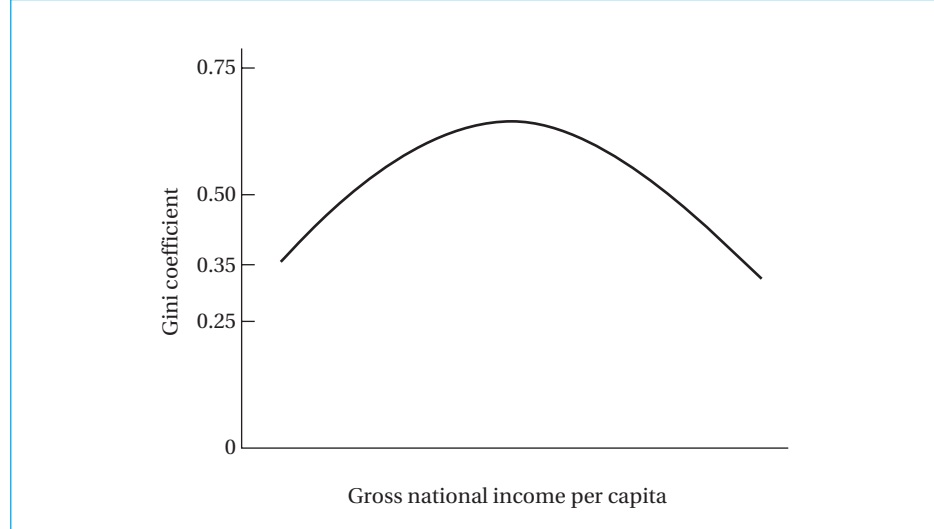


**FIGURE 5.10** The “Inverted-U” Kuznets Curve

As just noted, the Kuznets curve can be generated by a steady process of modern-sector enlargement growth as a country develops from a traditional to a modern economy. Alternatively, returns to education may first rise as the emerging modern sector demands skills and then may fall as the supply of educated workers increases and the supply of unskilled workers falls. So while Kuznets did not specify the mechanism by which his inverted-U hypothesis was supposed to occur, it could in principle be consistent with a sequential process of economic development. But as shown earlier, traditional- and modern-sector enrichment would tend to pull inequality in opposing directions, so the net change in inequality is ambiguous, and the validity of the Kuznets curve is an empirical question.

Disregarding the merits of the methodological debate, few development economists would argue that the Kuznets sequence of increasing and then declining inequality is inevitable. There are now enough case studies and specific examples of countries such as Taiwan, South Korea, Costa Rica, and Sri Lanka to demonstrate that higher income levels can be accompanied by falling and not rising inequality. It all depends on the nature of the development process.

**Evidence on the Inverted-U Hypothesis** Let us look at data collected from 18 countries on the percentage shares in total national income going to different percentile groups (see Table 5.2). Though methods of collection, degree of coverage, and specific definitions of personal income may vary from country to country, the figures recorded in Table 5.2 give a first approximation of the magnitude of income inequality in developing countries. For example, we see that in Zambia, the poorest 20% (first quintile) of the population receives only 3.6% of the income, while the highest 10% and 20% (fifth quintile) receive 38.9% and 55.2%, respectively. By contrast, in a relatively equal developed country like Japan, the poorest 20% receives a much higher 10.6% of the income, while the richest 10% and 20% get only 21.7% and 35.7%, respectively.

TABLE 5.2 Selected Income Distribution Estimates

Country	Lowest 10%	Quintile					Highest 10%	Year
		1st	2nd	3rd	4th	5th		
Bangladesh	4.3	9.4	12.6	16.1	21.1	40.8	26.6	2005
Brazil	1.1	3.0	6.9	11.8	19.6	58.7	43.0	2007
China	2.4	5.7	9.8	14.7	22.0	47.8	31.4	2005
Colombia	0.8	2.3	6.0	11.0	19.1	61.6	45.9	2006
Costa Rica	1.6	4.4	8.5	12.7	19.7	54.6	38.6	2007
Guatemala	1.3	3.4	7.2	12.0	19.5	57.8	42.4	2006
Honduras	0.7	2.5	6.7	12.1	20.4	58.4	42.2	2006
India	3.6	8.1	11.3	14.9	20.4	45.3	31.1	2005
Jamaica	2.1	5.2	9.0	13.8	20.9	51.2	35.6	2004
Namibia	0.6	1.5	2.8	5.5	12.0	78.3	65.0	1993
Pakistan	3.9	9.1	12.8	16.3	21.3	40.5	26.5	2005
Peru	1.3	3.6	7.8	13.0	20.8	54.8	38.4	2007
Philippines	2.4	5.6	9.1	13.7	21.2	50.4	33.9	2006
South Africa	1.3	3.1	5.6	9.9	18.8	62.7	44.9	2000
Tanzania	3.1	7.3	11.8	16.3	22.3	42.3	27.0	2001
Zambia	1.3	3.6	7.8	12.8	20.6	55.2	38.9	2005
Japan	4.8	10.6	14.2	17.6	22.0	35.7	21.7	1993
United States	1.9	5.4	10.7	15.7	22.4	45.8	29.9	2000

Source: based on World Bank, *World Development Indicators*, 2010. (Washington, D.C.: World Bank, 2010), tab. 2.9.

The income distribution of the United States, a relatively less equal developed country, is given for comparison in Table 5.2.

Consider now the relationship, if any, between levels of per capita income and degree of inequality. Are higher incomes associated with greater or lesser inequality, or can no definitive statement be made? Table 5.3 on page 240 provides data on income distribution in relation to per capita GNI for a sampling of countries, arranged from lowest to highest in terms of per capita income. What clearly emerges from Table 5.3 is that per capita incomes are not necessarily related to inequality. The very poorest countries, such as Ethiopia, may have low inequality simply because there is so little income. But even very poor countries such as Mozambique and Zambia have extremely high inequality by international standards. Although many high-inequality Latin American countries are found in the middle-income range, this range also includes countries such as Egypt and Indonesia, as well as eastern European countries, with low inequality. High-income countries do tend to be somewhat more equal than middle-income countries, but again, there is wide variation in inequality levels. In recent years, there has even been a tendency for inequality to rise in high-income countries and to fall at least somewhat in several Latin American countries.

In fact, the Kuznets curve that is seen in the data is now understood to be partially a statistical fluke resulting from the fact that for extraneous historical reasons, most Latin American countries just happen to have both a middle level of income and a high level of inequality (see Box 5.1).

