

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* | 2004° |
|---------|-------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
| % | 83,9 | 56,3 | 54,8 | 44 | 35,6 | 31,5 | 28,3 | 23,7 | 23,4 | 18,4 |
| million | 886,8 | 1149,7 | 1175,7 | 1230,7 | 1342,6 | 1431,2 | 1183,2 | 1176,0 | 1175,1 | 985 |

Source: Bourguignon e Morrison (2002), for * Chen e Ravallion (2001), for ° WB(2007)

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)

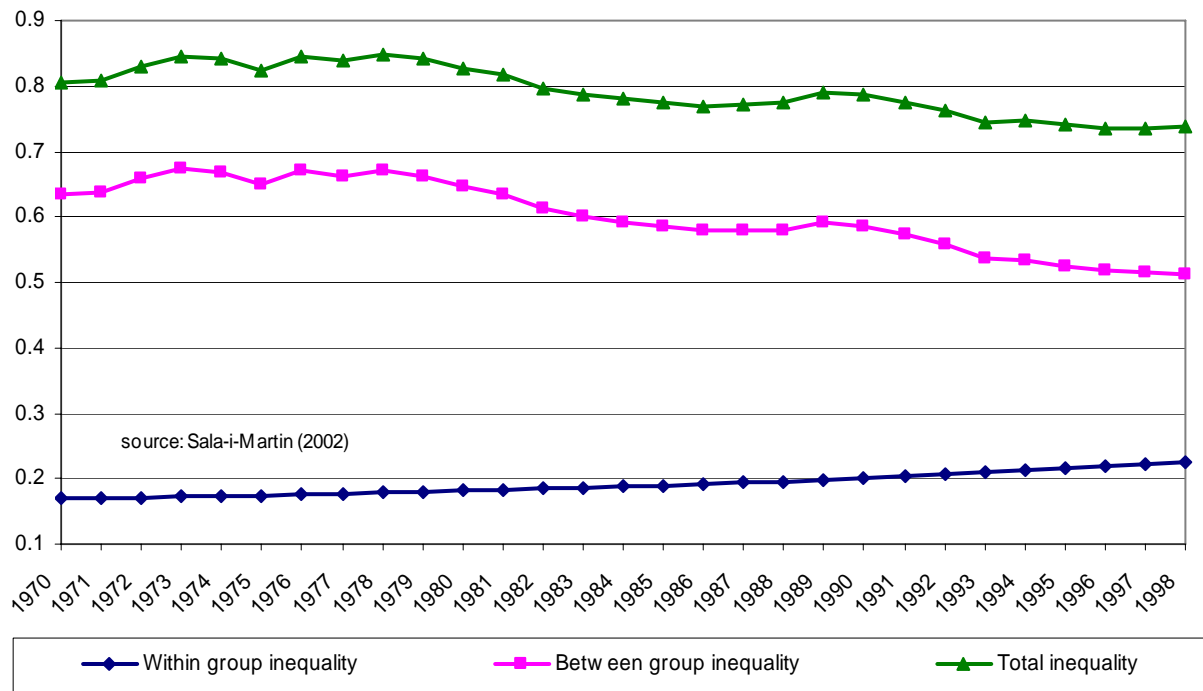
World Income Inequality 1: the long run (mean logarithmic deviation)



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*.

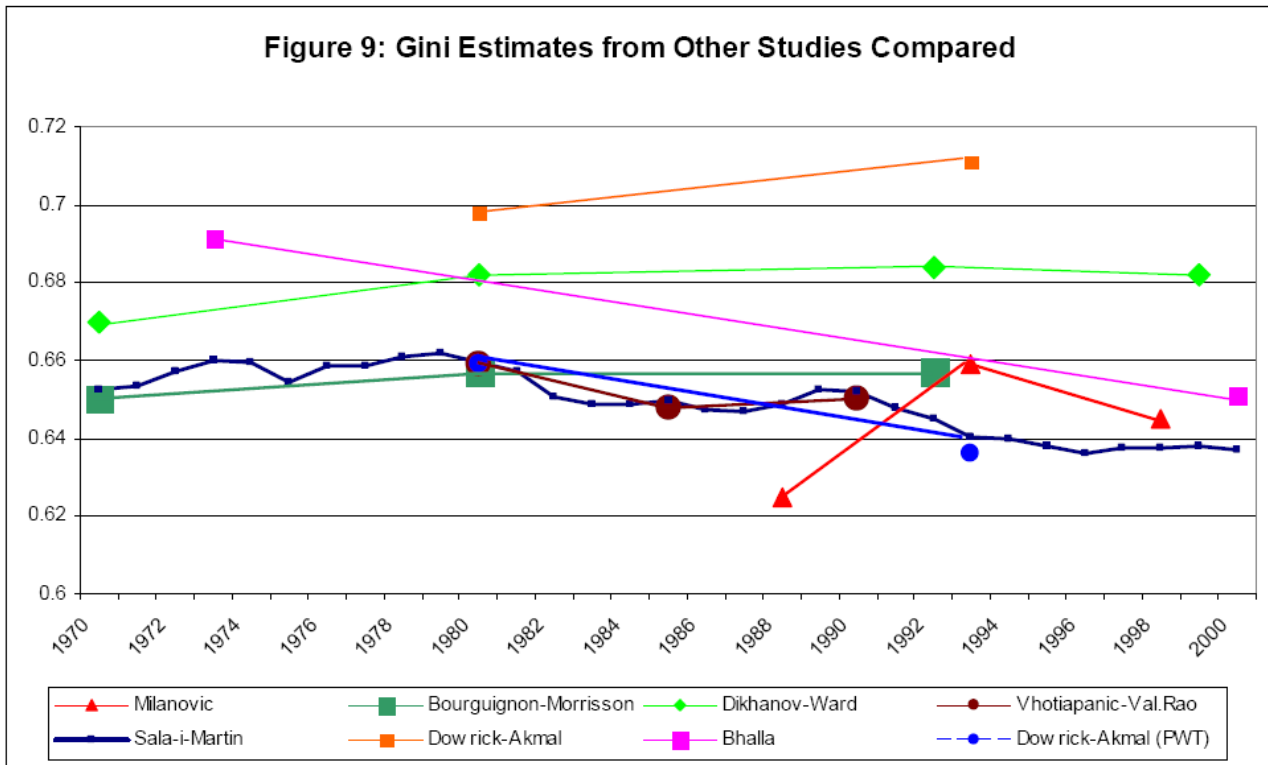
World Income Inequality 2: the last 30 years (mean logarithmic deviation)



