

Global and China's poverty monitoring— past, present and future

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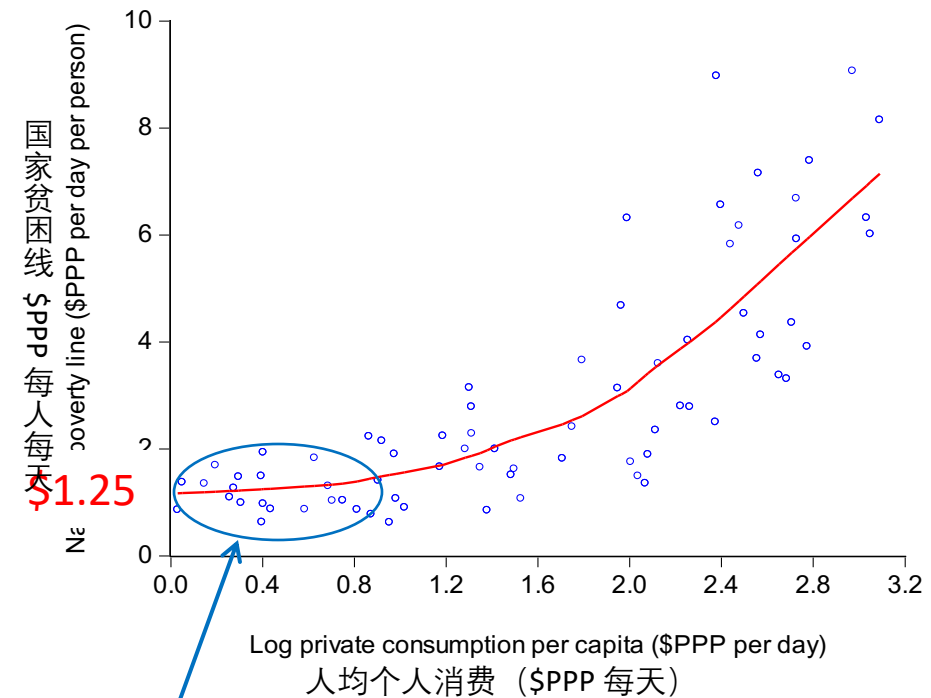
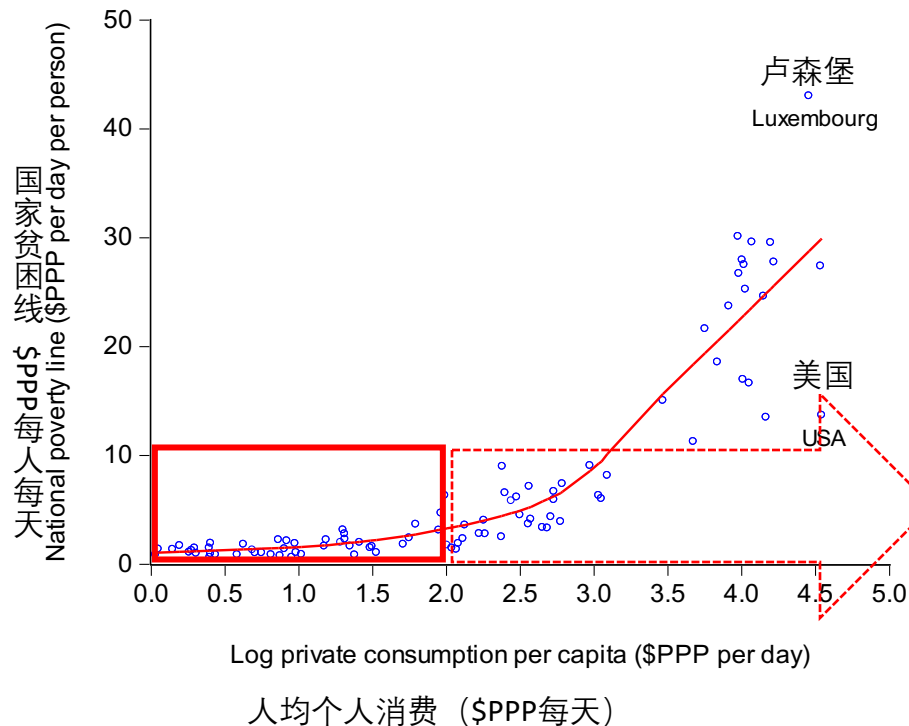
Xiamen University

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From 1981 to 2015, global extreme poor reduced by one billion, roughly 74 % of the poverty reduction happened in China. In 1981, about 46% of poor lived in China and this share declined to 1.4% in 2015

	Number of people (in million) living below \$1.9/day in 2011 PPP			
	1981	1990	2002	2015
East Asia and Pacific	1115.6	987.1	552.5	47.00
China	877.8	755.8	409.1	10.00
Europe and Central Asia	13.2	13.3	27.6	7.13
Latin America and the Caribbean	47.8	62.6	63.2	24.32
Middle East and North Africa	20.1	14.2	9.4	15.65
Other high Income	5.2	4.3	4.9	7.36
South Asia	512.3	535.9	554.3	216.57
Sub-Saharan Africa	194.2	277.5	398.0	412.99
World Total	1908.4	1894.8	1609.9	731.02
World less China	1030.6	1139.0	1200.8	721.02

“相对梯度”：富裕国家的最低贫困线较高，但也有下限



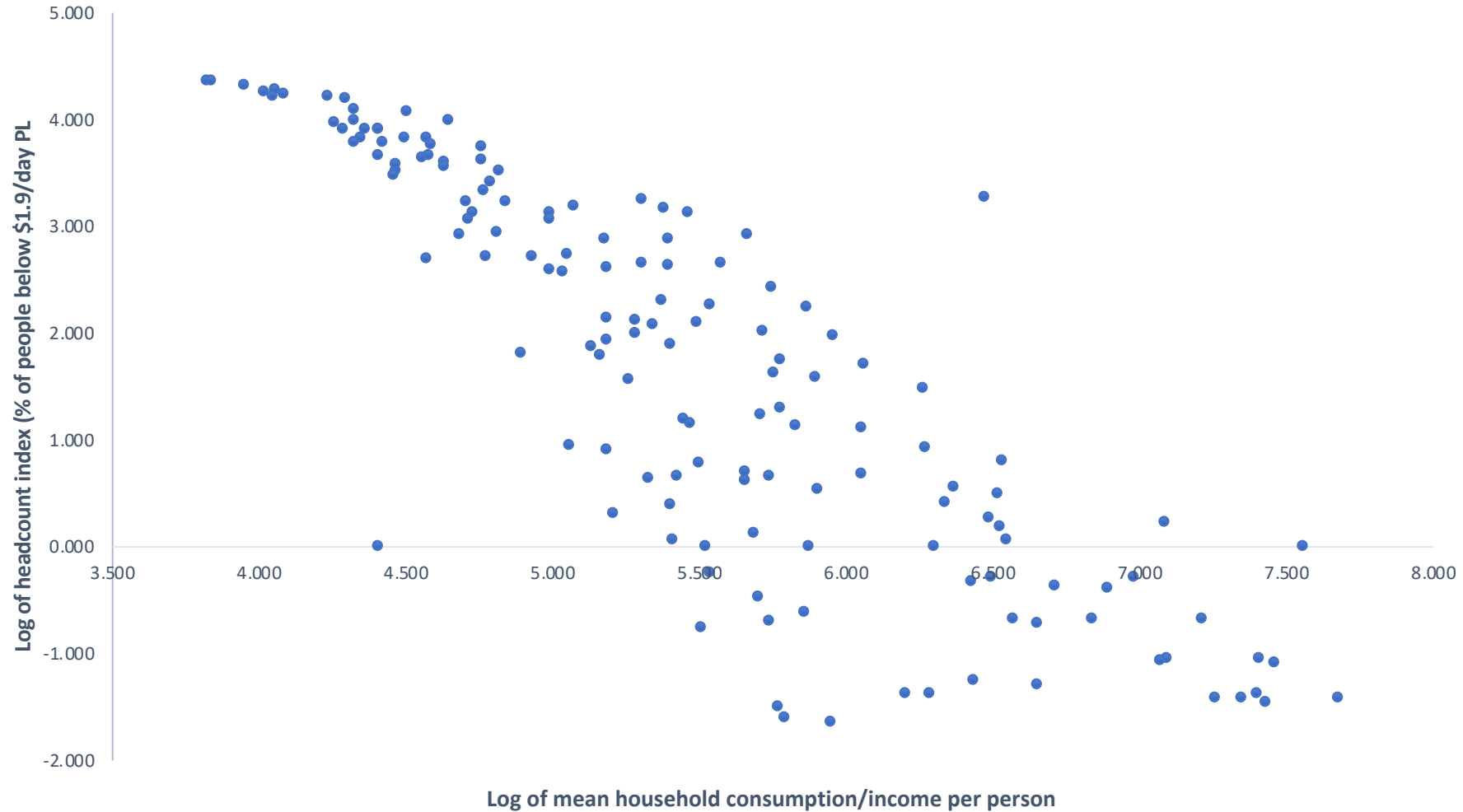
马拉维、马里、埃塞俄比亚、塞拉利昂、尼日尔、乌干达、冈比亚、卢旺达、几内亚比绍、坦桑尼亚、塔吉克斯坦、莫桑比克、乍得、尼泊尔、加纳

