The (Ir-)Relevance of the International Poverty Line for National Poverty Assessment

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(4) The average of these poverty lines is the international poverty line.

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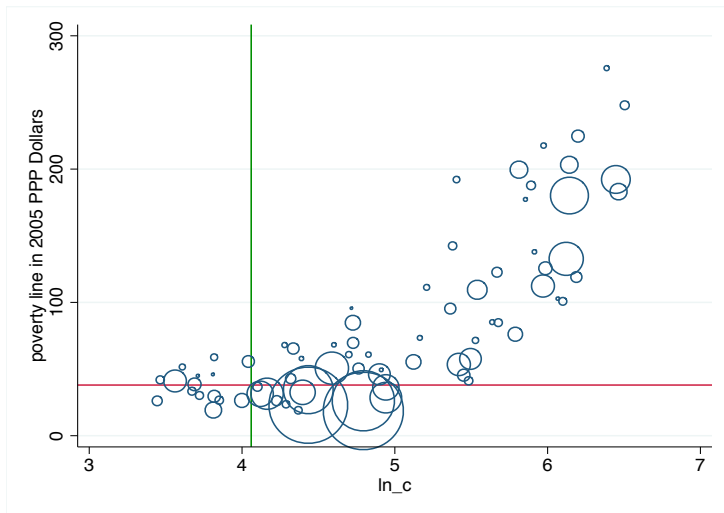
Assess this claim:

The $1-a-day poverty measures poverty "[by] the standards of what poverty means in the poorest countries" (Ravallion et al., 2008, p. 23).
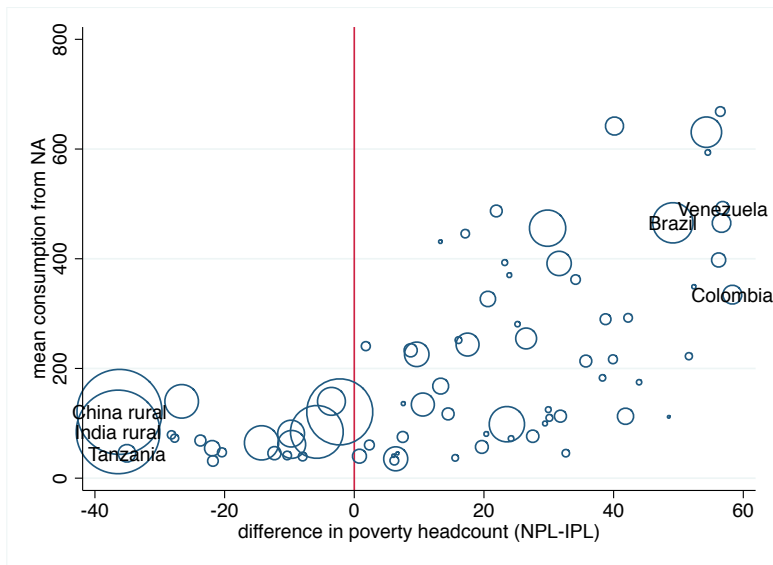
Idea:

Compare poverty outcomes when the two lines are applied

Poverty levels when the international and the respective national poverty lines are applied

	Poverty Headcount	Number of Poor
national poverty lines applied	25.28%	1,134 mio
international poverty line applied	30.84%	1,383 mio