Detailed longitudinal studies of developing countries show a very mixed pattern. Juan Luis Lonondro found an inverted U for Colombia, but Harry Oshima found no particular pattern among several Asian countries.<sup>23</sup> In fact, for many



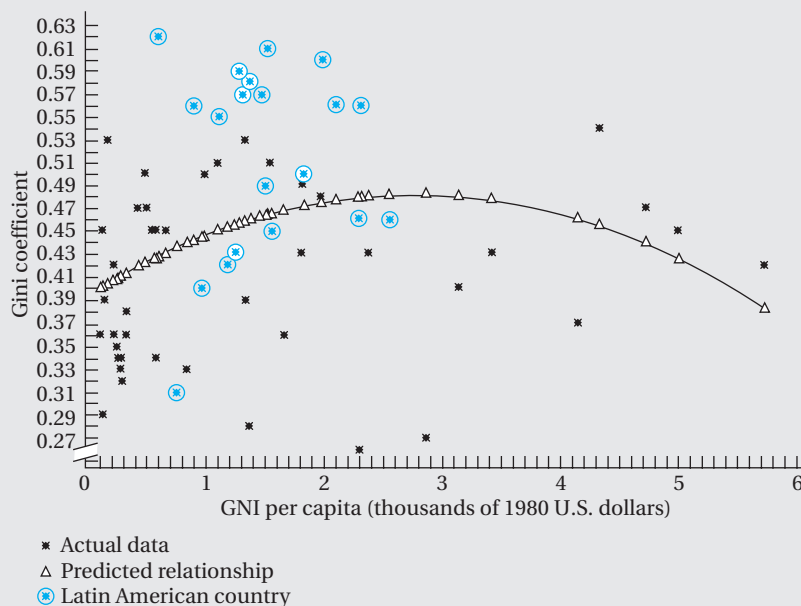
### BOX 5.1 The Latin America Effect

Gary Fields and George Jakubson used a combination of both cross-sectional and longitudinal (time-series) data to consider whether the inverted-U could result from the Latin American effect and how patterns might differ across countries. Figure 5.11 plots a combination of data from the 35 countries in Fields and Jakubson's data set, where reliable estimates of the Gini coefficient have been available for various developing countries at different points in time. The inverted-U relationship, tracing the triangles, is a computer-generated parabola that best fits the data under standard statistical criteria. Observations on Latin American countries are circled: All of the highest-inequality countries in their data come from that region. Statistically, when the Latin American identity of the country is controlled for, the inverted-U drawn

in Figure 5.11 tends to disappear in this data set and others as well.<sup>24</sup>

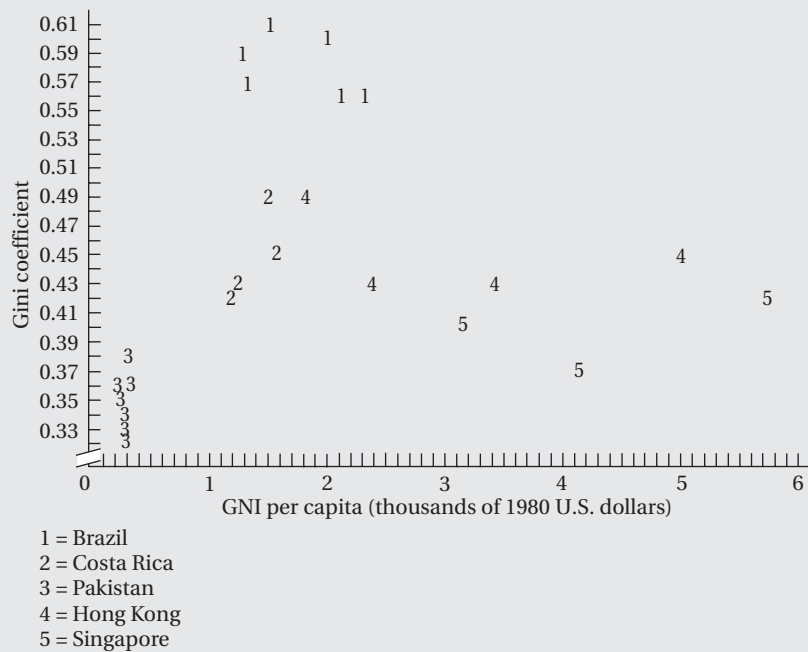
So the question is, what happens over time? In Figure 5.12 on page 239, selected countries from the data in Figure 5.11 have been isolated. As can be seen, the data from Brazil, which have the label 1 in the diagram, do plainly show an inverted-U pattern. Data from Hong Kong and Singapore, in contrast, labeled 4 and 5 in the diagram, appear to reflect a U-shaped pattern. But when these separate experiences are merged into one picture, the eyes (and the computer) misleadingly trace an inverted U in the data taken as a whole. This reinforces the great importance of understanding what gives rise to the statistical patterns in the data rather than taking them at face value.

**FIGURE 5.11** Kuznets Curve with Latin American Countries Identified



Source: Gary S. Fields, *Distribution and Development: A New Look at the Developing World* (Cambridge, Mass.: MIT Press, 2001), ch. 3, p. 46. © 2001 Massachusetts Institute of Technology, by permission of The MIT Press.

FIGURE 5.12 Plot of Inequality Data for Selected Countries



Source: Gary S. Fields, *Distribution and Development: A New Look at the Developing World* (Cambridge, Mass.: MIT Press, 2001), ch. 3, p. 44. © 2001 Massachusetts Institute of Technology, by permission of The MIT Press.

countries, there is no particular tendency for inequality to change in the process of economic development. Inequality seems to be a rather stable part of a country's socioeconomic makeup, altered significantly only as a result of a substantial upheaval or systematic policies. East Asia achieved its relatively low inequality largely from exogenous forces: the U.S. occupation of Japan, the Nationalist takeover of Taiwan, and the expulsion of the Japanese from South Korea. In all three cases, land reform that had far-reaching effects on inequality was implemented (we examine land reform in Chapter 9). But inequality can be gradually reduced through well-implemented policies to promote pro-poor growth over time. With regressive policies, inequality may rise over time.

### Growth and Inequality

Having examined the relationship between inequality and levels of per capita income, let us look now briefly at the relationship, if any, between economic growth and inequality. During the 1960s and 1990s, per capita growth in East Asia averaged 5.5% while that of Africa declined by 0.2%, yet both Gini coefficients remained essentially unchanged. Once again, it is not just the rate but

TABLE 5.3 Income and Inequality in Selected Countries

Country	Income Per Capita (U.S. \$, 2008)	Gini Coefficient	Survey Year for Gini Calculation
<b>Low Income</b>			
Ethiopia	280	29.8	2005
Mozambique	380	47.1	2003
Nepal	400	47.3	2004
Cambodia	640	40.7	2007
Zambia	950	50.7	2005
<b>Lower Middle Income</b>			
India	1,040	36.8	2005
Cameroon	1,150	44.6	2001
Bolivia	1,460	57.2	2007
Egypt	1,800	32.1	2005
Indonesia	1,880	37.6	2007
<b>Upper Middle Income</b>			
Namibia	4,210	74.3	1993
Bulgaria	5,490	29.2	2003
South Africa	5,820	57.8	2000
Argentina	7,190	48.8	2006
Brazil	7,300	55.0	2007
Mexico	9,990	51.6	2008
<b>Upper Income</b>			
Hungary	12,810	30.0	2004
Spain	31,930	34.7	2000
Germany	42,710	28.3	2000
United States	47,930	40.8	2000
Norway	87,340	25.8	2000

*Source:* data from World Bank, *World Development Indicators, 2010* (Washington, D.C.: World Bank, 2010), tabs. 1.1 and 2.9.