Revisions to the international poverty line

Update:	1990 “Dollar-a-day”	2001 1.08/day	2008 1.25/day	2015 1.90/day
Source	1990 WDR, Ravallion, et al (1991)	Chen and Ravallion (2001)	Ravallion, Chen and Sangraula (2009)	Ferreira, Chen and etc.(2015)
ICP data	1985 PPPs	1993 PPPs	2005 PPPs	2011 PPPs
Poverty lines used	6 countries	10 countries	15 countries	15 (same lines as 2008)
Method	Inspection	Median	Mean	Mean
Poverty line (ICP base year USD)	\$1.01	\$1.08	\$1.25	\$1.90
Poverty line in constant 1985 USD	\$1.01	\$0.80	\$0.69	\$0.91

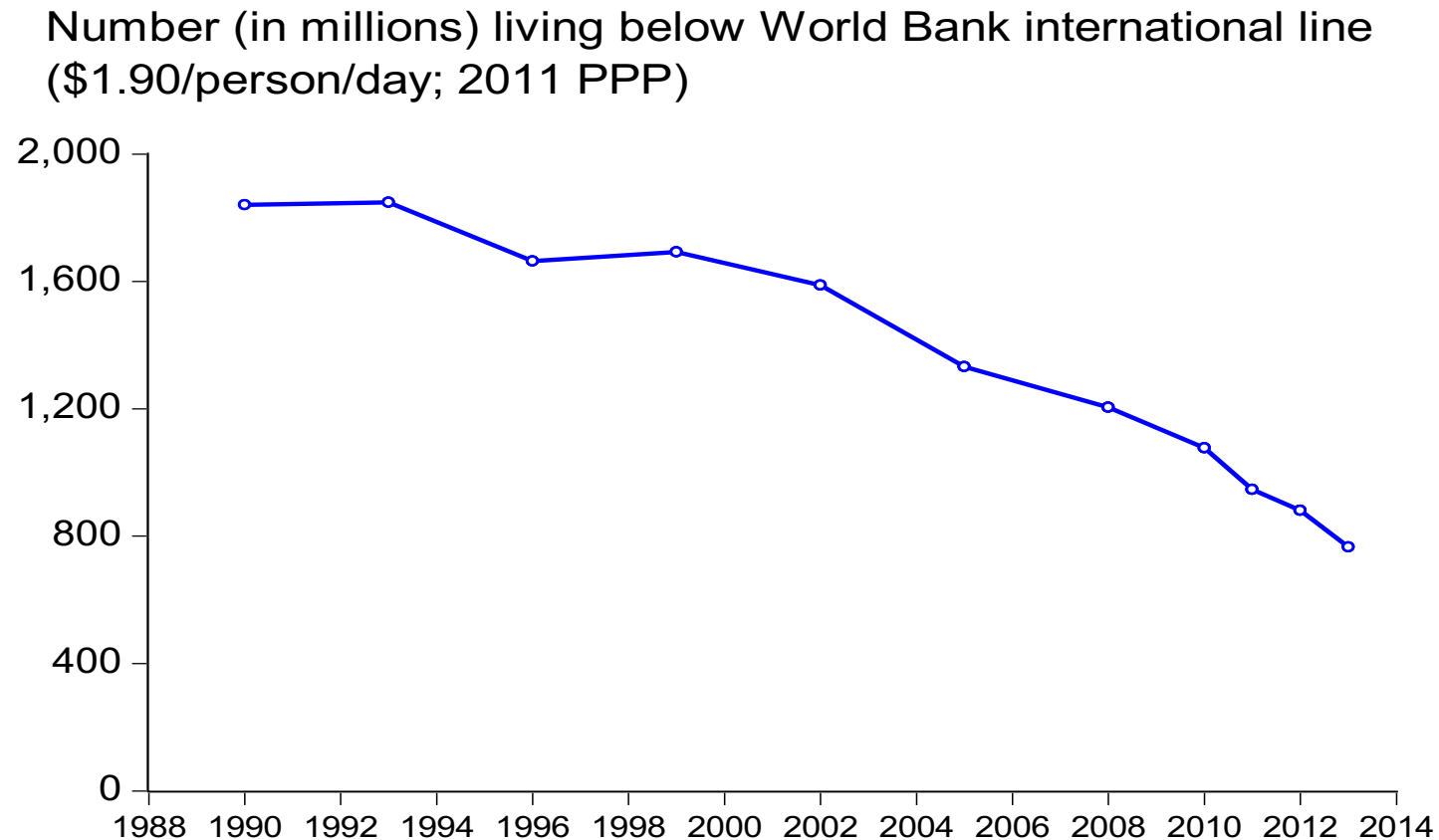
Stylized fact 1: Less poverty in richer countries

