



## “Measuring Poverty”: Discussion

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# “MEASURING POVERTY”: DISCUSSION

Michael Kremer\*

Angus Deaton points out the tremendous disparities between what has been happening to incomes of the world's poor under national accounts measures and what has been happening according to household survey data.

National accounts data suggest tremendous improvement in living standards of the poor, whereas survey data suggest much more modest improvement, at least over certain short periods. The discrepancy between the two sources of data underlies much of the dispute over trends in poverty between Sala-i-Martin (2002) and Bhalla (2002) on the one hand, and official World Bank estimators such as Chen and Ravallion (2001) on the other.

In this very nice paper, Angus Deaton ably lays out the discrepancy between the two sources of data and elucidates a number of potential reasons for this discrepancy.

I'll just make a few additional points. First, in my view it's not clear that trends in income for the world's poor shed much light on the dispute over globalization or on the impact of growth on poverty, because many other factors—from technological change to global warming to AIDS—are affecting the incomes of the world's poor.

Second, it seems possible that liberalization in China and India has had an important effect on the way national accounts are collected. For example, under licensing, firms in India may have been reluctant to admit the size of their capital stocks, or the size of their workforce. If they are now more willing to report these things, growth will be overestimated.

Deaton focuses on India, where the data for all their faults are presumably better than in Africa. It is worth noting that in many small, poor countries, GDP is often calculated on the basis of a few hard numbers from an ancient input-output table. Angus notes that as the structure of the economy changes, these numbers may become further and further from reality. It is possible that official data overstate the fall in GDP in some African states. For example, in some states exports are very heavily taxed, and people may have responded by relying on more domestic production or informal production. They also may simply have switched to informal-sector activities. If these are missed, then GDP declines will be exaggerated.

A number of factors that improve welfare do not show up in household surveys. Education services, for example, are provided by the state and are not likely to show up in household surveys as consumption of the poor (they will, of course, show up in overall national income). As shown in figure 1, there has been a tremendous increase in access to education for the poor in India.

Another issue to consider is technological progress and unmeasured quality improvements. This is very important in

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TABLE 1.—PERCENTAGE OF POPULATION WITH ACCESS TO SAFE WATER

Region	Percentage	
	1990	2000
China	71	75
India	68	84
Sub-Saharan Africa	53.5	58.2

Source: UNICEF (2002).

calculating changes in U.S. income. One might think that because the poor consume a lot of food, their consumption is less subject to quality improvement than that of rich-country consumers. However, the poor have benefited considerably from medical progress.

Until recently there have been strong positive trends in life expectancy (see figure 2) and infant mortality (see figure 3) in China, India, and Africa. More recently there has been some breakdown in education and health systems in poor areas of China, and the advent of AIDS has caused a tremendous worsening of health conditions in Africa.

As shown in table 1, access to water has also been improving.

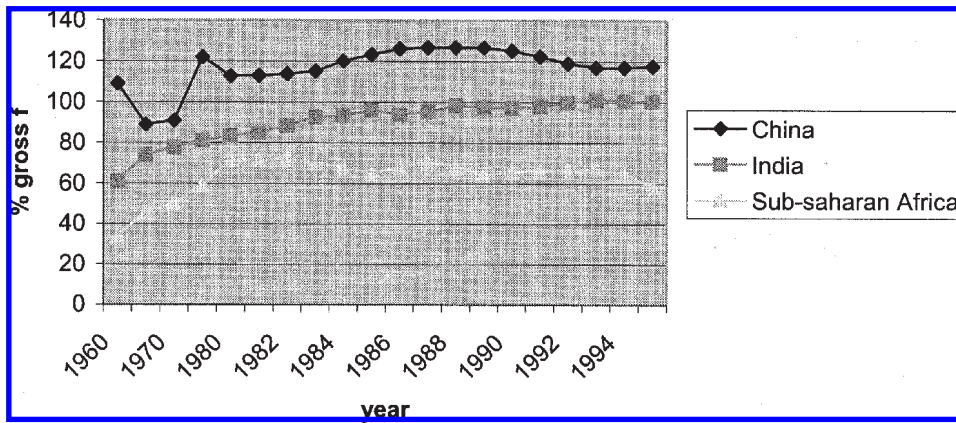
Another factor that has made people in poor countries better off in ways that are not picked up in household surveys or GDP accounts is the growth of entertainment options, in particular the expansion of choice in radio and television (TV) programming. This may not matter much for the very poorest in India and China, but it has made a wide swathe of the population better off. The growth of political freedom in China and Africa in recent decades also undoubtedly provides a huge gain in welfare.

Figures on radio and TV ownership are reproduced in figures 4 and 5. They suggest huge improvements that go well beyond any small elite, even if they do not necessarily reach the very poorest.