**Character of economic growth**

The distributive implications of economic growth as reflected in such factors as participation in the growth process and asset ownership.

also the **character of economic growth** (how it is achieved, who participates, which sectors are given priority, what institutional arrangements are designed and emphasized, etc.) that determines the degree to which that growth is or is not reflected in improved living standards for the poor. Clearly, it is not necessary for inequality to increase for higher growth to be sustained.

## 5.4 Absolute Poverty: Extent and Magnitude

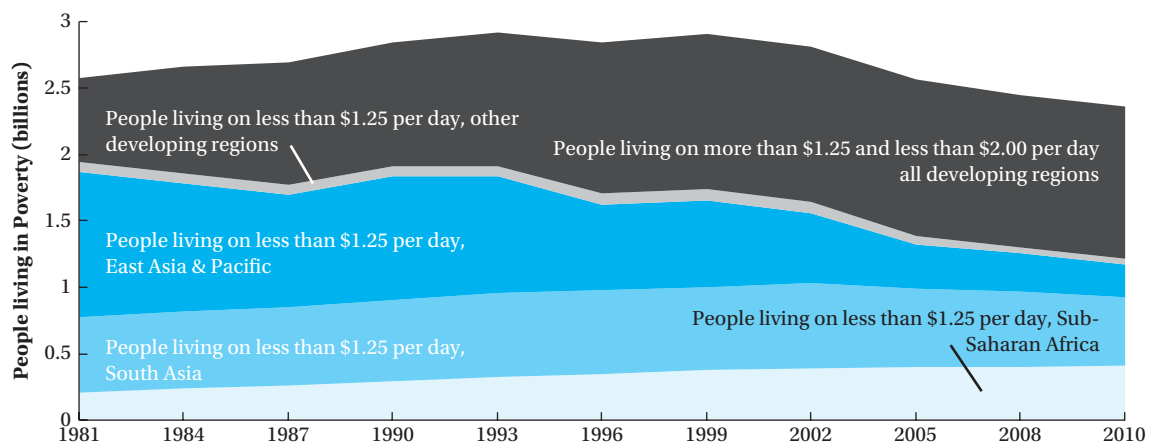
Like so much in economic development, the critical problem of eradicating absolute poverty is one of bad news and good news—of a glass that may be seen as either half empty or half full.

It is extremely difficult to arrive at a tight estimate of the extent of global poverty at any point in time. Major World Bank reports issued within a couple of years of each other have provided estimates of the dollar-a-day headcount that differ by tens of millions of people. This reflects the difficulty of the task. Another difficulty is determining the most appropriate cutoff income for extreme poverty. The \$1-a-day line was first set in 1987 dollars, and for years the standard was \$1.08 in 1993 U.S. purchasing power parity. In 2008, the equivalent line was reset at \$1.25 at 2005 U.S. purchasing power. This (along with

improved estimates of prices faced by the poor) resulted in an increase in the estimated number of the poor but did not change the conclusion that the number in poverty has been falling markedly since 1990, most conspicuously due to progress in China. Even as updated to today's dollars, the poverty line is to some degree arbitrary (although it has corresponded roughly to what many developing countries use and is at least related to expenditures of people who barely meet minimum nutrition).

The most recent systematic poverty estimates (available as of early 2014) show that in 2010 some 1.22 billion people lived below \$1.25 per day, and some 2.36 billion below \$2 per day (see Figure 5.13). The number of people living in \$1.25 per day income poverty fell from about 1.94 billion in 1981 – a 37% reduction in the headcount. The drop in the number living on less than \$2 per day was much smaller – under 8% – but this more modest decline was partly due to people whose incomes actually had crossed above the \$1.25 per day, though still remained below \$2 per day. These achievements in reducing the number of people living in poverty are all the more impressive when we note that world population rose by 2.39 billion people (53%) between 1981 and 2010 (UN estimates). Thus the headcount ratio (fraction) living on less than \$1.25 per day fell to about 18% by 2010 – approaching half (55%) of its 1990 level of 33%. Thus, the MDG of halving \$1.25 per day poverty was close to having been met by 2010; and preliminary estimates show that this goal had been met – and indeed exceeded – by the end of 2013. Global and regional poverty trends are summarized in Figure 5.13. Note that the numbers of the poor who live in sub-Saharan Africa rose steadily throughout this three-decade period; but the headcount of the poor declined in other regions.

**FIGURE 5.13** Global and Regional Poverty Trends, 1981–2010



Source: Figure drawn using data from PovcalNet/World Bank; data downloaded 13 February 2014 from <http://iresearch.worldbank.org/PovcalNet/index.htm?1>.

TABLE 5.4 Regional Poverty Incidence, 2010

Region	Headcount Ratio ( $P_0$ )	Poverty Gap ( $P_1$ )	Squared Poverty Gap ( $P_2$ )
<b>Regional Aggregation at \$1.25 per Day</b>			
East Asia and the Pacific	12.48	2.82	0.93
Europe and Central Asia	0.66	0.21	0.13
Latin America and the Caribbean	5.53	2.89	2.12
Middle East and North Africa	2.41	0.55	0.23
South Asia	31.03	7.09	2.36
Sub-Saharan Africa	48.47	20.95	11.85
Total	20.63	6.3	2.92
<b>Regional Aggregation at \$2 per Day</b>			
East Asia and the Pacific	29.14	9.42	4.05
Europe and Central Asia	2.27	0.64	0.3
Latin America and the Caribbean	10.18	4.67	3.13
Middle East and North Africa	11.55	2.66	0.99
South Asia	65.8	22.86	10.19
Sub-Saharan Africa	69.31	35.22	22.03
Total	40.08	15.32	7.79

Source: data from World Bank, "PovcalNet," <http://iresearch.worldbank.org/PovcalNet>, accessed 13 February 2014.

The incidence of extreme poverty is very uneven around the developing world. Household survey-based estimates are regarded as the most accurate ways to estimate poverty incidence. Table 5.4 provides some survey-based poverty estimates by region at the \$1.25 and \$2 poverty lines. As can be seen, poverty incidence is very high in both South Asia, with about 40% below \$1.25 per day, and in sub-Saharan Africa, with 51% below. But poverty severity is far higher in sub-Saharan Africa, with a squared poverty gap index  $P_2$  (in percentage terms) at 11.05, far above that of South Asia at 3.64. Table 5.5 provides estimates for some specific countries in Africa, Asia, and Latin America at the \$1.25 and \$2 poverty lines. It can be seen that about 44% of India's 2004 rural population lived below the \$1.25-a-day poverty line, while almost 80% lived on less than \$2 per day. In contrast, less than 36% of its urban population lived on less than \$1.25 per day, although about 66% still lived on less than \$2 per day.

Unfortunately, sub-Saharan Africa has shown far less progress than other developing regions. While the fraction living in poverty has fallen somewhat in the last decade, the headcount of individuals living in poverty rose dramatically in the 1981–2010 period, from about 205 million to about 414 million (World Bank, 2013). The concentration of poverty may make it more difficult to redress. In most countries in other regions, the poverty gap has fallen along with the poverty headcount. But between 1981 and 2010, the average income of the extremely poor hardly increased in sub-Saharan Africa, remaining near an appalling 70 cents per person per day.