(Log) headcount index plotted against log mean

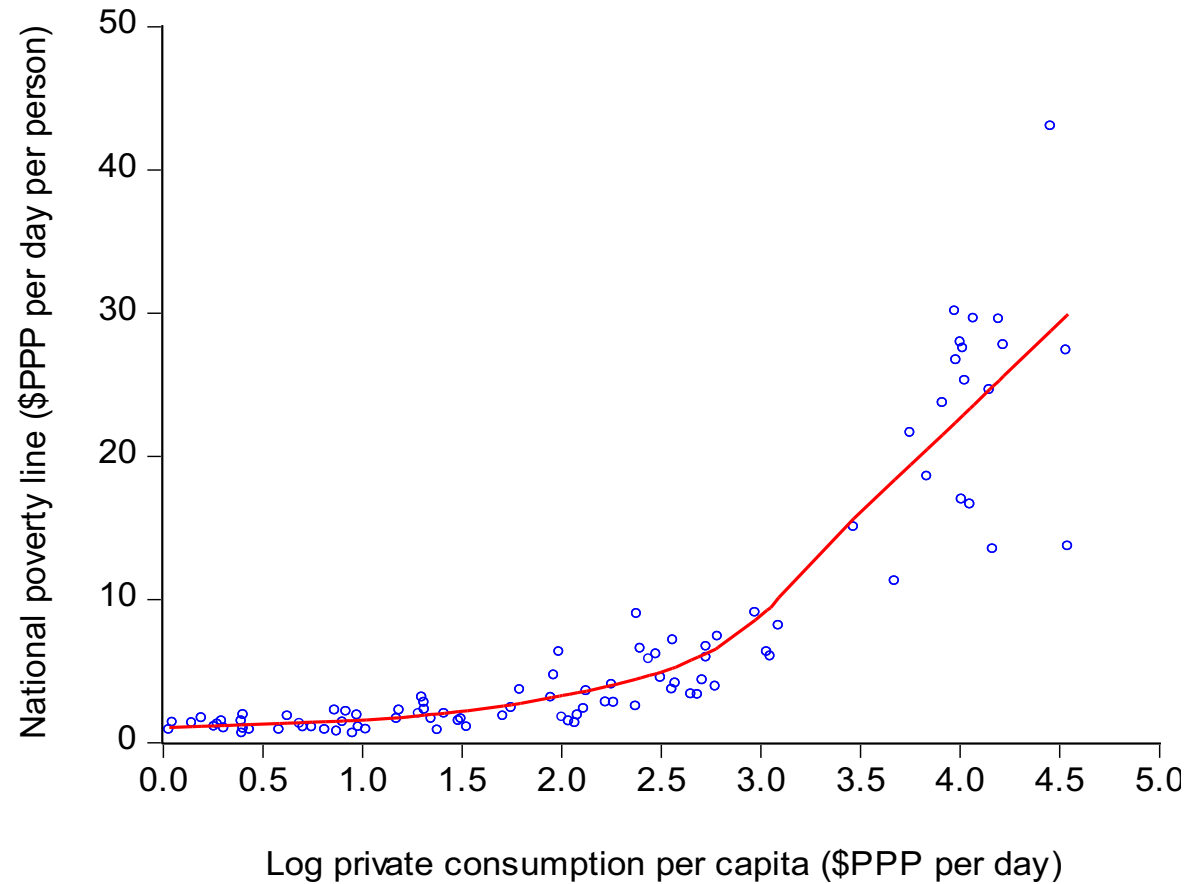


Stylized fact 2: Poverty is falling globally

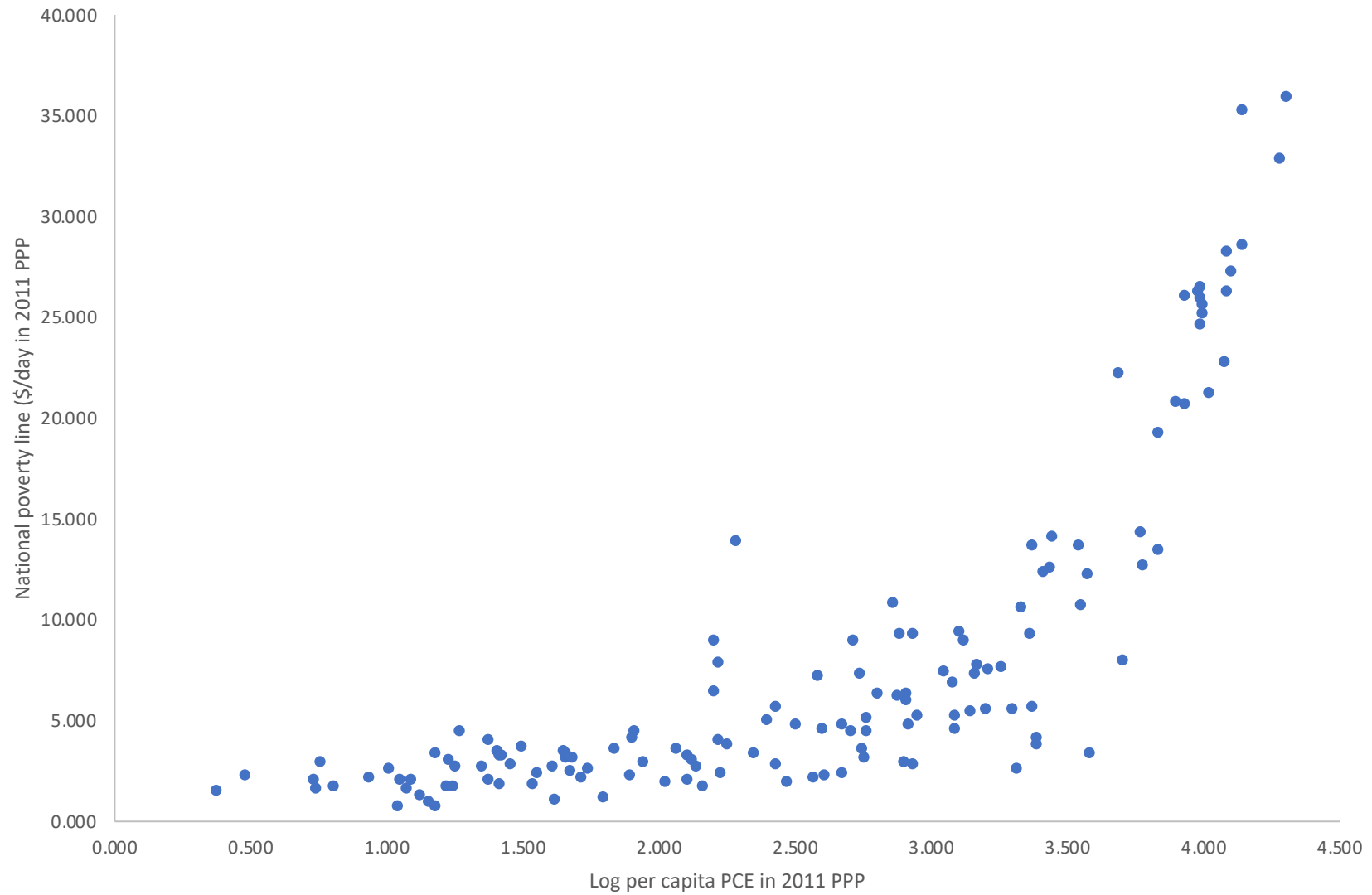
--Both stylized facts are based on absolute poverty measures, which ignores **social effects**: taking relative deprivation seriously.



Why do we see higher (real) poverty lines in richer countries?



National poverty line against PCE



Why do we see higher (real) poverty lines in richer countries?

Two possible reasons for the relativist gradient:

1. *Social effects*: Relative deprivation or rising costs of social inclusion (avoiding shame). Then a relative line is called for if we are to be absolute in terms of welfare.
2. *Social norms*: Richer countries implicitly use a higher reference level of welfare for defining poverty. Then we would want to use a **common global norm** → an absolute line in terms of real income.

Food and non-food components of the economic gradient in poverty lines

	Income elasticity of national poverty line
Food	0.47
Non-food	0.91
Total	0.66

- So the economic gradient in national poverty lines is driven more by the gradient in non-food needs, which accounts for 60% of the overall elasticity.

China's poverty lines

	Yuan/year	\$/day	\$/day	\$/day
	(2005 prices)	(1993 PPP)	(2005 PPP)	(2011 PPP)
Old official rural poverty line	683	\$0.77	\$0.63	\$0..88
Rural low-income line (2008)	1196	\$1.13	\$0.97	\$1.36
Comparable rural/urban poverty line (2002)				
Rural (average)	925	\$1.05	\$0.85	\$1.19
Urban (average)	1271	\$1.44	\$0.85	\$1.19
New poverty line (2010 price)	2300		\$1.63	\$2.29
International poverty line	(951)	\$1.08		\$1.9
Rural	1361		\$1.25	
Urban	1865		\$1.25	

Examples of absolute poverty lines

	survey year	Inc/cons	survey mean at \$/capita/month in 2011 PPP	PCE	PL	PL \$/p/day
Brazil	2011	I	537.09	672.69	135.36	4.45
Chile	2011	I	513.46	909.92	124.26	4.09
China	2011	C	218.54	283.41	69.60	2.29
India	2011/12	C	111.73	231.99	55.42	1.82
Indonesia	2011	C	131.57	362.58	57.15	1.88
South Africa	2011	C	358.24	573.16	82.09	2.70
Thailand	2011	C	442.17	559.65	188.58	6.20
Turkey	2011	C	478.59	905.03	112.51	3.70
United States	2011	I	1897.35	2858.87	465.63	15.31

Examples of relative poverty lines

			survey mean	PCE	PL	PL
	survey year	Inc/cons	at \$/capita/month in 2011 PPP			\$ppp/p/day
Japan	2008	I	1211.90	1556.57	627.05	20.62
Luxembourg	2011	I	2128.71	2270.08	1090.49	35.85
Netherlands	2011	I	1517.31	1654.37	803.70	26.42
Norway	2011	I	1954.82	1928.66	1069.12	35.15
Portugal	2011	I	811.26	1339.32	383.45	12.61
Spain	2011	I	1157.91	1415.05	584.53	19.22
Sweden	2011	I	1497.74	1633.72	796.33	26.18
Switzerland	2011	I	1964.17	2210.95	997.41	32.79
United Kingdom	2011	I	1368.52	1806.22	691.45	22.73

America's official poverty line and comparisons with other countries

- The U.S. government uses an absolute line, originally developed in 1965 by Mollie Orshansky (1965), an economist working for the Social Security Administration. Poverty was defined as making less than three times the cost of a minimally adequate diet; the factor of three came from a 1955 study suggested that food expenditure accounted for one-third of a typical family's budget. Since the late 1960s there has only been an annual price index adjustment; no adjustment has been made to reflect rising standards for defining "poverty." Currently the threshold is set at \$25750 for a family of four at 2019 (\$17.6 per person per day in 2019 price and \$15.3 in 2011 constant price).

