

Income Poverty has been Halved in the Developing World, even when Accounting for Relative Poverty

Benoit Decerf and Mery Ferrando

Abstract

The first Millennium Development Goal was to halve extreme absolute poverty over the period 1990-2015. This goal has been met by a large margin, but the simultaneous increase in within-country inequality has led to an increase in relative poverty. As absolute and relative poverty evolved in opposite directions, whether or not overall poverty – which combines both absolute and relative poverty – has been reduced depends on the arbitrary priority assigned to absolutely poor individuals. We show that, if we assume that an individual who is absolutely poor is poorer than an individual who is only relatively poor, overall poverty in the developing world has been halved over the period, regardless of the value chosen for the priority parameter. This result is robust to alternative specifications of the poverty lines and to the exclusion of China or India. Alternative approaches find much less overall poverty reduction because they violate our normative assumption.

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