

## Discoverer of Global Poverty Error Calls for Statistics on Survival

The man who uncovered an "elementary" error in the most-quoted Millennium Goal statistics on global poverty calls for politicians to use survival rates of hungry people as indicators of progress.

Matt Berkley, of Oxford, England, writes:

"Many economists claim to know a global poverty trend.

What they say is based on the assumption that people need to eat the same as in 1990. But the global proportion of adults is going up. A World Bank "dollar equivalent" is not a measure of poverty if you do not know the cost of living. The cost of living depends, among other things, on the proportion of adults in your family.

The official methodology paper for the World Bank statistics ("How did the World's Poorest Fare in the 1990s?" appeared to confirm that its staff had omitted to add the number of adults among poor people.

This was such an elementary mistake that I telephoned the people in charge of the statistics to make sure."

The Food and Agriculture Organisation of the United Nations believes that the proportion of adults among hungry people has risen since 1990. So the FAO believes that it now costs more per person to maintain the same consumption level considering people's actual age and size.

[source: Jorge Mernies, senior FAO statistician, Rome]

The FAO believes that about two-thirds of "poor" people (around 770 million out of the World Bank 1100 million) are hungry.

Mr Berkley has suggested to Jorge Mernies of the FAO that he needs to measure the proportion of adults among hungry people, rather than simply measuring the proportion of adults in countries as a whole.

But the World Bank takes no account of how much food people need.

[source: Shaohua Chen, co-designer of the "dollar-a-day" count for the World Bank, Washington].

Mr Berkley also writes:

"World Bank economists and university professors have claimed to know how "good" or "bad" policies were, without taking into account:

a) how much food poor people need to buy (because of the proportions of adults in countries at different times)

or

b) how much the food costs (they use the total inflation rate, which is mostly influenced by the inflation rate for the rich)

or

c) how much extra expenditure was necessary - due to increased urbanisation (with, we might expect, more need for expenditure on rent) - or changing costs for water and health care.

The macroeconomics profession has confused their "cross-sectional" statistics (averages of people alive at any time) with "longitudinal" statistics (which are about what happens to real people)."

Mr Berkley suggests to politicians that they replace the term "poverty reduction" - which he says is a "double negative" concentrating the mind on the problem, as well as being confusing where life length decreases - with "saving lives", which he says "focusses the mind on sensible action and sensible measurements".

He says, "A social scientist can usually see how well poor people are doing by counting who survives.

Social scientists need to know this anyway to make sense of their statistics on hungry people alive at different times. So survival rates are the first thing a sane approach to measurement would tackle".

### APPENDIX: FURTHER INFORMATION

Mr Berkley claims that economists have made several fundamental errors in their statements about global poverty.

"One, you can't measure the average outcome for hungry people without counting how many survived the period.

I have been telling this to professors of economics, UK government officials and senior politicians since 2000. Before then, I naively assumed that they had measured income changes for real people. Economists are now beginning to understand the problem."

"Two, the economists failed to adjust for food prices.

Without food prices, how can their statistics on consumption expenditure measure poverty?

More expenditure doesn't mean less poverty! Others have pointed this out: for the World Bank's failure to adjust for food prices, see "Poor but Pedicured", The Guardian, May 6, 2003. The food price problem applies not only to economists' global poverty claims but also to their policy recommendations, which assumed bizarrely that whatever the policy, food prices changed at the same rate as inflation for the rich. This has the unfortunate consequence that if prices fall for the rich, the poor look richer; and also that if a government makes food cheaper, the poor look like they haven't gained much."

"Three, the economists took no account of additional items of expenditure due to urbanisation (which can result in more people paying rent) or removal of subsidies for education or health care. The cost of living is not just a function of prices, but of need."

"Four, Martin Ravallion, co-designer of the World Bank's "halving poverty" methodology, co-wrote an academic paper in 1995 saying that economists should take the proportion of children into account as well as the expenditure or income per person.

I am surprised that the members of the Royal Economic Society needed to be told this.

I am also surprised that they failed to correct Dr Ravallion's own mistake for the "halving poverty" statistic.

The World Bank governors may wish to explain why he changed his mind for the Millennium Goal indicator."

"Five, the necessary equations - taking into account prices, additional items, children and the reverse effects of survival on the statistics - would be in practice ridiculously complex. If you doubt this, ask an economist for an equation just for adjusting for children!"

So you might as well just look at how many poor people are surviving.

If international development policy isn't about saving lives, then I'm not sure what it is about. As I told the Chairman of the Select Committee, the survival statistics are less corruptible."

"Six, it is an open secret among economists that the World Bank's data are not comparable across either countries or time, even for the income or expenditure part of the equation. That is before we think about the cost of living".

On 25 June Mr Berkley wrote to the Chairman of the Parliamentary Select Committee on International Development, Tony Baldry, concerning multiple errors by macroeconomists.

Hilary Benn MP, now Secretary of State for International Development and one of Britain's two Governors of the World Bank, replied to the Chairman concerning the contents of Mr Berkley's letter.

He omitted any mention of the food error.

He also failed to respond to the observations that economic research on policies to help poor people - including research from the World Bank - had failed to take inflation in food prices into account.

On 6 November Gordon Brown, Chancellor of the Exchequer, thanked Mr Berkley in person for a note pointing out the food error.

The note also pointed out that the basis of UK Government statements that the world was on track for the "halving poverty" target (which include statements to Parliament) was unclear. They took World Bank statistics into account but not the agreed FAO and World Health Organisation statistics.

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Mr Berkley says that the food error is widespread in academic papers by economists:

"Economists often say that people's incomes have risen by a certain percentage.

But Professor David Bloom of Harvard suggests that sometimes, almost 2% of the rise may be due simply to a decline in the proportion of children, and not to people getting more income considering their needs.

So people can have 1% less income for their age and size, while the average rises by 1%."

Mr Berkley also points out that the Millennium Goal on poverty is not to halve it but to eradicate it.

That error, he says, is widespread among politicians: for example, Gordon Brown stated to the Select Committee on 6 November that he aims to meet all Millennium Goals in all countries.

But, Mr Berkley says, that implies that the Chancellor aims to eradicate poverty, not to halve it. There is a target to halve the proportion on under a World Bank dollar (a fraction of a real dollar). That is not a poverty target unless you know something about how you know needs changed.

Mr Berkley writes: "Eradication of poverty is not the same thing as raising living standards, for one obvious reason. Poverty is eradicated faster if people die faster.

The aim of "Poverty Reduction Strategy Papers" from the World Bank and IMF of reducing the proportion of poor people is inappropriate in countries where AIDS is having a demographic effect. The confusion between a) the falling proportion of poor people and b) income rises for poor people is widespread among economists and other "poverty experts"."