US Poverty lines

--2019 POVERTY GUIDELINES FOR THE 48 CONTIGUOUS STATES AND THE DISTRICT OF COLUMBIA

PERSONS IN FAMILY/HOUSEHOLD	POVERTY GUIDELINE
1	\$12,490
2	\$16,910
3	\$21,330
4	\$25,750
5	\$30,170
6	\$34,590
7	\$39,010
8	\$43,430

For families/households with more than 8 persons, add \$4,420 for each additional person.

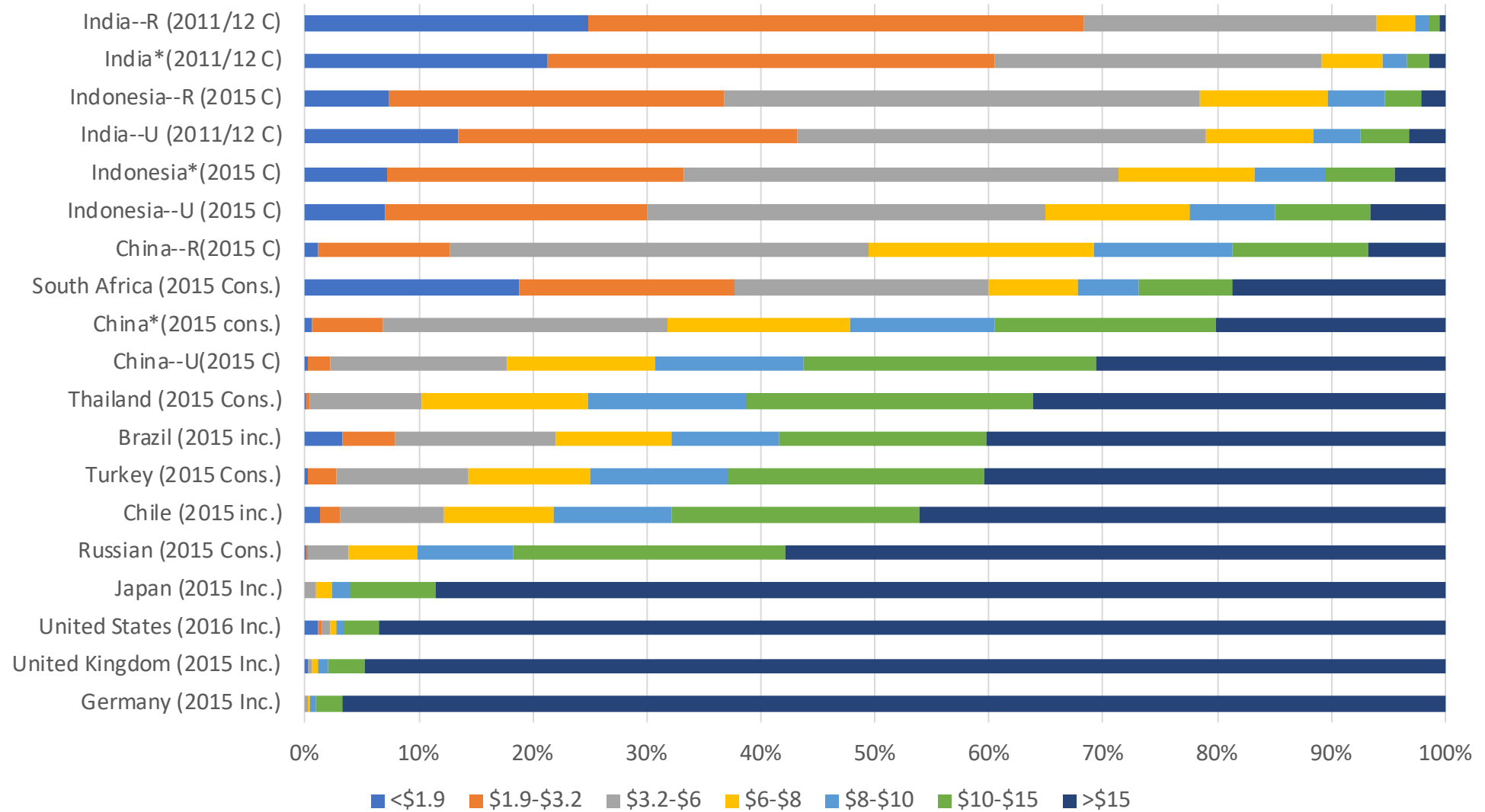
US Poverty lines

Year	Data	Mean	Pov.line	Median	PL/Mean	PL/Median
	type	(\$/day)	(\$/day)	(\$/day)		
2016i		68.93	15.31	52.54	0.222	0.291
2013i		63.06	15.31	48.44	0.243	0.316
2010i		62.43	15.31	48.86	0.245	0.313
2007i		65.13	15.31	50.40	0.235	0.304
2004i		63.19	15.31	49.36	0.242	0.310
2000i		62.47	15.31	48.59	0.245	0.315
1997i		58.68	15.31	45.37	0.261	0.337
1994i		55.31	15.31	43.41	0.277	0.353
1991i		53.38	15.31	43.61	0.287	0.351
1986i		52.14	15.31	42.68	0.294	0.359