Difference in the poverty headcount

Difference in the poverty headcount for 15 poorest countries
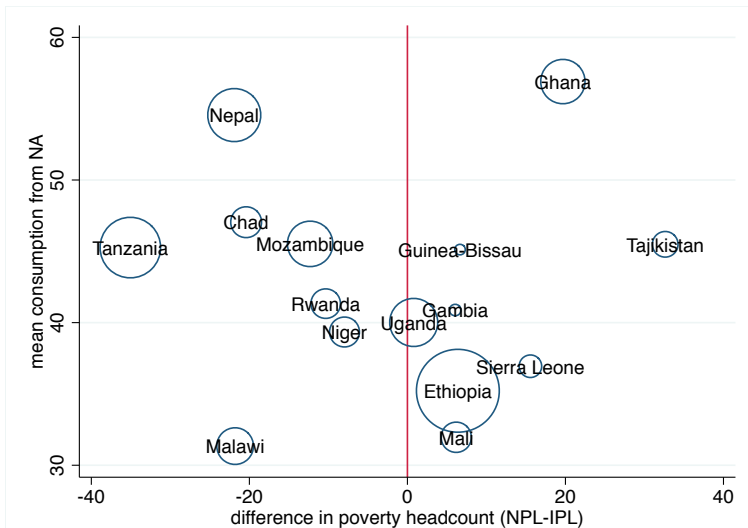
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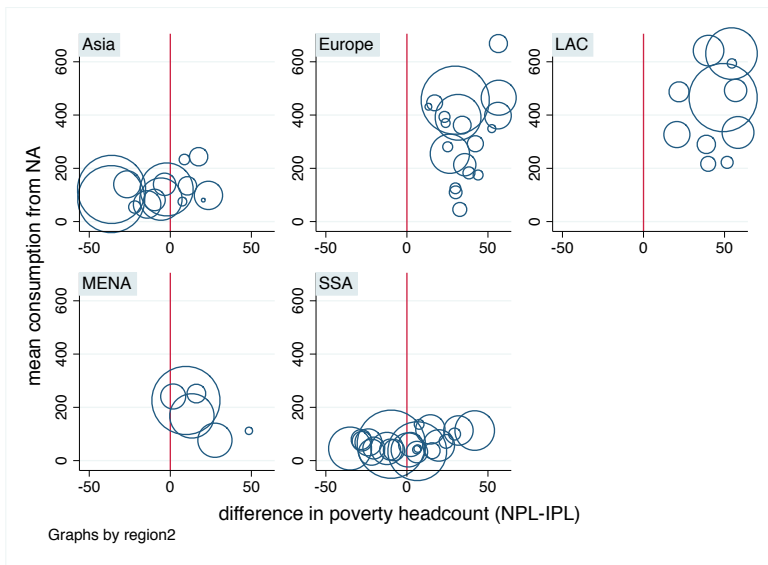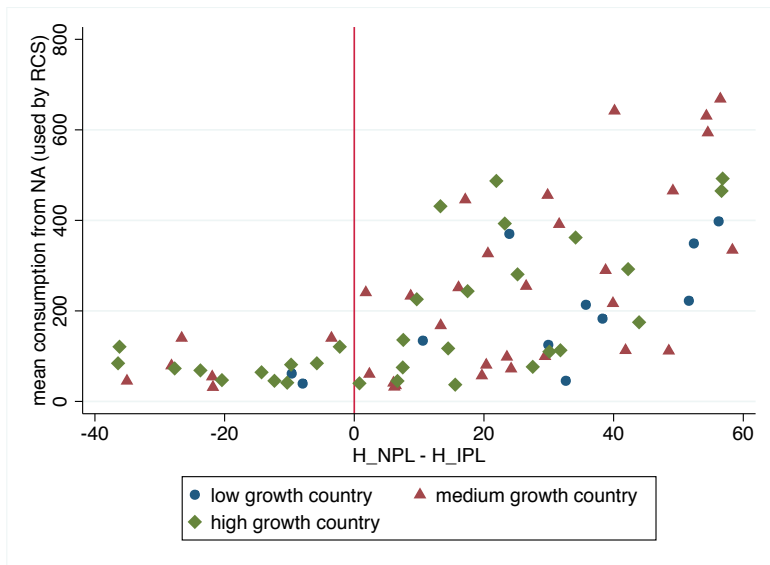
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- For richer countries, the international poverty line understates the number of poor.
- Significant over- as well as underestimation for a similar mean income.
- Significant divergence even for 15 poorest countries.

Disaggregate by region

Graphs by region2

Disaggregate by GDP growth

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- Differences in the poverty headcount equal up to 35 percentage points for the 15 poorest countries.
- Differences in the poverty headcount equal over 50 percentage points for some European and Latin American countries.
- For some high growth countries the respective national poverty line could underestimate poverty levels.

Concept of weakly relative poverty line

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Ravallion and Chen (2009) estimate a weakly relative poverty line:

$$Z_i \equiv max(Z^*, \alpha + k \times M_i)$$
$$Z_i \equiv max(\$1.25, \$0.60 + \frac{M_i}{3})$$

(1)

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weakly relative poverty line applied	55.27%	2, 247 mio