### The Multidimensional Poverty Index (MPI)

The MPI is the most prominent application of multidimensional poverty measurement; it incorporates three dimensions at the household level: health, education, and wealth.

TABLE 5.5 Income Poverty Incidence in Selected Countries

Country	Year	Per Capita Monthly Income (2005 PPP)	Headcount Ratio (%)	Poverty Gap (%)	Squared Poverty Gap (%)	Gini Index (%)
<b>Incidence at \$1.25 a Day; Poverty Line at 38 (monthly equivalent)</b>						
Bangladesh	2005	48.27	50.47	14.17	5.20	33.22
Benin	2003	52.77	47.33	15.73	6.97	38.62
Brazil	2007	346.64	5.21	1.26	0.44	55.02
Burkina Faso	2003	46.85	56.54	20.27	9.38	39.6
China—Rural	2005	71.34	26.11	6.46	2.26	35.85
China—Urban	2005	161.83	1.71	0.45	0.24	34.8
Côte d'Ivoire	2002	101.11	23.34	6.82	2.87	48.39
Guatemala*	2006	191.7	12.65	3.83	1.63	53.69
Honduras*	2006	184.45	18.19	8.19	5.00	55.31
India—Rural	2004	49.93	43.83	10.66	3.65	30.46
India—Urban	2004	62.43	36.16	10.16	3.80	37.59
Indonesia—Rural	2005	62.79	24.01	5.03	1.61	29.52
Indonesia—Urban	2005	89.1	18.67	4.06	1.29	39.93
Madagascar	2005	44.82	67.83	26.52	13.23	47.24
Mexico	2006	330.37	0.65	0.13	0.05	48.11
Mozambique	2002	36.58	74.69	35.4	20.48	47.11
Nicaragua*	2005	151.18	15.81	5.23	2.54	52.33
Nigeria	2003	39.46	64.41	29.57	17.2	42.93
Pakistan	2004	65.76	22.59	4.35	1.28	31.18
Peru	2006	216.82	7.94	1.86	0.61	49.55
Philippines	2006	98.99	22.62	5.48	1.74	44.04
Rwanda	2000	33.76	76.56	38.21	22.94	46.68
Senegal	2005	66.86	33.5	10.8	4.67	39.19
<b>Incidence at \$2 a Day; Poverty Line at 60.84 (monthly equivalent)</b>						
Bangladesh	2005	48.27	80.32	34.35	17.55	33.22
Benin	2003	52.77	75.33	33.51	18.25	38.62
Brazil	2007	346.64	12.70	4.15	1.85	55.02
Burkina Faso	2003	46.85	81.22	39.26	22.58	39.60
China—Rural	2005	71.34	55.63	19.47	8.94	35.85
China—Urban	2005	161.83	9.38	2.12	0.81	34.8
Côte d'Ivoire	2002	101.11	46.79	17.62	8.78	48.39
Guatemala*	2006	191.7	25.71	9.63	4.84	53.69
Honduras*	2006	184.45	29.73	14.15	8.91	55.31
India—Rural	2004	49.93	79.53	30.89	14.69	30.46
India—Urban	2004	62.43	65.85	25.99	12.92	37.59
Indonesia—Rural	2005	62.79	61.19	19.55	8.27	29.52
Indonesia—Urban	2005	89.1	45.85	14.85	6.39	39.93
Madagascar	2005	44.82	89.62	46.94	28.5	47.24
Mexico	2006	330.37	4.79	0.96	0.31	48.11
Mozambique	2002	36.58	90.03	53.56	36.00	48.07
Nicaragua*	2005	151.18	31.87	12.26	6.44	52.33
Nigeria	2003	39.46	83.92	46.89	30.8	42.93
Pakistan	2004	65.76	60.32	18.75	7.66	31.18
Peru	2006	216.82	18.51	5.95	2.54	49.55
Philippines	2006	98.99	45.05	16.36	7.58	44.04
Rwanda	2000	33.76	90.3	55.69	38.5	44.11
Senegal	2005	66.86	60.37	24.67	12.98	39.19

Source: data from World Bank, "PovcalNet," <http://iresearch.worldbank.org/PovcalNet>.

Income is imperfectly measured, but even more important, the advantages provided by a given amount of income greatly differ, depending on circumstances. To capture this idea, the United Nations Development Programme (UNDP) used its *Human Poverty Index*<sup>26</sup> from 1997 to 2009.



**Multidimensional Poverty Index (MPI)** A poverty measure that identifies the poor using dual cutoffs for levels and numbers of deprivations, and then multiplies the percentage of people living in poverty times the percent of weighted indicators for which poor households are deprived on average.

In 2010, the UNDP replaced the HPI with its **Multidimensional Poverty Index (MPI)**; by building up the index from the household level, the MPI takes into account that there are negative interaction effects when people have multiple deprivations—worse poverty than can be seen by simply adding up separate deprivations for the whole country, then taking averages, and only then combining them.

The index's creators report that they selected the three dimensions (health, education, and standard of living) and each of their corresponding indicators because they reflect problems often mentioned by the poor, they have been long considered important by the development community particularly as reflected in the Millennium Development Goals (see Chapter 1), and they are well established philosophically as human rights or basic needs; naturally, reliable data also had to be available for enough countries when selecting specific indicators for the index.

With respect to health, two indicators—whether any child has died in the family and whether any adult or child in the family is malnourished—are weighted equally (so each counts one-sixth toward the maximum possible deprivation in the MPI). Regarding education also, two indicators—whether not even one household member has completed five years of schooling and whether any school-age child is out of school for grades one through eight—are given equal weight (so again, each counts one-sixth toward the MPI). Finally, in terms of standard of living, equal weight is placed on six deprivations (each counting one-eighteenth toward the maximum possible): lack of electricity, insufficiently safe drinking water, inadequate sanitation, inadequate flooring, unimproved cooking fuel, and lack of more than one of five assets—telephone, radio, television, bicycle, and motorbike or similar vehicle.

Calculating deprivation in this way, individuals are then identified as “multidimensionally poor” when their family is deprived by a “weighted sum” of 0.3 or more (3 out of 10 points as calculated in practice). For concreteness, consider three examples of families whose members would be classified as multidimensionally poor. First, a person would get a value of 33% and thus be considered poor by having a child in the family who was malnourished, while at the same time the most educated person in the family received only three years of schooling. Second, a multidimensionally poor person might live in a household that had experienced a child's death and was also deprived in at least three of the six living standard indicators, which also would sum to  $1/6 + 1/18 + 1/18 + 1/18 = 1/3$ , or 33%. Third, they could live in a household that was deprived in the other three living standard indicators and in which there was a school-age child not attending school. But if there were no health or education deprivations, a person would have to live in a family which was deprived in all six standard-of-living indicators to be deemed poor. Thus, the MPI approach identifies the very poor by measuring a range of important household deprivations directly, rather than only indirectly through income, then building the index from household measures up to the aggregate measure. Rather than using already aggregated statistics in an index, the approach takes into account the *multiplied or interactive harm* done when multiple deprivations are experienced by *individuals in the same family*. In essence, the approach assumes that an individual's lack of capability in one area can to a degree be made up for by other capabilities—but only to a degree. (Put differently, capabilities are treated as substitutes up to a point but then as complements.) This greatly augments measures used previously.