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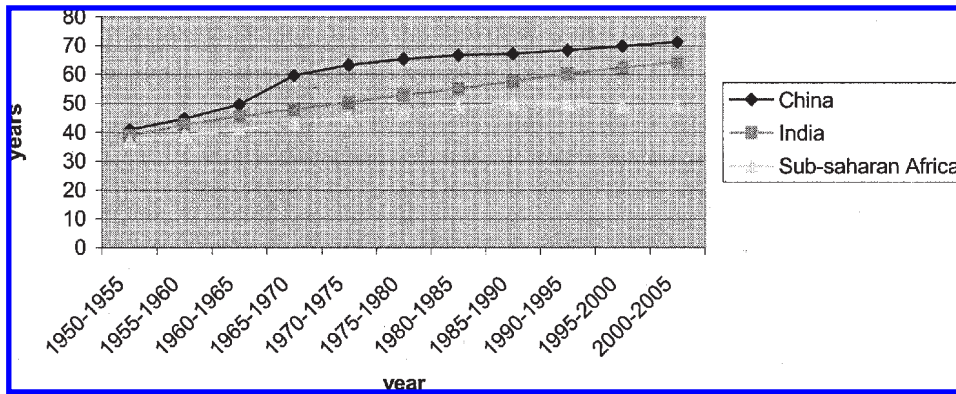
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FIGURE 1.—PRIMARY SCHOOL GROSS ENROLLMENT RATES



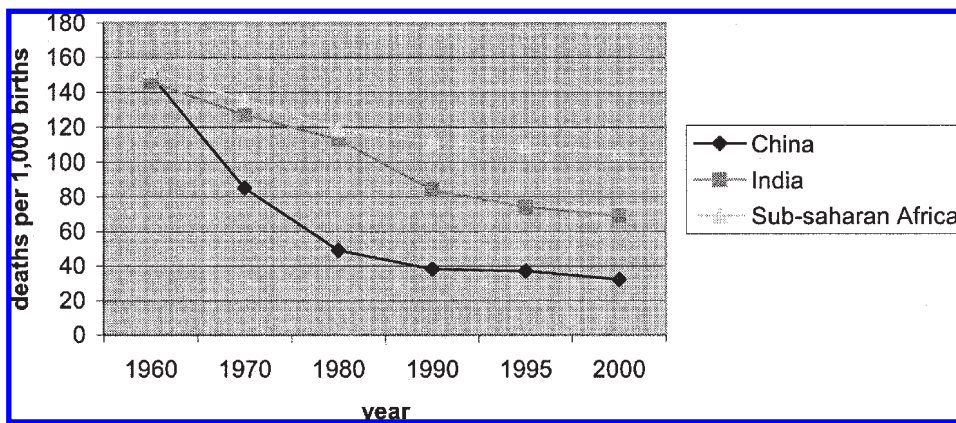
Source: UNESCO (2003).

FIGURE 2.—LIFE EXPECTANCY, BOTH SEXES



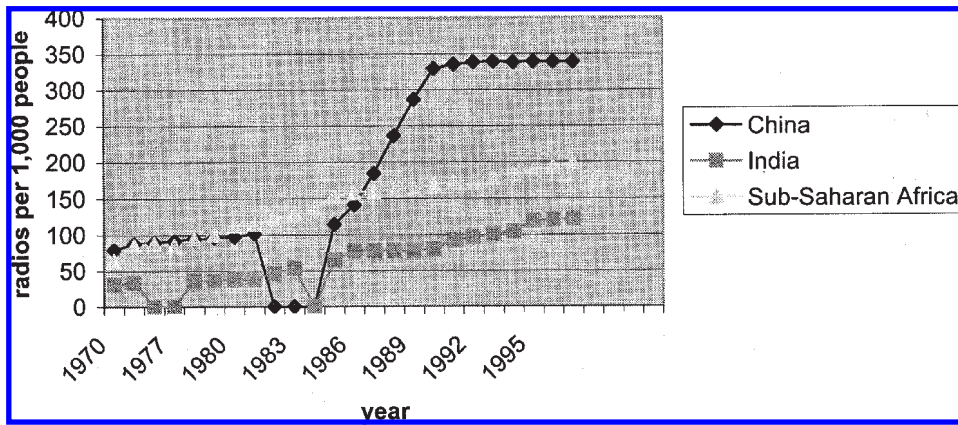
Source: United Nations Population Division (1999).

FIGURE 3.—INFANT MORTALITY RATE



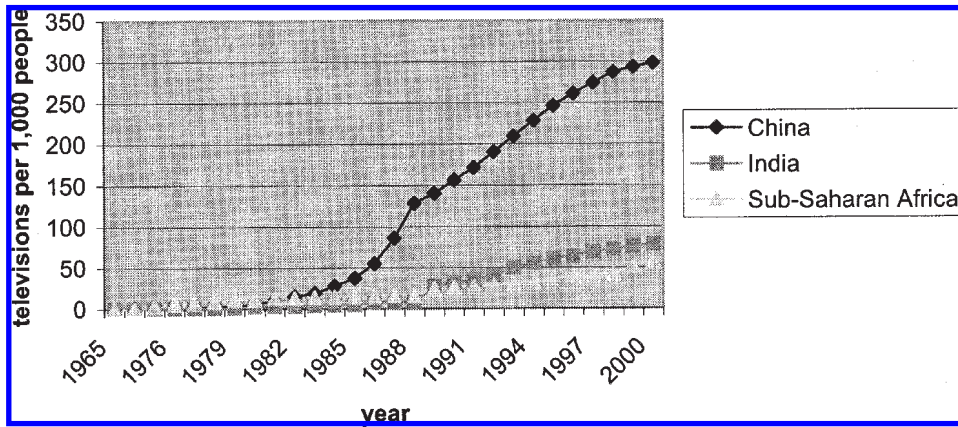
Source: UNICEF (2003).

FIGURE 4.—RADIOS PER 1,000 PEOPLE



Source: World Bank (2002).

FIGURE 5.—TELEVISION SETS PER 1,000 PEOPLE



Source: International Telecommunications Union (ITU) (2002).