the aim of eradicating....meaning to reduce....to 3%"* : Eradicating does not mean reducing.

In relation to Britain's prime minister signing up, the 2013 report from the High Level Panel co-chaired by Mr Cameron mentioned the goal of bringing the proportion on under the amount to 0%.

9. The general references to *"income"* including:

*"...charities and others are urging the governments meeting in New York to adopt exacting targets for non-income measures of deprivation"*

mislead; the specific references in the cases of Vietnam and Nepal may mislead as well. The statistics are to a large degree from interview questions on spending. vi

10. *"Improvement"* misleads in the context of income, since there is no account taken of what people need to spend.

11. Various problems in the section about the Dollar-Kraay-Kleineberg paper, relating to demography, causation and so on are described in the complaint about the article of 17 September.

12. The meaning of *"almost four-fifths of the improvement in 118 countries"* is not clear, since it is not apparently weighted by population.

13. The factual basis is not clear for what may to a significant proportion of readers seem to be the Economist's own claims,

*"That still leaves a fifth that might be perked up by policies tailored specifically for the poor"*

and

*"as the report concludes..."*.

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The next frontier

Sep 21st 2013

<http://www.economist.com/news/finance-and-economics/21586512-guest-article-jeffrey-sachs-director-earth-institute-columbia>

From the print edition

14. *"the end of extreme poverty by 2030, a goal recently adopted by the World Bank"*

misleads, since the goal of 3% would leave something like 250 million or so under the line. In practice, that would mean many more being below the line sometimes, because as is well known among academics (who refer to "churning") people's economic situations fluctuate.

It is not clear that any research has been done even to establish a baseline for what the poor's money can buy now, so it is not clear what the \$1.25 in 2030 will be compared with.

15. "America" is not an economy.

16. "Eradicate extreme poverty by 2030" is not really a proposed target, since it is subjective.

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Print edition of September 21st 2013

<http://www.economist.com/dh34>

advertises problematic article of September 17

<http://www.economist.com/blogs/feastandfamine/2013/09/poverty-growth-and-world-bank>

as a "digital highlight"

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i

It is not a real \$1.25 a day as implied, but \$1.25 in "purchasing power parity" dollars. This is nominally the amount of local currency which would buy the same in each country as \$1.25 in the US in 2005.

This is the same problem as in points 32, 43, 75 and 100 of the supplementary report of 29 August.

The chart is labelled "PPP" but it is not clear how many readers would understand what this refers to. Those who do understand that it is meant to refer to purchasing power parity would perhaps not be likely to understand that it is not the purchasing power of the poor which has been studied, and the implication of that fact that the researchers do not know what people could afford to buy in any year.

ii

The analysis below stems from the observations of Thomas Pogge, as did related observations in a previous complaint.

First, the pledge was not to halve "between 1990 and 2015". There are no grounds in the resolution of 2000 or the Secretary General's recommendation document to the Millennium Summit to think that the start date would be backdated at all. Both documents refer in the context of at least one aim to "current rates". The MDG target agreed later is easier.

The pledge is in the Millennium Declaration, a UN General Assembly resolution. The text does not include any reference to 1990.

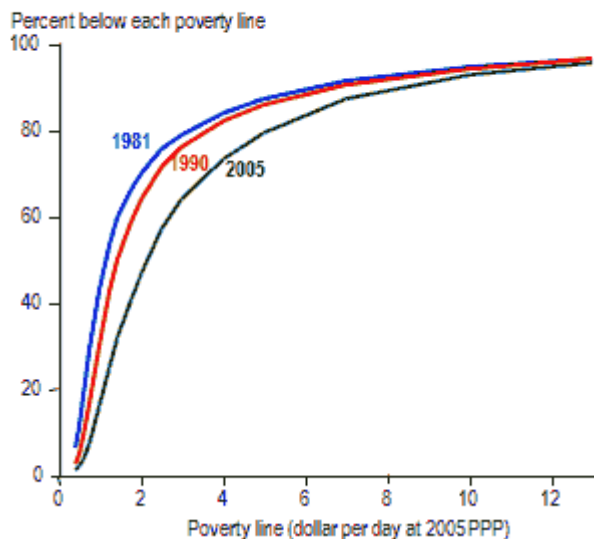
<http://www.unrol.org/files/United%20Nations%20Millennium%20Declaration.pdf>

Second, the pledge was on the proportion of the world's population, while the MDG target is on the proportion in "developing countries". The MDG target is easier, due to population growth rates.

Third, the pledge strictly speaking concerned "a dollar a day" in the terms used in 2000, not \$1.25 in "purchasing power parity" units converted at 2005 rates as used now. The latter has shown faster progress than using the previous line with the new price data, and so makes the target easier.

Reported progress is faster using the new line adopted by the World Bank in 2008 than for updating the old line for inflation in the US. According to Chen and Ravallion, updating the old line for US inflation would result in a line of \$1.45 at 2005 "PPP" rates. Lines higher than \$1 in 2005 "PPP" units tend to show slower reported progress in terms of proportional decline than lower lines, as the following illustrates:

Figure 2. Cumulative distribution of consumption for the developing world



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

The researchers already knew, before choosing the new line, from their previous reports that changing the line in this way would show faster reported progress.

In fact it is not clear in what sense the new \$1.25 line worth less and showing faster progress was adopted officially by the UN.

The World Bank started using the new line in 2008 on the basis that the researchers stated that it was consistent with the original intention of the "dollar a day" of matching low national lines.