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.

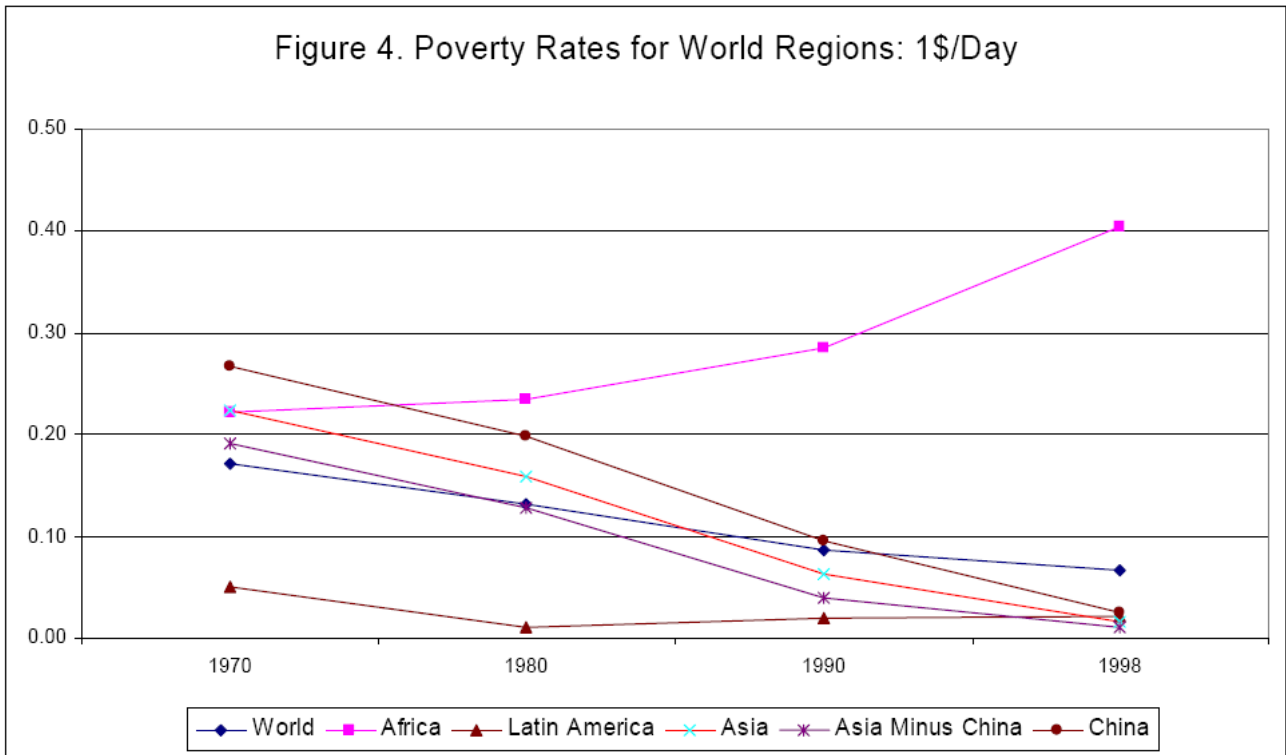
Note also the increase in the role played by within country inequality.

World Income Inequality 3: comparison of various studies (another measure: Gini coefficient)



Fonte: Sala-i-Martin (2005)

Monetary Poverty in World Regions



Fonte: Sala-i-Martin (2005)

