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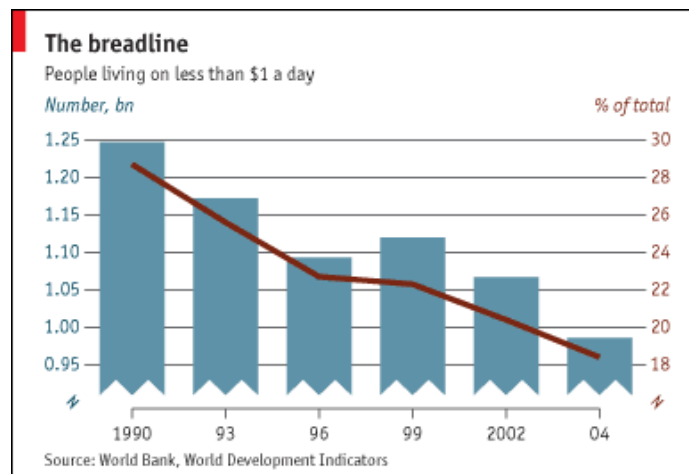
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Even those in absolute poverty have choices



THIS month the World Bank announced that 986m people lived on the equivalent of less than one dollar a day in 2004—the first time it has counted fewer than 1 billion people in such a parlous state. The bank's definition of extreme poverty is stark, simple and even alliterative. In the latest issue of the *Journal of Economic Perspectives*, Abhijit Banerjee and Esther Duflo, of the Massachusetts Institute of Technology, describe it as a rhetorical masterstroke. But is it also entirely arbitrary? And how do the poor subsist on such a meagre amount?

When the bank decided to count the world's poor for its 1990 *World Development Report*, it did not take it upon itself to define them anew. Instead, a group of economists led by Martin Ravallion gathered together 33 national poverty lines that were already knocking about. India's line, for example, defined the poor as those who ate less than 2,250 calories a day. By its reckoning, this requirement would be met by the typical rural Indian spending 15 rupees a month at 1960-61 prices.

Mr Ravallion and his team converted rupees, pesos and rupiah into a common unit of purchasing power. Someone spending 15 rupees in rural India in 1960 had about the same command over goods and services as an American spending \$23.14 a month in 1985. But India's benchmark was unusually abstemious. Half a dozen other poverty lines (for Indonesia, Bangladesh, Nepal, Kenya, Tanzania and Morocco) all fell within a few cents of a more generous allowance of \$31 a month.

With that observation, the dollar-a-day concept was born, to appear in countless declarations, laments and pleas ever since. Halving the share of people who live on less than a dollar a day is, for example, the first of the Millennium Development Goals to which 189 countries subscribed in September 2000. (The concept's rhetorical appeal was diminished only a little when Mr Ravallion updated the threshold to \$1.08 at 1993 prices, which is worth about \$1.53 in today's money.)

Cigarettes and alcohol

But what does this line mean to the people who fall below it? Mr Banerjee and Ms Duflo describe the “economic lives” of the poor, drawing on 13 household surveys from Côte d'Ivoire to Mexico. The two surveys from India—undertaken in Udaipur's farms and Hyderabad's slums—they carried out themselves.

Vikram Seth, an economist before he was a poet, has described the “dreary pillage of privacy” these surveys entail. In 2001, for example, bank researchers in Timor-Leste diligently recorded whether a household bathed under a shower or in the river; used a flush toilet or a bucket; built their home from brick or rattan, and so forth. They also asked them to recall what they had eaten, drunk, chewed or smoked over the previous week: cassava or shrimp? Mung beans or papaya? Clove cigarettes or betel nuts? Beer or palm wine?

A dollar a day would seem to leave little room for choice or discretion. Hunger is surely the most binding of constraints. And yet these pillages of privacy show that the poor do make choices. They also suggest they are not always the best ones.

The poor do not complain much, the two authors note. (Only 9% of people in their Udaipur survey say their life makes them generally unhappy.) But they have a lot to complain about. Beset by hunger and illness, many are scrawny (65% of adult men in Udaipur are underweight), over half are anaemic, and about a seventh suffer from impaired eyesight. Many had to go without food on at least one day in the previous year.

And yet they do not eat as much as they could. According to Mr Banerjee and Ms Duflo, the typical poor household in Udaipur could spend up to 30% more on food than it does, if only it stopped devoting money to alcohol, tobacco and festivals. That last item, which includes weddings, funerals and religious events, typically accounts for about a tenth of the household's budget. This spending might be motivated by escapism—the poor have a lot to escape—or perhaps by social emulation. Even those in absolute poverty care about their relative standing.

The authors ponder not just how the poor spend their money but also how they make it. They describe the hard-pressed women of the Indian city of Guntur, who line the road each morning, mixing *dosas* over a kerosene stove for the price of a rupee. By 10 o'clock the women have turned their hands variously to making pickles, embroidering saris or collecting rubbish.

The poor, whether smallholders or petty entrepreneurs, lack scale and specialisation, Mr Banerjee and Ms Duflo point out. The farmers of Udaipur cultivate the land they own, no more, no less, but only a fifth rely on their plots as their chief source of income. In West Bengal, a poor household will typically have three breadwinners doing seven occupations between them.

It is almost an “item of faith” among development economists that the poor act rationally, however straitened their circumstances. If their undertakings are too small, or their efforts too thinly spread, to be efficient, it is not because they have miscalculated, but because the markets for land, credit or insurance have failed them. As one economist argued in 1993, “More than 40 years of research...should at last have laid to rest the thought that such folk may not know where their real interests lie.”

But just such a thought is stirring again in the minds of Mr Banerjee and Ms Duflo. Why, for example, do more Ghanaian farmers not cultivate pineapples, which would fetch returns of 250-300% by some estimates? Why do so few farmers in western Kenya dress their fields with fertiliser, even after the benefits have been demonstrated to them?

“One senses a reluctance of poor people to commit themselves psychologically to a project of making more money,” the authors write. When you live on a dollar a day it may be painful to confront your circumstances too squarely, or even to aspire to better things. The “great redeeming feature of poverty,” George Orwell wrote after his excursions in the social gutters of Paris and London, is “the fact that it annihilates the future”.