

Monetary Poverty

Extreme poverty around the world has been reduced since 1820 if we control for population increase. In absolute terms it has continuously increased between 1820 and 1980. After it has reduced

World Poverty 1: World population with less than 1US\$ (PPP) per day

	1820	1929	1950	1960	1970	1980	1987*	1992	1998*
%	83,9	56,3	54,8	44	35,6	31,5	28,3	23,7	23,4
million	886,8	1149,7	1175,7	1230,7	1342,6	1431,2	1183,2	1176,0	1175,1

Source: Bourguignon e Morrison (2002) and for * Chen e Ravallion (2001)

Non-Monetary Poverty

Continuous reduction in all regions

World Poverty 2: Human Development Index for geographic areas (weighted average)

	1870	1913	1950	1995
Australasia	0.539	0.784	0.856	0.933
North America	0.462	0.729	0.864	0.945
Western Europe	0.374	0.606	0.789	0.933
Eastern Europe		0.278	0.634	0.786
Latin America		0.236	0.442	0.802
Eastern Asia			0.306	0.746
China			0.159	0.650
Sourth Asia		0.055	0.166	0.449
Africa			0.181	0.435

Source: Crafts (2000)

Three different approaches to measuring inequality in the world

	<u>Concept 1:</u> unweighted inter-national inequality	<u>Concept 2:</u> weighted inter-national inequality	<u>Concept 3:</u> “true” world inequality
Main source of data	National accounts	National accounts	Household surveys
Unit of observation	Country	Country (weighted by its population)	Individual
Welfare concept	GDP or GNP per capita	GDP or GNP per capita	Mean per capita disposable income or expenditures
National currency conversion	Market exchange rate or PPP exchange rate (but different PPP concepts used)		
Within-country distribution (inequality)	Ignored	Ignored	Included
Results: - 1820-1980 - 1980-2000	Increase Increase	Increase Reduction	Increase Reduction

Source: adapted from Milanovic (2002)

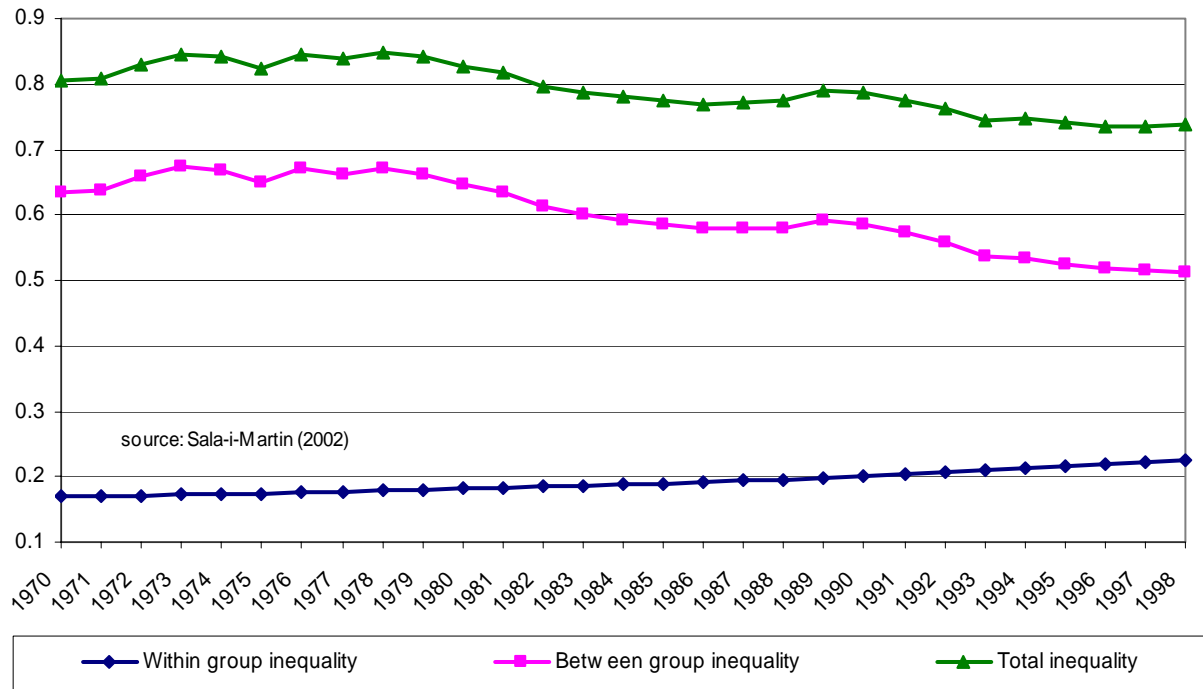
World Income Inequality 1: the long run (mean logarithmic deviation)



World income inequality has continuously increased between 1820 and 1980.

Note the inversion in relevance of the two components: between 1820 and 1930 *within country inequality* has been the most important component of world income inequality. After 1930 the leading component has become *across country inequality*.

World Income Inequality 2: the last 30 years (mean logarithmic deviation)



In the last 20 years world income inequality has inverted its trend and started reducing. This evolution is mainly due to the fast convergence in per capita income between China (from 1980) and India (from 1990), on one side, and the developed countries, on the other.

Note also the increase in the role played by within country inequality.