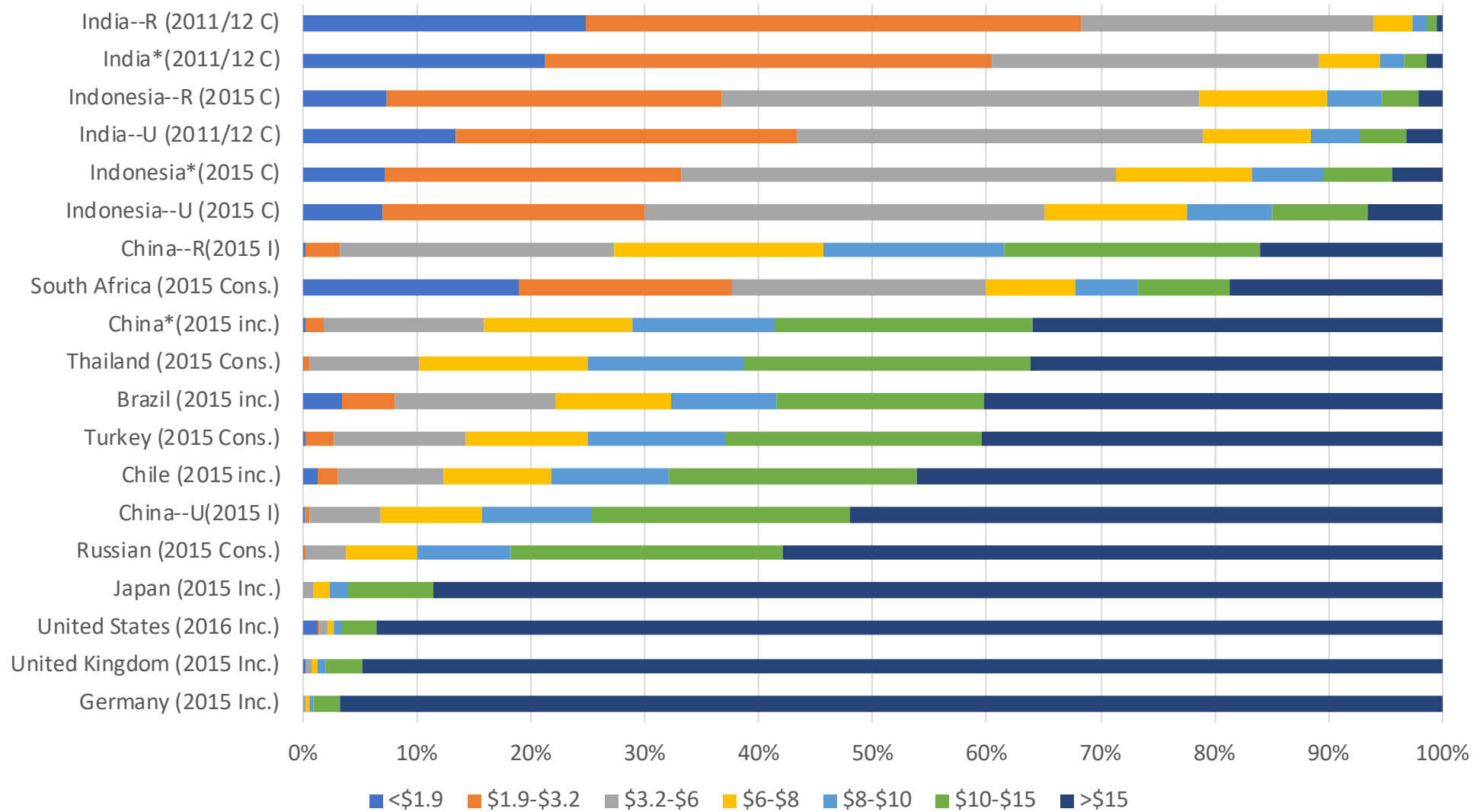
Dissatisfaction with US official poverty line and a new measure

- Critics of the official poverty line for the U.S. have pointed to a number of concerns. The official poverty measure (OPM) understates the extent of poverty by using thresholds that are outdated and may not adjust appropriately for the needs of different types of individuals and households, such as families with children and the elderly. It overstates the extent of poverty by failing to take into account several important types of government benefits... which are not counted in cash income.
- The U.S. Census Bureau has produced a new measure that attempts to address these concerns; the new measure is called the supplemental poverty measure (SPM). This gives a higher overall threshold, but the income aggregate is more comprehensive, including benefits received in kind (rather than cash). The net effect turns out to imply only a slightly higher overall poverty rate, which rises to 16.0% in 2012 using the SPM, from 15.1% using the OPM. The child poverty rate is lower using the SPM, with 18.0% of children deemed to live in poverty, as compared to 22.3% using the OPM. However, the incidence of poverty rises for the elderly (14.8% as compared to 9.1%)

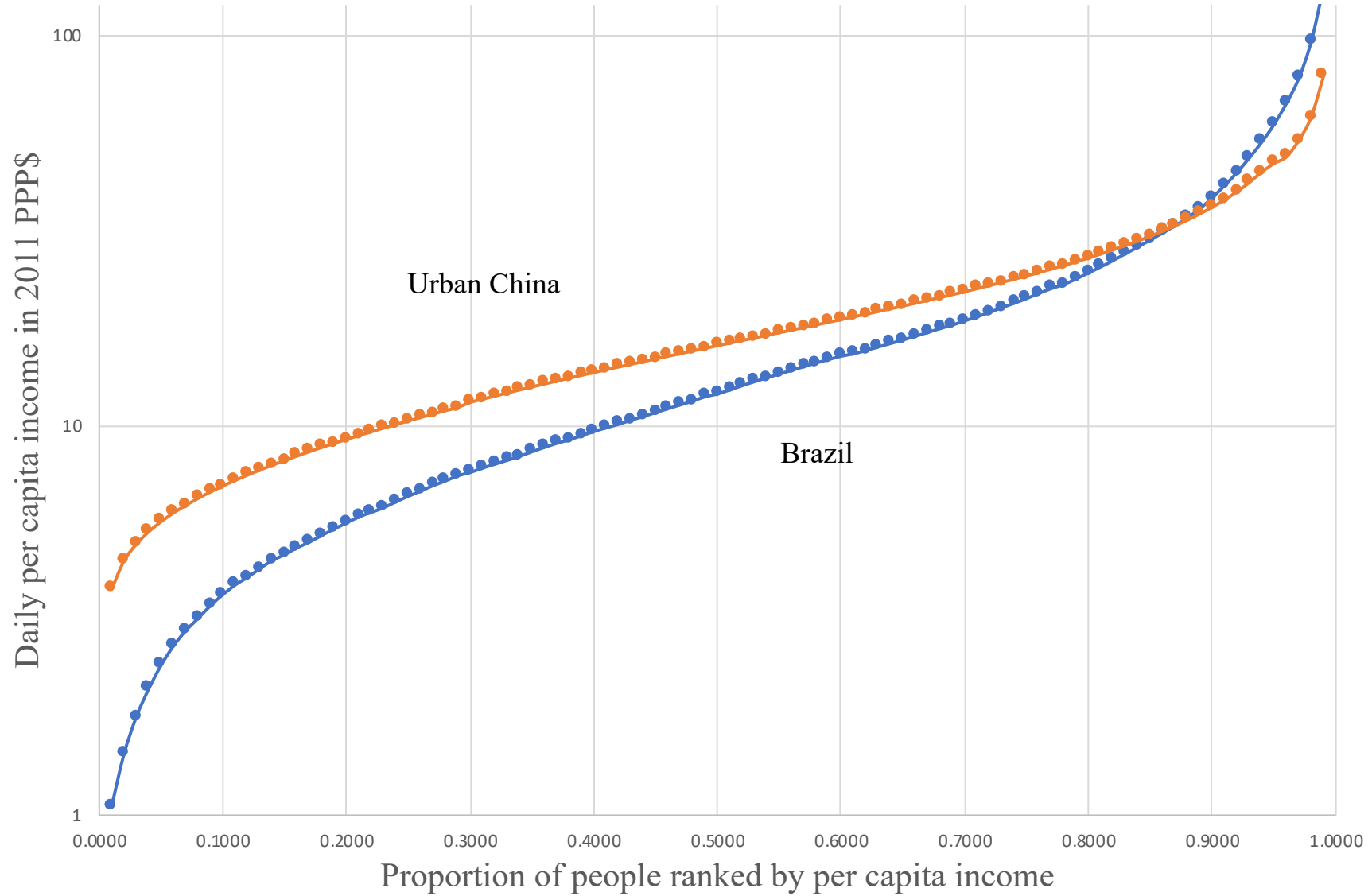
Compare to high income countries, China has large vulnerable population, especially in rural area. In Japan, only 1% of people with income less than \$6 a day; 4% with income less than \$10 a day