It could be argued that the General Assembly was concerned with extreme poverty, not the "dollar" amount, so that the new line is consistent with the spirit, even if not the exact commitment, of the Declaration. That would seem reasonable, as would the view that even though the Declaration misleadingly refers to a dollar without making clear that it is the lower-value "PPP" dollar (ie the amount in local currency that nominally could buy items equivalent to what a real dollar could buy in the US) the heads of government, if not their citizens, hopefully all knew that it was not a real dollar.

However, in some contexts the spirit is not the subject of discussion. The Economist is making a specific claim that the pledge was met. The pledge was not to meet the easier target concerned with the lower level of \$1.25 a day in 2005 "PPP" units. That is so even if the new line representing a smaller amount of consumption reflects better the national lines in the poorest countries as argued by the researchers, and so reflects better the intention of the Summit.

One reason why \$1.25 at 2005 "PPP" is worth less than \$1.08 at 1993 "PPP" is that the 2005 price comparisons confirmed what had been stated in the Ryten report of 1998, that the pre-2005 conversion rates were based on wrong comparisons of quality of items across countries. The new rates as a result reflected a downgrading of the assessment of purchasing power in poorer countries. They were not, and are not, based on prices faced by the poor. But in terms of what was reported, the rates used increased the reported numbers in "extreme poverty" greatly.

To recap, the "dollar a day" used by the World Bank in 2000, \$1.08 in 1993 "PPP" units, was in fact

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higher in terms of inferred purchasing power than the now-current line of \$1.25 in 2005 "PPP" units. The old amount could buy more, and more people were under that line.

Here is how the Economist put it in 2008:

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*The world is poorer than we thought, the World Bank discovers*

Aug 28th 2008

<http://www.economist.com/node/12010733>

*IN APRIL 2007 the World Bank announced that 986m people worldwide suffered from extreme poverty—the first time its count had dropped below 1 billion. On August 26th it had grim news to report. According to two of its leading researchers, Shaohua Chen and Martin Ravallion, the “developing world is poorer than we thought”. The number of poor was almost 1.4 billion in 2005.*

*This does not mean the plight of the poor had worsened—only that the plight is now better understood. The bank has improved its estimates of the cost of living around the world.... In many poor countries the cost of living was steeper than previously thought, which meant more people fell short of the poverty line.*

*Ms Chen and Mr Ravallion have counted the world's poor anew, using these freshly collected prices. They have also drawn a new poverty line. The bank used to count people who lived on less **than “a dollar a day” (or \$1.08 in 1993 prices, to be precise)**. This popular definition of poverty was first unveiled in the bank's 1990 World Development Report **and was later adopted by the United Nations (UN) when it resolved to cut poverty in half by 2015.**”*

It is not clear that the global proportion of people officially under that line has been halved.

iii

The Declaration had several pledges, not one as might be inferred from the Economist's words in this and the previous quotation. Even within the Declaration's sentence about a dollar a day, other pledges were made about hunger and water. It is therefore not clear that the Economist is right to focus on one statistic implying that this was the pledge on extreme poverty. The resolution reads:

*“19. 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.”*

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Not even the easier MDG target has been officially met for hunger. Progress towards both the Declaration drinking water target and the part of the MDG target on drinking water are currently technically unmeasurable.

The Economist wrote,

*"...\$1.25....That enabled the 189 governments who signed a pledge to halve the share of the poorest between 1990 and 2015 to claim they had met their goal early".*

iv

“Goal” is inaccurate in relation to not only the pledge but also the Millennium Development Goals agreed later.

The World Bank has reported that target 1A has been met, though it has only reported on two of the three indicators agreed.

The “goal” has not been met, since it is “Eradicate extreme poverty and hunger”.

Nor have its intermediate targets for 2015 as a whole been officially “met”. The three targets have nine indicators. The indicators are monitored by UNICEF, the FAO and the ILO, not just the World Bank.

Martin Ravallion, the Research Director at the World Bank, has on several occasions stated the situation wrongly (for example, "The first MDG was to halve the developing world's 1990 "\$1 a day" poverty rate by 2015") but it is not clear why journalists should.

v

That is the case whatever social scientists might say.

Income, with which the Economist contrasts these, is a social indicator, since it is a measure of flow, not accumulation, benefit or profit. Similarly misleading and/or distorting are *"social aspects of poverty"* and *"social targets"*. This is not just an abstract problem of terminology: it depersonalises what are in fact more personal indicators than those concerned with flow of money. Neither your nor my health is a "social aspect" of our welfare. The risk is that the depersonalisation may influence policymakers to some degree against these aspects. "Personal indicators" would be more accurate.

vi

*"by doubling health spending and concentrating on the poorest areas [Nepal] cut maternal mortality in half between 1998 and 2006 and reduced deprivation and misery by more than its income gains alone would suggest":*

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Many or most of the surveys in poorer countries are not on income. Does the Economist have information that it is income in Nepal's case?

*"Ms Alkire finds that about one-sixth of Vietnam's population is poor by income, and one-sixth is "multidimensionally poor":*

Most of the surveys are on spending and the imputed value of home-produced consumption. Does the Economist have information that the statistics were on income in Vietnam? The country briefing from Sabina Alkire's initiative on Vietnam of December 2011 mentions income, but that is a convention in development economics even when spending is used as a proxy.

Even where the statistics are on income, they do not measure income gains, but income rises. Would not a gain be, rather, where there is an income rise and necessary expenditure is known to be constant or falling?