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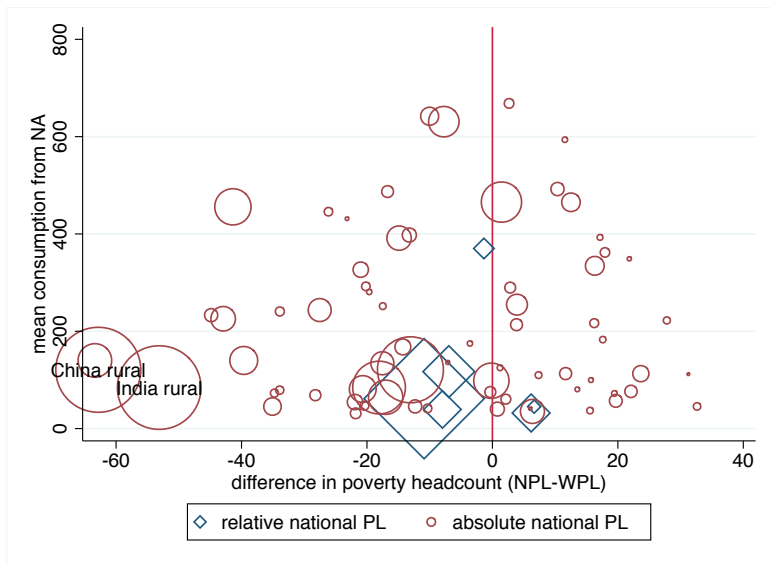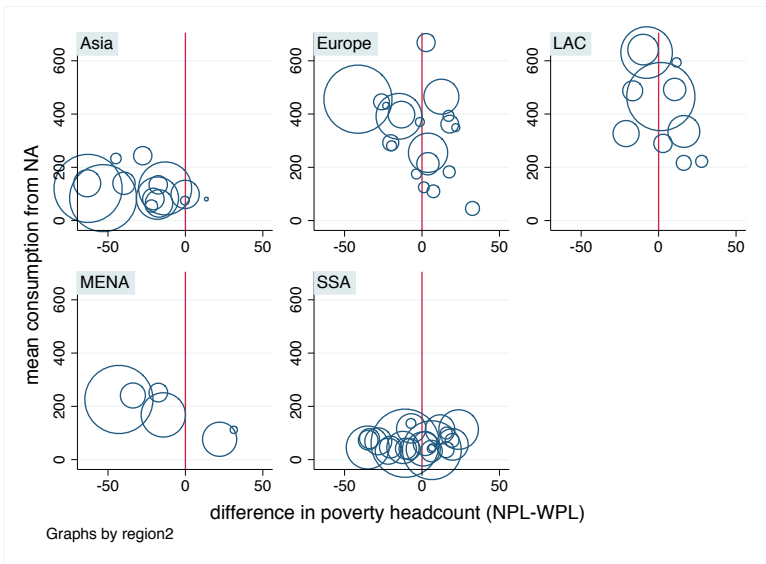|	Poverty Headcount	Number of Poor
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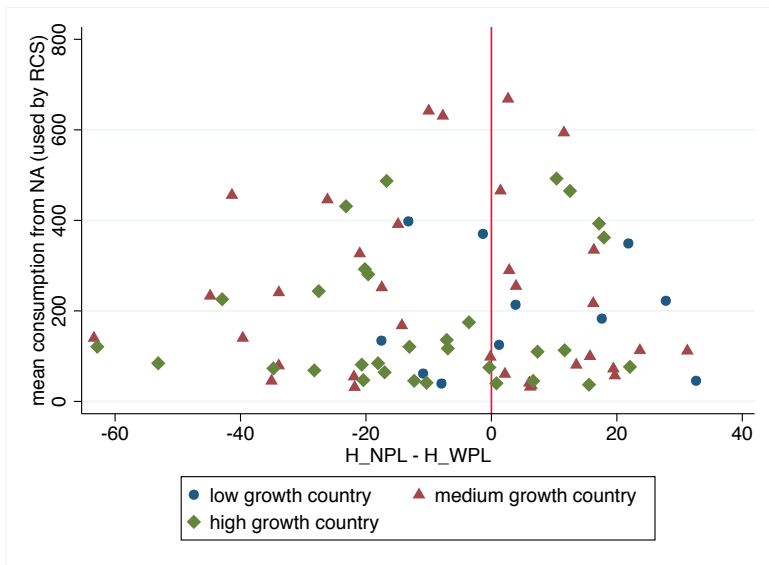Poverty levels are higher when the weakly relative poverty line is applied.

Difference in the poverty headcount

Disaggregate by region

Disaggregate by GDP growth

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- For some poorer countries (i.e. India, China) the divergence in poverty levels increased.
- For countries with relative national poverty lines the variance is small.
- National poverty lines of some high and medium growth countries appear to understate poverty levels.

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- Weakly relative poverty line reflects national poverty lines of richer countries in the sample better.
- Reliability of a measure returning inconclusive results at the country level can be questioned.

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- Wrong strategy to determine the 15 poorest countries.
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Wrong and or missing explanatory variable:

- National accounts statistics unreliable for low-income countries.
- PCE includes spending on goods and services by unincorporated businesses and non-profit organizations.