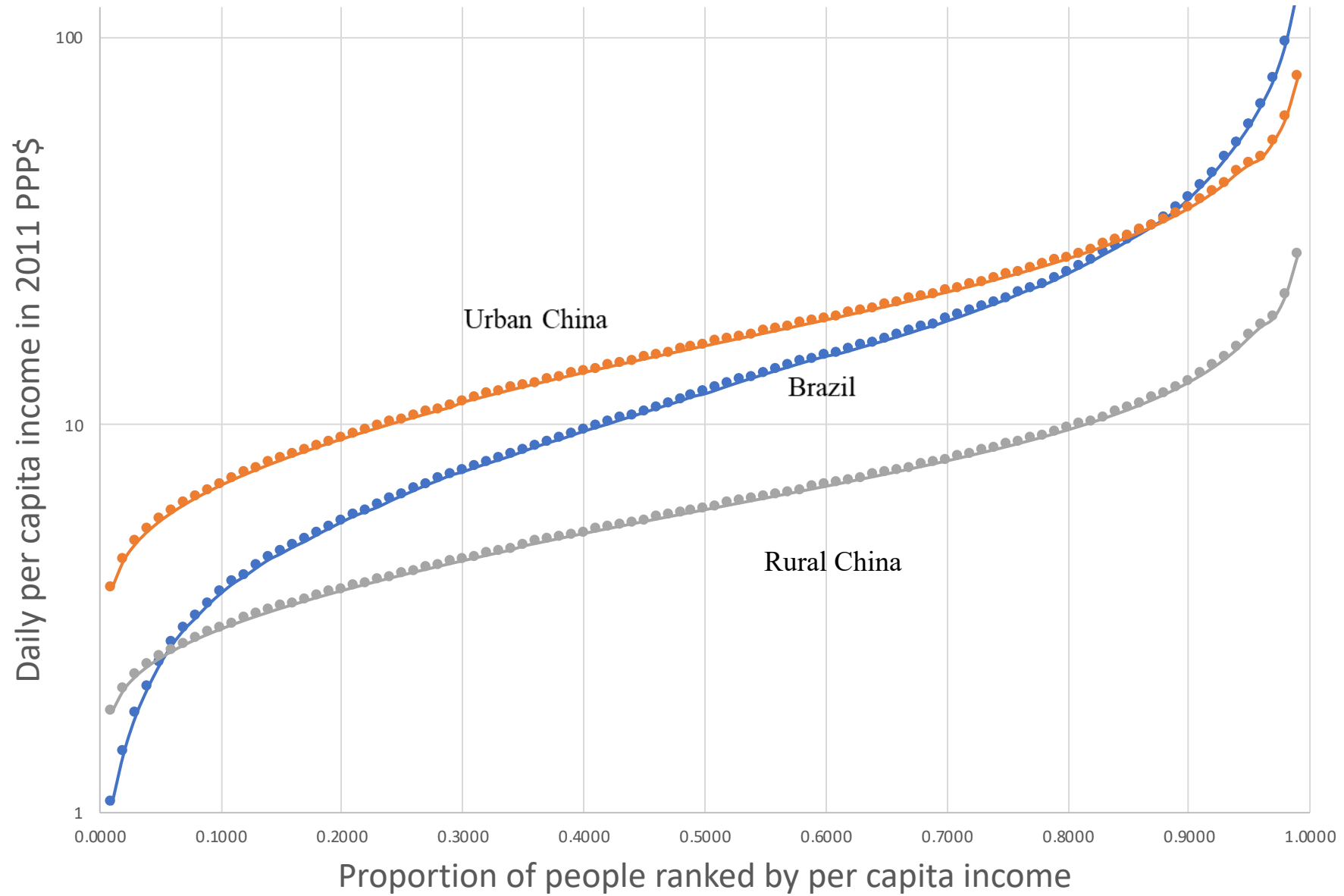
Compare to high income countries, even based on income, China still has large vulnerable population, especially in rural area. In Japan, only 1% of people with income less than \$6 a day; 4% with income less than \$10 a day



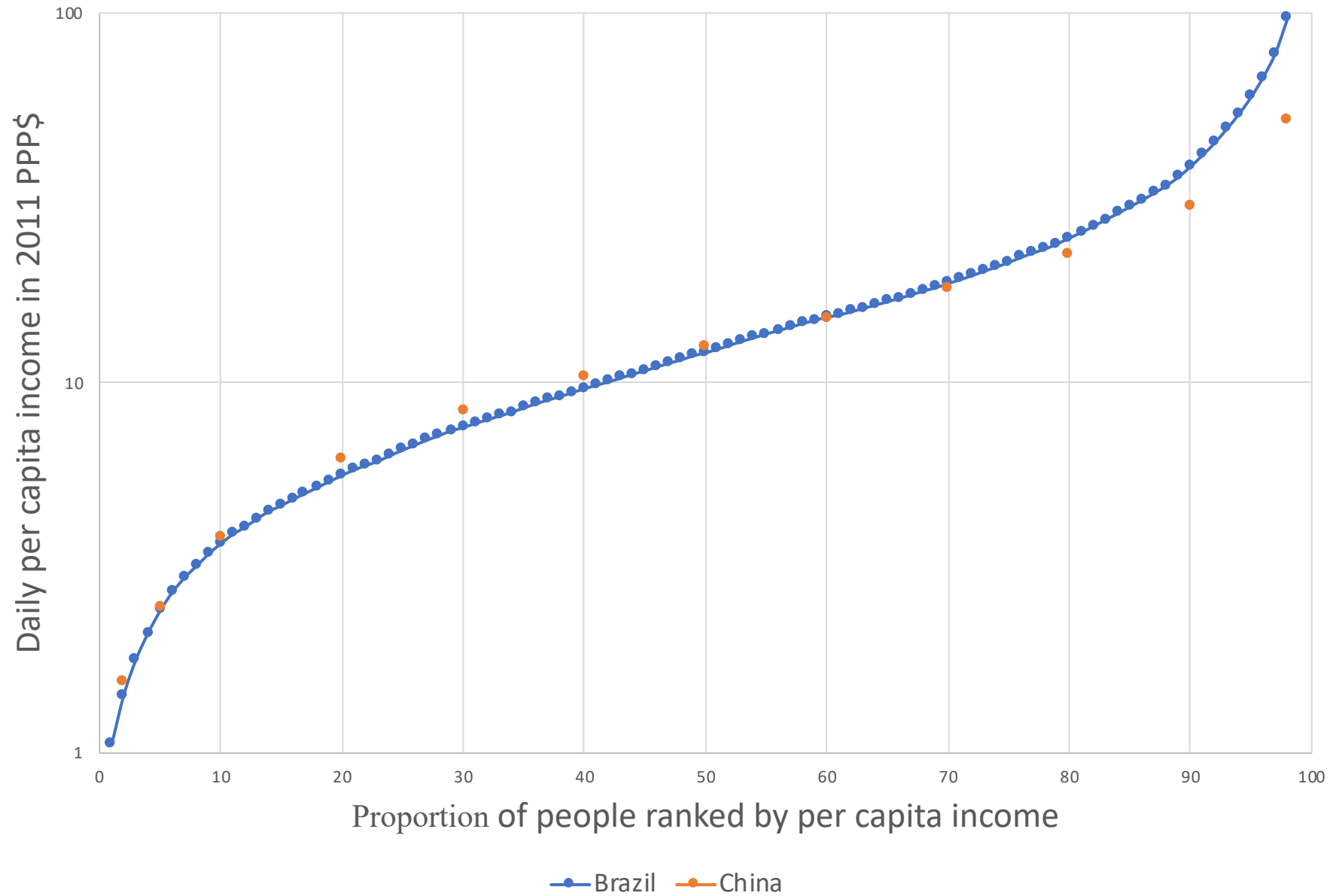
2015 per capita Income distributions: urban China vs Brazil