Finally, the actual MPI for the country (or region or group) is computed with the adjusted headcount ratio; as noted previously, a convenient way to express the resulting value is the product of the headcount ratio,  $H_M$  (the percentage of people living in multidimensional poverty) and the average intensity of deprivation,  $A$  (the percentage of weighted indicators for which poor households are deprived on average). The adjusted headcount ratio,  $H_M A$ , is a special case of the broader class of multidimensional poverty measures developed by Sabira Alkire and James Foster introduced earlier;  $H_M A$  is readily calculated, and it also satisfies some desirable properties, including *dimensional monotonicity*, meaning that when a person deemed poor becomes deprived in another indicator, he or she is deemed even poorer.<sup>27</sup>

In its 2013 *Human Development Report*, the UNDP presents the MPI for 104 developing countries, based on the currently available data; some examples are given in Table 5.6. Brazil and Mexico have very low MPI levels of just 0.011 and 0.015, respectively, while the world's most impoverished country for which data were available to compute the MPI, Niger, ranks 104th, with an MPI value of 0.642. The UNDP reports that there are nearly 1.6 billion people living in multidimensional poverty—several hundred million more than the estimated number living on an income of less than \$1.25 per day. At the broadest level, the results are not out of line with what one might expect; sub-Saharan Africa has the highest *proportion* of people living in poverty, and South Asia has the largest *number* of people living in poverty.

The poorest country is Niger, the only country with an MPI higher than 0.6. Six other countries had an MPI higher than 0.5, all in sub-Saharan Africa: Ethiopia, Mali, Burkina Faso, Burundi, Mozambique, and Guinea (available earlier data also show Angola, the Central African Republic, and Somalia with an MPI greater than 0.5).

Countries outside Africa with high levels of multidimensional poverty for their regions include Bangladesh (with an MPI of 0.292), Cambodia (0.212), Haiti (0.299), Honduras (0.159), India (0.283), Lao PRD (0.267), Nepal (0.217) Pakistan (0.264), Timor-Leste (0.360), and Yemen (0.283).

The results show that knowing income poverty is not enough if our concern is with multidimensional poverty. For example, multidimensionally, Bangladesh is substantially less poor and Pakistan substantially poorer than would be predicted by these countries' income poverty (this finding may be related to some of the comparisons in the end-of-chapter case study in Chapter 2). In Africa, Ethiopia is far more multidimensionally poor and Tanzania much less so than predicted by income poverty. Most Latin American countries studied rank worse on multidimensional poverty than on income poverty, but Colombia's income and MPI poverty ranks are about the same.

The severity of poverty in Africa is also highlighted by some of the findings. In Guinea, Mali, and Niger, more than 50% are poor and live in a household in which at least one child has died. In Mozambique, Guinea, Burundi, Mali, Ethiopia, Burkina Faso, and Niger, more than 50% live in a poor household where no one has completed five years of education. Outside of Africa, 39% in India and 37% in Bangladesh live in a poor household where at least one child or woman is undernourished.<sup>28</sup>

Different regions in the same country can have very different MPIs. In Kenya, the MPI for Nairobi is close to that of Brazil. Central Kenya's MPI is similar to

TABLE 5.6 Multidimensional Poverty Index, Data for 2007–2011

Country and Survey Year	MPI	Percent Poor	Thousands Poor	Poverty Intensity (A)
Bangladesh 2007 (D)	0.292	57.8	83,207	50.4
Brazil 2006 (N)	0.011	2.7	5,075	39.3
Burundi 2005 (M)	0.530	84.5	6,128	62.7
Bolivia, PS 2008 (D)	0.089	20.5	1,972	43.7
Burkina Faso 2010 (D)	0.535	84.0	13,834	63.7
Cambodia 2010 (D)	0.212	45.9	6,415	46.1
Colombia 2010 (D)	0.022	5.4	2,500	40.9
Congo, DR 2010 (M)	0.392	74.0	48,815	53.0
Côte d'Ivoire 2005 (D)	0.353	61.5	11,083	57.4
Dominican Republic 2007 (D)	0.018	4.6	439	39.4
Egypt 2008 (D)	0.024	6.0	4,699	40.7
Ethiopia 2011 (D)	0.564	87.3	72,415	64.6
Ghana 2008 (D)	0.144	31.2	7,258	46.2
Guinea 2005 (D)	0.506	82.5	7,459	61.3
Haiti 2005/2006 (D)	0.299	56.4	5,346	53.0
Honduras 2005/2006 (D)	0.159	32.5	2,281	48.9
India 2005/2006 (D)	0.283	53.7	612,203	52.7
Indonesia 2007 (D)	0.095	20.8	48,352	45.9
Kenya 2008/2009 (D)	0.229	47.8	18,863	48.0
Lao PRD 2006 (M)	0.267	47.2	2,757	56.5
Liberia 2007 (D)	0.485	83.9	3,218	57.7
Mali 2006 (D)	0.558	86.6	11,771	64.4
Mexico 2006 (N)	0.015	4.0	4,313	38.9
Madagascar 2008/2009 (D)	0.357	66.9	13,463	53.3
Malawi 2010 (D)	0.334	66.7	9,633	50.1
Mozambique 2009 (D)	0.512	79.3	18,127	64.6
Nepal 2011 (D)	0.217	44.2	13,242	49.0
Niger 2006 (D)	0.642	92.4	12,437	69.4
Nigeria 2008 (D)	0.310	54.1	83,578	57.3
Pakistan 2006/2007 (D)	0.264 d	49.4 d	81,236 d	53.4 d
Peru 2008 (D)	0.066	15.7	4,422	42.2
Philippines 2008 (D)	0.064	13.4	12,083	47.4
Rwanda 2010 (D)	0.350	69.0	6,900	50.8
Senegal 2010/2011 (D)	0.439	74.4	7,642	58.9
Sierra Leone 2008 (D)	0.439	77.0	4,321	57.0
South Africa 2008 (N)	0.057	13.4	6,609	42.3
Tanzania, 2010 (D)	0.332	65.6	28,552	50.7
Timor-Leste 2009/2010 (D)	0.360	68.1	749	52.9
Uganda 2011 (D)	0.367	69.9	24,122	52.5
Vietnam 2010/2011 (M)	0.017	4.2	3,690	39.5
Yemen 2006 (M)	0.283	52.5	11,176	53.9

Key: D indicates data are from Demographic and Health Surveys, M indicates data are from Multiple Indicator Cluster Surveys, d indicates lower bound estimate, and N indicates data are from national surveys. Not all indicators were available for all countries; caution should thus be used in cross-country comparisons.

