Assessing the global poverty level: a single line or a single method?

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Abstract

Counting the number of people in poverty requires defining a poverty line, indicating the minimum level of income or consumption necessary to (at least) survive. This is already a politically charged decision at a national level, but to assess the level of *global* poverty adds the complexity of setting a standard that has comparable meaning across countries. The World Bank's approach has long been to set a single global poverty line, in terms of a minimum purchasing power per day, based on the national poverty lines of the poorest countries in the world. Yet that presupposes such a single poverty line is equally appropriate for all countries. We, instead, propose an alternative approach, where an absolute poverty line is computed for every country based on a single, transparent method. The method estimates the minimum expenditure necessary to subsist, i.e. consume enough calories, proteins and crucial non-food items for survival. The detailed, product-level price data that were collected as part of the 2011 International Comparison Program (ICP) provide an excellent source of data, as it contains a great many products, including region-specific goods. Initial results indicate that 1) the 'single-method' poverty lines show notably less variation than national poverty lines, which tend to increase with the country's income level, 2) but more variation than the World Bank's 'single-line' approach and 3) the 'single-method' poverty lines do not exceed national poverty lines in the poorest countries, which indicates that our ICP price data do not miss out on the cheapest local products.