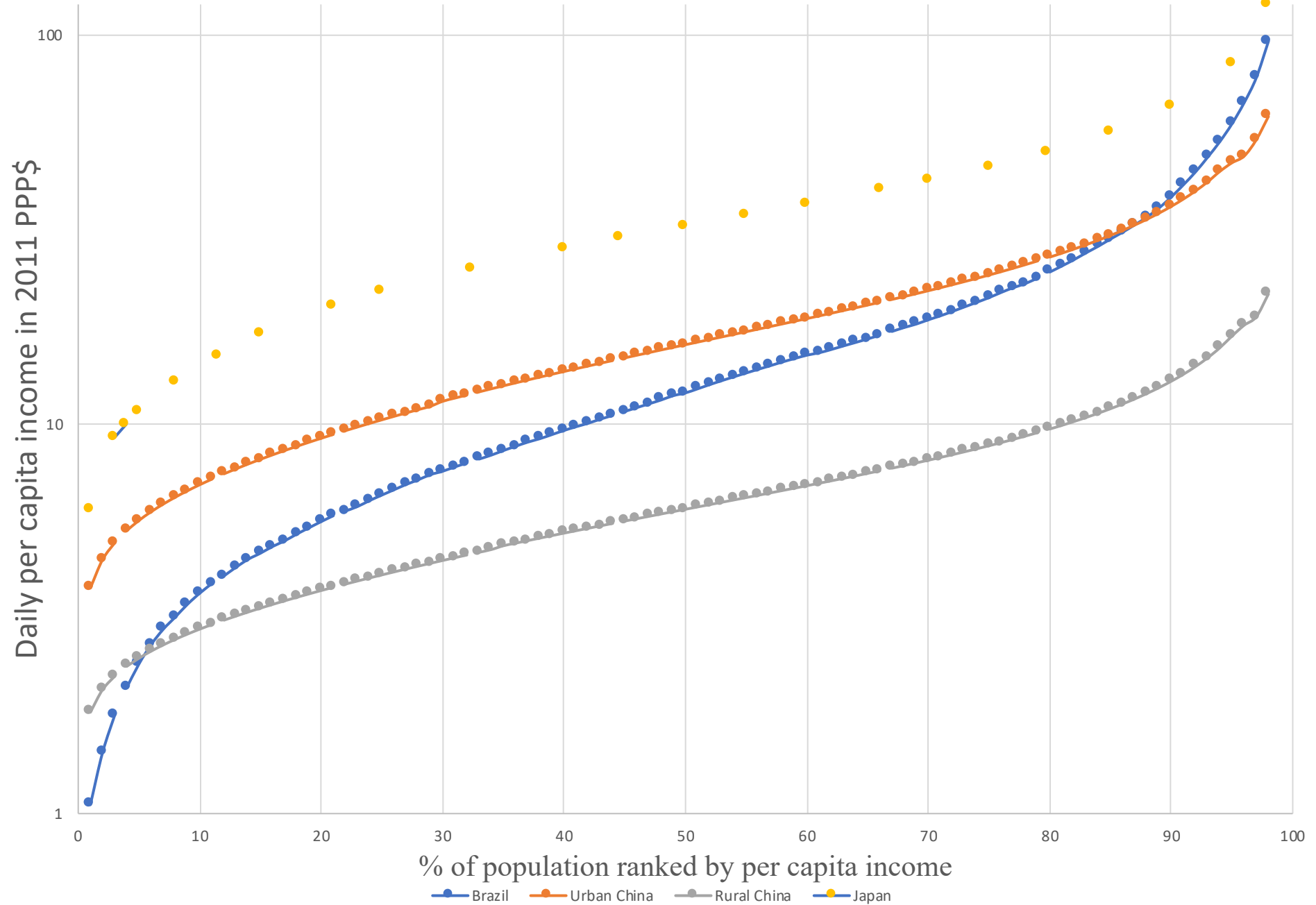
2015 per capita Income distributions: Urban and rural China vs Brazil



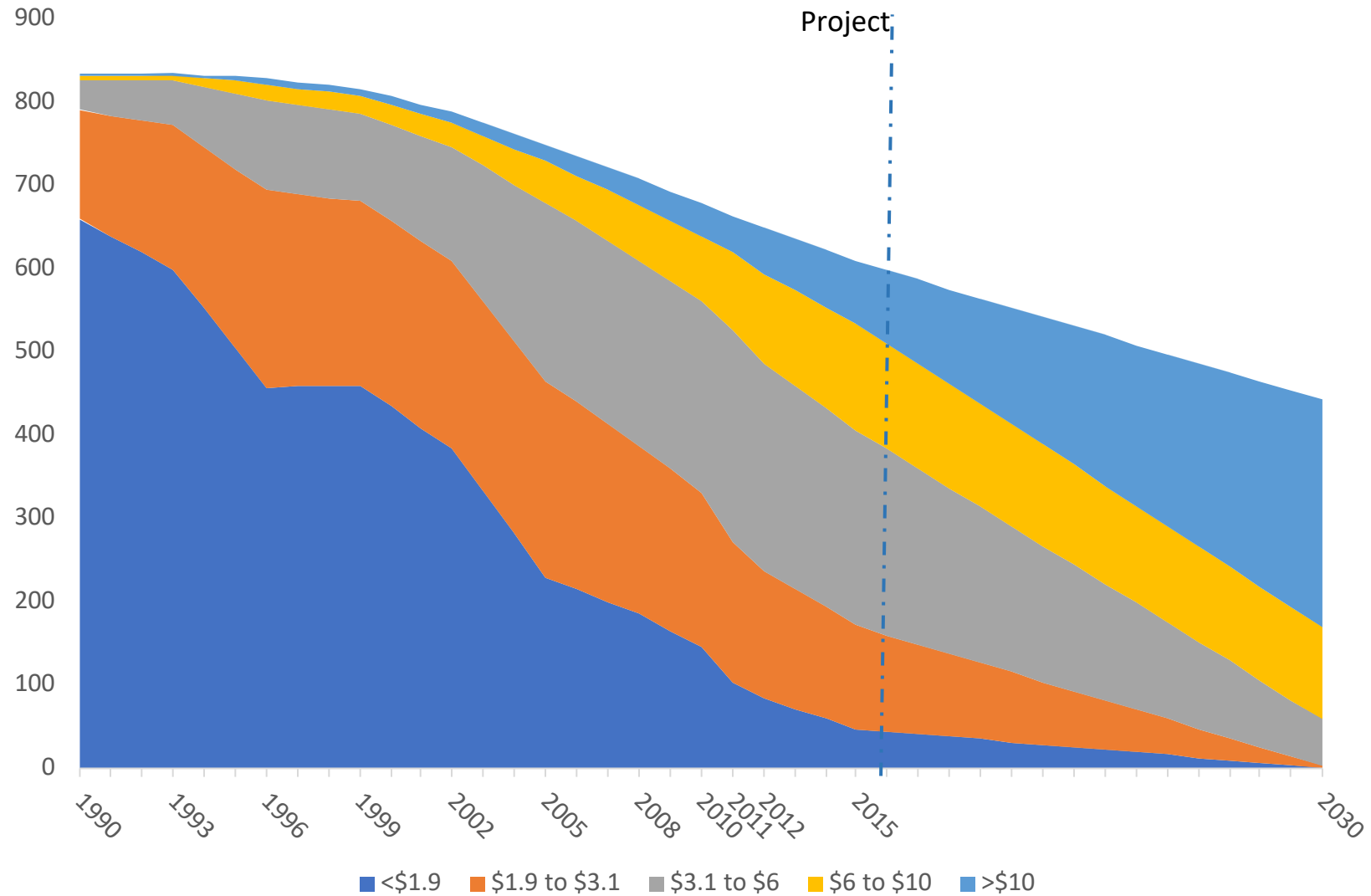
2015 per capita Income distributions: China vs Brazil