Where data are missing, indicator weights are adjusted to total 100%.

Source: UNDP, *Human Development Report, 2013*, pp. 160–161.

that of Bolivia. And northeastern Kenya has a worse MPI even than Niger. There are also great inequalities across ethnic groups in Kenya, with 29% of the Embu considered multidimensionally poor, compared with a staggering 96% of the Turkana and Masai peoples. Great inequalities are also found in India, in which indigenous (“tribal”) peoples and low-ranked (“scheduled”) castes are far poorer than people from high-ranking castes. In the Delhi and Kerala regions, just 14 to 16% are MPI poor, but in Jharkhand and Bihar, 77 to 81% are MPI poor. Finally, changes in the MPI over time are examined for three countries: Ghana saw its MPI halved from 0.29 to 0.14; Bangladesh saw its MPI reduced by a more modest 22%; and in Ethiopia, the MPI fell by 16% in the periods studied.

As with all indexes, the MPI has some limitations. As mentioned, data are from the household rather than the individual level (such as whether *any* child of school age is out of school or whether *any* family member is undernourished). It does not fully distinguish between past and present conditions (because its measure is whether a child has *ever* died). It does not distinguish differences within households (such as who may use the bicycle or whether the undernourished individuals are females). Proxies are imperfect; for example, nourishment does not capture micronutrient deficiencies. Sometimes a person has to be labeled nondeprived if data are missing, so the numbers may understate poverty somewhat. Education considers only inputs such as enrolling or attending for five years, not outputs such as being able to read. And the choice of basic assets is questionable; for example, even where a radio and a simple bicycle are present, a woman may have just one dress and the children may sleep on a rough concrete floor.

The MPI provides a new and fundamentally important way to measure poverty, to help us understand how poverty levels differ across and within countries, and also how the dimensions (or composition) of poverty can differ greatly in different settings. Ultimately, this should assist with better design and targeting of programs and policies and help us evaluate their performance more quickly and effectively.

For now, because of the way living standards and human development surveys are conducted, most of the usable data is at the household level, making it difficult to “drill down” to the individual level. Household data are far better than what used to be available; in fact, the availability of household data has already had a substantial impact on improving the study of development economics. It is a great improvement to be able to focus on what is happening at the family rather than the national level. Well-designed income poverty measures such as  $P_2$  will always be used for many purposes; but the MPI is likely to help usher in an era in which multidimensional poverty is examined in most assessments.

**Chronic Poverty** Research suggests that approximately one-third of all people who are income poor at any one time are chronically (always) poor. Andrew McKay and Bob Baulch provide a well-regarded “guesstimate” that about 300 to 420 million people were chronically poor at the \$1-per-day level in the late 1990s. The other two-thirds are made up of families that are vulnerable to poverty and become extremely poor from time to time. These may be divided between families usually poor but occasionally receiving enough income to cross the poverty line and families usually nonpoor but occasionally experiencing a shock that knocks them temporarily below the poverty line. Chronic poverty is concentrated in India, where the largest numbers are found, and in Africa, where the severity of poverty among the chronically poor is greatest.<sup>29</sup>

Problems of the poorest of the poor pose particular challenges. *Ultrapoverty* differs from conventional poverty in terms of depth (degree of deprivation), length (duration of time), and breadth (the number of dimensions, such as illiteracy and malnutrition).<sup>30</sup> The mutual reinforcement among the different dimensions of poverty can potentially result in multiple mutually reinforcing poverty traps. This makes ultrapoverty a more difficult problem to address than conventional poverty, which can more often be redressed with simpler solutions such as microfinance (see Chapter 15) plus business training. The

chronic nature and severity of ultrapoverty also make short-term policies more problematic. Poverty innovators such as Fazle Hasan Abed have concluded that conventional programs have often not reached the ultra-poor. An income-based definition of ultrapoverty is living on half the dollar-a-day poverty line, or 54 cents per day in 1993 dollars. According to International Food Policy Research Institute (IFPRI) estimates, 162 million people live below this stark income level, generally with malnutrition and other destitute conditions. The IFPRI study concluded:

poverty just below \$1 a day has fallen faster than poverty below 50 cents a day, suggesting that it has been easier to reach those living closer to the dollar-a-day line rather than those living well below it. . . .The slow progress of poverty reduction for the world's most deprived indicates the presence of poverty traps, or conditions from which the poorest individuals or groups cannot emerge without outside assistance.<sup>31</sup>

Some NGOs have responded to this problem, such as BRAC's Targeting the Ultra-Poor Program and Grameen's Beggars Program, both introduced in the case study for Chapter 11.

The prospect for ending poverty depends critically on two factors: first, the rate of economic growth—provided it is undertaken in a shared and sustainable way—and second, the level of resources devoted to poverty programs and the quality of those programs.

### Growth and Poverty

Are the reduction of poverty and the acceleration of growth in conflict? Or are they complementary? Traditionally, a body of opinion held that rapid growth is bad for the poor because they would be bypassed and marginalized by the structural changes of modern growth. Beyond this, there had been considerable concern in policy circles that the public expenditures required for the reduction of poverty would entail a reduction in the rate of growth. The concerns that concentrated efforts to lower poverty would slow the rate of growth paralleled the arguments that countries with lower inequality would experience slower growth. In particular, if there were redistribution of income or assets from rich to poor, even through progressive taxation, the concern was expressed that savings would fall. However, while the middle class generally has the highest savings rates, the marginal savings rates of the poor, when viewed from a holistic perspective, are not small. In addition to financial savings, the poor tend to spend additional income on improved nutrition, education for their children, improvements in housing conditions, and other expenditures that, especially at poverty levels, represent investments rather than consumption. There are at least five reasons why policies focused toward reducing poverty levels need not lead to a slower rate of growth—and indeed could help to accelerate growth.

First, *widespread poverty creates conditions in which the poor have no access to credit*, are unable to finance their children's education, and, in the absence of physical or monetary investment opportunities, have many children as a source of old-age financial security. Moreover, lack of credit denies people living in poverty of opportunities for entrepreneurship that could otherwise help

to spur growth. Together these factors cause per capita growth to be less than what it would be if there were less poverty.

Second, a wealth of empirical data bears witness to the fact that unlike the historical experience of the now developed countries, *the rich in many contemporary poor countries are generally not noted for their frugality or for their desire to save and invest substantial proportions of their incomes in the local economy.*

Third, *the low incomes and low levels of living for the poor, which are manifested in poor health, nutrition, and education, can lower their economic productivity and thereby lead directly and indirectly to a slower-growing economy.* Strategies to raise the incomes and levels of living of the poor will therefore contribute not only to their material well-being but also to the productivity and income of the economy as a whole.<sup>32</sup> (These issues are considered further in Chapter 8.)