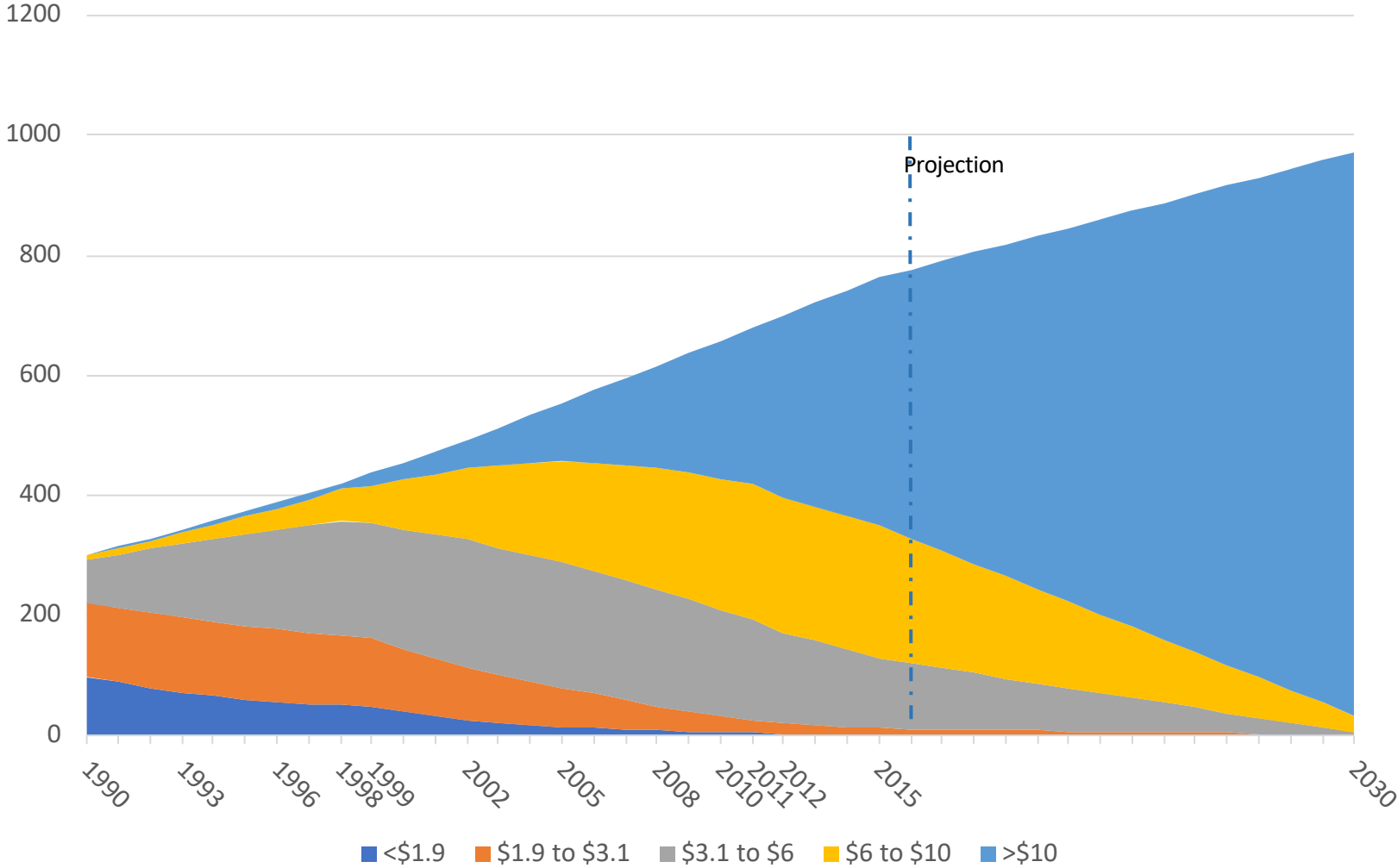
2015 per capita Income distributions: China, Brazil and Japan



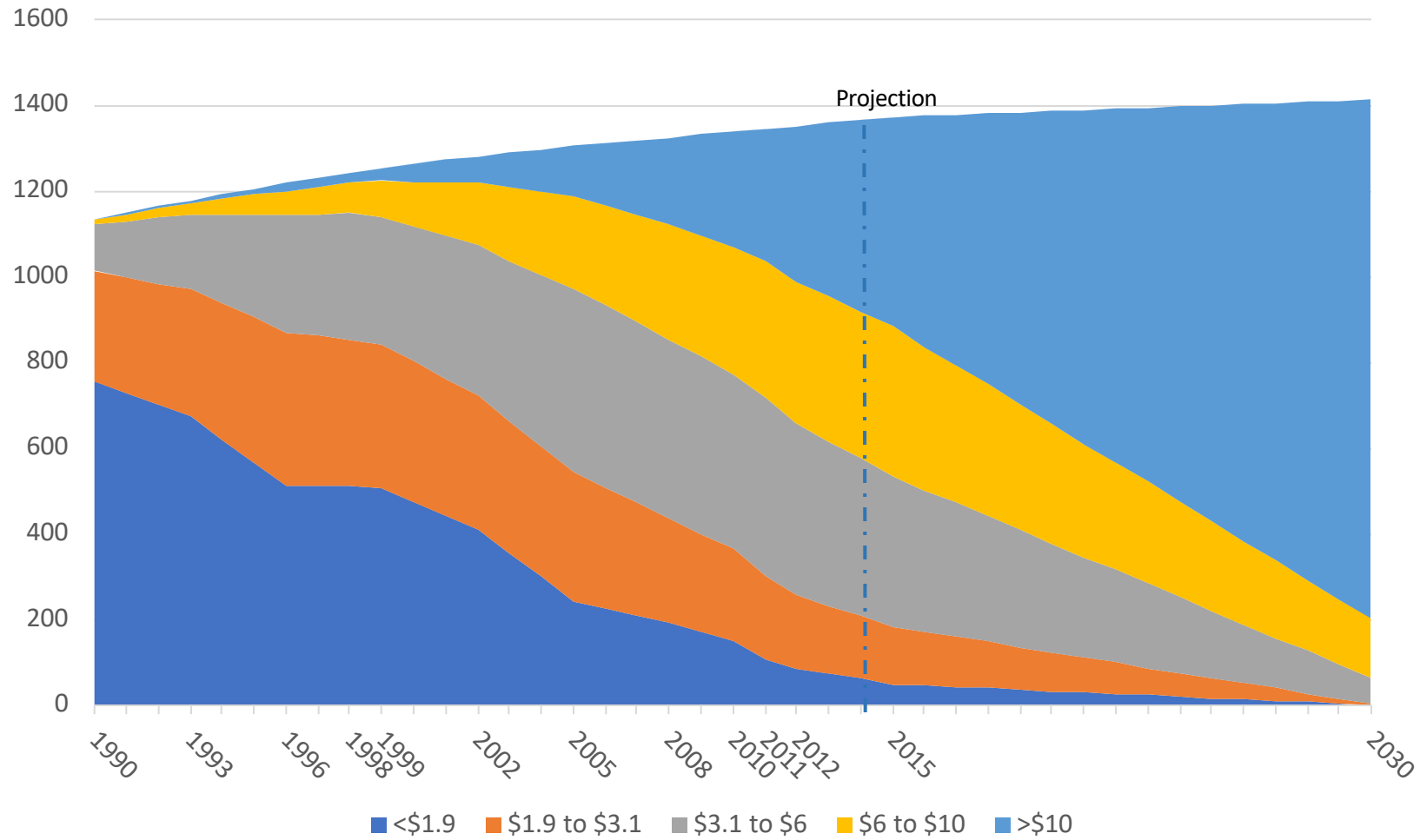
Million of people in different consumption categories (\$/day in 2011 PPP), rural China



Million of people in different consumption categories (\$/day in 2011 PPP), urban China



Million of people in different consumption categories (\$/day in 2011 PPP), China



Conclusions and policy implications I

- From 1981 to 2015, global extreme poor reduced by one billion, roughly 74 % of the poverty reduction happened in China. In 1981, about 46% of poor lived in China and this share declined to 1.4% in 2015.
- Economic growth in developing countries remains important to (weakly) relative poverty reduction.
- Somewhat less tolerance for rising inequality if one focuses on relative poverty.
- Two types of policies:
 1. Pro-poor growth-promoting reforms, esp., policies that make markets work better for the poor, esp. credit, but also land and labor.
 2. Pro-poor redistributive policies, which can have an efficiency role as well as their traditional equity role.
- In both cases, careful evaluation and monitoring will be crucial.

Conclusions and policy implications II

- China's current national poverty line is still lower than most of upper middle income countries;
- While per capita income/consumption in urban China is higher than many upper middle income countries, rural income/consumption is significantly lower;
- High disparity between urban and rural China is still the biggest contributor to national income inequality; Inequality of opportunity --lack access to social services such as high education, credit markets and etc. in poor areas constrain growth and poverty reduction going forward.
- If domestic consumption will be the new driver of China's economical growth, then promoting rural income and consumption will be crucial;
- China's post 2020 poverty line should be consistent cross rural and urban areas in terms of welfare, and aim to reduce urban/rural disparity.