Fourth, *raising the income levels of the poor will stimulate an overall increase in the demand for locally produced necessity products like food and clothing, whereas the rich tend to spend more of their additional incomes on imported luxury goods.* Rising demand for local goods provides a greater stimulus to local production, local employment, and local investment. Such demand thus creates the conditions for rapid economic growth and a broader popular participation in that growth.<sup>33</sup>

Fifth, *a reduction of mass poverty can stimulate healthy economic expansion by acting as a powerful material and psychological incentive to widespread public participation in the development process.* By contrast, wide income disparities and substantial absolute poverty can act as powerful material and psychological disincentives to economic progress. They may even create the conditions for an ultimate rejection of progress by the masses, impatient at the pace of progress or its failure to alter their material circumstances.<sup>34</sup> We can conclude, therefore, that promoting rapid economic growth and reducing poverty are not mutually conflicting objectives.<sup>35</sup>

That dramatic reductions in poverty need not be incompatible with high growth is seen both in case studies and in the cross-national comparisons of data. Countries where poverty has been reduced the most tend to have had sustained growth; at the same time, growth does not guarantee poverty reduction. Over the past 30 years, China has experienced the highest growth rate in the world and also the most dramatic reductions in poverty. The headcount of the poor in China fell from 634 million in 1981 to 128 million in 2004, with the corresponding headcount ratio falling from 64% to 10%. This did not occur merely as a result of high growth. Policies actively encouraged modern-sector enlargement. Moreover, China has worked with the World Bank and other development agencies to improve its poverty reduction programs and has built on its long-standing efforts to provide at least minimal education and health care for its people as a firm foundation for long-term progress. Although the plight of many peasants has worsened in recent years, especially in interior regions, and inequality has greatly increased, the positive overall results of China's efforts to fight extreme poverty are apparent. Recent dramatic reductions of poverty in Vietnam have followed a similar pattern.

Richer countries strongly tend to have low levels of absolute poverty. Through one means or another—the availability of employment and entrepreneurship opportunities and greater public and NGO assistance—people who live in rich countries tend to escape from poverty. Among developing countries, there is evidence that countries with faster overall rates of per

capita income growth also tend on average to have faster rates of per capita income growth among those in the bottom quintile of the income distribution, though the proportions vary widely. While we cannot passively count on even sustainable growth by itself to end absolute poverty, ending poverty can be greatly facilitated through wise and shared stewardship of the various resources provided by growth.<sup>36</sup>

Certainly, the relationship between economic growth and progress among the poor does not by itself indicate causality. Some of the effect probably runs from improved incomes, education, and health among the poor to faster overall growth (as suggested by some of the arguments listed previously). Moreover, as we have noted, poverty reduction is possible without rapid growth. But whatever the causality, it is clear that growth and poverty reduction are entirely compatible objectives.

## 5.5 Economic Characteristics of High-Poverty Groups

---

So far we have painted a broad picture of the income distribution and poverty problem in developing countries. We have argued that the magnitude of absolute poverty results from a combination of low per capita incomes and highly unequal distributions of that income. Clearly, for any given distribution of income, the higher the level of per capita income is, the lower the numbers of the absolutely poor. But higher levels of per capita income are no guarantee of lower levels of poverty. An understanding of the nature of the size distribution of income is therefore central to any analysis of the poverty problem in low-income countries.

But painting a broad picture of absolute poverty is not enough. Before we can formulate effective policies and programs to attack poverty at its source, we need some specific knowledge of these high-poverty groups and their economic characteristics.<sup>37</sup>

### Rural Poverty

Perhaps the most valid generalizations about the poor are that they are disproportionately located in rural areas, that they are primarily engaged in agricultural and associated activities, that they are more likely to be women and children than adult males, and that they are often concentrated among minority ethnic groups and indigenous peoples. Data from a broad cross section of developing nations support these generalizations. We find, for example, that about two-thirds of the very poor scratch out their livelihood from subsistence agriculture either as small farmers or as low-paid farmworkers. Some of the remaining one-third are also located in rural areas but engaged in petty services, and others are located on the fringes and in marginal areas of urban centers, where they engage in various forms of self-employment such as street hawking, trading, petty services, and small-scale commerce. On the average, we may conclude that in Africa and Asia, about 80% of all target poverty groups are located in the rural areas, as are about 50% in Latin America. Some data for specific countries are provided in Table 5.7.

TABLE 5.7 Poverty: Rural versus Urban

Region and Country	Survey Year	Percentage below National Poverty Line		
		Rural Population	Urban Population	National Population
<b>Sub-Saharan Africa</b>				
Benin	2003	46.0	29.0	39.0
Burkina Faso	2003	52.4	19.2	46.4
Cameroon	2007	55.0	12.2	29.9
Malawi	2005	55.9	25.4	52.4
Tanzania	2001	38.7	29.5	35.7
Uganda	2006	34.2	13.7	31.1
Zambia	2004	72.0	53.0	68.0
<b>Asia</b>				
Bangladesh	2005	43.8	28.4	40.0
India	2000	30.2	24.7	28.6
Indonesia	2004	20.1	12.1	16.7
Uzbekistan	2003	29.8	22.6	27.2
Vietnam	2002	35.6	6.6	28.9
<b>Latin America</b>				
Bolivia	2007	63.9	23.7	37.7
Brazil	2003	41.0	17.5	21.5
Dominican Republic	2007	54.1	45.4	48.5
Guatemala	2006	72.0	28.0	51.0
Honduras	2004	70.4	29.5	50.7
Mexico	2004	56.9	41.0	47.0
Peru	2004	72.5	40.3	51.6

Source: data from World Bank, *World Development Indicators, 2010* (Washington, D.C.: World Bank, 2010), tab. 2.7.

It is interesting to note, in light of the rural concentration of absolute poverty, that the majority of government expenditures in most developing countries over the past several decades has been directed toward the urban area and especially toward the relatively affluent modern manufacturing and commercial sectors. Whether in the realm of directly productive economic investments or in the fields of education, health, housing, and other social services, this urban modern-sector bias in government expenditures is at the core of many of the development problems that will be discussed in succeeding chapters. We need only point out here that in view of the disproportionate number of the very poor who reside in rural areas, any policy designed to alleviate poverty must necessarily be directed to a large extent toward rural development in general and the agricultural sector in particular (we will discuss this matter in detail in Chapter 9).

## Women and Poverty

Women make up a substantial majority of the world's poor. If we compared the lives of the inhabitants of the poorest communities throughout the developing world, we would discover that virtually everywhere women and children experience the harshest deprivation. They are more likely to be poor and malnourished and less likely to receive medical services, clean water, sanitation, and other benefits.<sup>38</sup> The prevalence of female-headed households, the



lower earning capacity of women, and their limited control over their spouses' income all contribute to this disturbing phenomenon. In addition, women have less access to education, formal-sector employment, social security, and government employment programs. These facts combine to ensure that poor women's financial resources are meager and unstable relative to men's.

A disproportionate number of the ultrapoor live in households headed by women, in which there are generally no male wage earners. Because the earning potential of women is considerably below that of their male counterparts, women are more likely to be among the very poor. In general, women in female-headed households have less education and lower incomes. Furthermore, the larger the household is, the greater the strain on the single parent and the lower the per capita food expenditure.

A portion of the income disparity between male- and female-headed households can be explained by the large earnings differentials between men and women. In addition to the fact that women are often paid less for performing similar tasks, in many cases they are essentially barred from higher-paying occupations. In urban areas, women are much less likely to obtain formal employment in private companies or public agencies and are frequently restricted to illegal, low-productivity jobs. The illegality of piecework, as in the garment industry, prevents it from being regulated and renders it exempt from minimum-wage laws or social security benefits. Even when women receive conventional wage payments in factory work, minimum wage and safety legislation may be flagrantly ignored. Similarly, rural women have less access to the resources necessary to generate stable incomes and are frequently subject to laws that further compromise earning potential. Legislation and social custom often prohibit women from owning property or signing financial contracts without a husband's signature. With a few notable exceptions, government employment or income-enhancing programs are accessible primarily if not exclusively by men, exacerbating existing income disparities between men and women.

But household income alone fails to describe the severity of women's relative deprivation. Because a higher proportion of female-headed households are situated in the poorest areas, which have little or no access to government-sponsored services such as piped water, sanitation, and health care, household members are more likely to fall ill and are less likely to receive medical attention. In addition, children in female-headed households are less likely to be enrolled in school and more likely to be working in order to provide additional income.

The degree of economic hardship may also vary widely within a household. We have already discussed the fact that GNI per capita is an inadequate measure of development because it fails to reflect the extent of absolute poverty. Likewise, household income is a poor measure of individual welfare because the distribution of income within the household may be quite unequal. In fact, among the poor, the economic status of women provides a better indication of their own welfare, as well as that of their children. Existing studies of intrahousehold resource allocation clearly indicate that in many regions of the world, there exists a strong bias against females in areas such as nutrition, medical care, education, and inheritance. Moreover, empirical research has shown that these gender biases in household resource allocation significantly reduce the rate of survival among female infants. This is one reason why recorded female-male sex ratios

are so much below their expected values, primarily in Asian countries, that well over 100 million girls and women are said to be “missing.”<sup>39</sup> The favor shown toward boys in part reflects the fact that men are perceived to have a greater potential for contributing financially to family survival. This is not only because well-paying employment for women is unavailable but also because daughters are often married to families outside the village, after which they become exclusively responsible to their in-laws and thus cease contributing to their family of origin.

The extent of these internal biases is strongly influenced by the economic status of women. Studies have found that where women’s share of income within the home is relatively high, there is less discrimination against girls, and women are better able to meet their own needs as well as those of their children. When household income is marginal, most of women’s income is contributed toward household nutritional intake. Since this fraction is considerably smaller for men, a rise in male earnings leads to a less than proportionate increase in the funds available for the provision of daily needs. It is thus unsurprising that programs designed to increase nutrition and family health are more effective when targeting women than when targeting men. In fact, significant increases in total household income do not necessarily translate into improved nutritional status (see Chapter 8). The persistence of low levels of living among women and children is common where the economic status of women remains low. Box 5.2 provides some views of the poor on gender relations.

Women’s control over household income and resources is limited for a number of reasons. Of primary importance is the fact that a relatively large proportion of the work performed by women is unremunerated—for example, collecting firewood and cooking—and may even be intangible, as with parenting. Women’s control over household resources may also be constrained by the fact that many women from poor households are not paid for the work they perform in family agriculture or business. It is common for the male head of household to control all funds from cash crops or the family business, even though a significant portion of the labor input is provided by his spouse. In addition, in many cultures, it is considered socially unacceptable for women to contribute significantly to household income, and hence women’s work may remain concealed or unrecognized. These combined factors perpetuate the low economic status of women and can lead to strict limitations on their control over household resources.

Development policies that increase the productivity differentials between men and women are likely to worsen earnings disparities as well as further erode women’s economic status within the household. Since government programs to alleviate poverty frequently work almost exclusively with men, they tend to exacerbate these inequalities. In urban areas, training programs to increase earning potential and formal-sector employment are generally geared to men, while agricultural extension programs promote male-dominated crops, frequently at the expense of women’s vegetable plots (see Chapter 9). Studies have shown that development efforts can actually increase women’s workload while at the same time reduce the share of household resources over which they exercise control. Consequently, women and their dependents remain the most economically vulnerable group in developing countries.

The fact that the welfare of women and children is strongly influenced by the design of development policy underscores the importance of integrating



### BOX 5.2 Problems of Gender Relations in Developing Countries: Voices of the Poor

*Sister, if you don't beat them, they'll stop being good. And if they're good and you beat them, they'll stay that way.*

—A man in Bangladesh

*When my husband died, my in-laws told me to get out. So I came to town and slept on the pavement.*

—A middle-aged widow in Kenya

*When I was working, I used to decide. When she is working, she owns her money and does anything she wishes.*

—A man from Vila Junqueira, Brazil

*Problems have affected our relationship. The day my husband brings in money, we are all right*

*together. The day he stays at home [out of work], we are fighting constantly.*

—A woman from El Gawaber, Egypt

*The unemployed men are frustrated because they can no longer play the part of family providers and protectors. They live on the money made by their wives and feel humiliated because of this.*

—An elderly woman from Uchkun, Kyrgyzstan

*When a woman gives her opinion, they [men] make fun of her and don't pay attention. If women go to a meeting, they don't give their opinion.*

—A woman in Las Pascuas, Bolivia

women into development programs. To improve living conditions for the poorest individuals, women must be drawn into the economic mainstream. This would entail increasing female participation rates in educational and training programs, formal-sector employment, and agricultural extension programs. It is also of primary importance that precautions be taken to ensure that women have equal access to government resources provided through schooling, services, employment, and social security programs. Legalizing informal-sector employment where the majority of the female labor force is employed would also improve the economic status of women.

The consequences of declines in women's relative or absolute economic status have both ethical and long-term economic implications. Any process of growth that fails to improve the welfare of the people experiencing the greatest hardship, broadly recognized to be women and children, has failed to accomplish one of the principal goals of development. In the long run, the low status of women is likely to translate into slower rates of economic growth. This is true because the educational attainment and future financial status of children are much more likely to reflect those of the mother than those of the father. Thus, the benefits of current investments in human capital are more likely to be passed on to future generations if women are successfully integrated into the growth process. And considering that human capital is perhaps the most important prerequisite for growth, education and enhanced economic status for women are critical to meeting long-term development objectives. (We examine these issues in greater detail in Chapter 8.)

As feminist development economists have often expressed it, official poverty programs cannot simply "add women and stir." Women-centered poverty strategies often require us to challenge basic assumptions. The harsher conditions for women and women's crucial role in a community's escape from poverty mean that involvement of women cannot be left as an afterthought

but will be most effective if it is the *first* thought—and the consistent basis for action—when addressing poverty.

### Ethnic Minorities, Indigenous Populations, and Poverty

A final generalization about the incidence of poverty in the developing world is that it falls especially heavily on minority ethnic groups and indigenous populations. We pointed out in Chapter 2 that some 40% of the world's nation-states have more than five sizable ethnic populations, one or more of which faces serious economic, political, and social discrimination. In recent years, domestic conflicts and even civil wars have arisen out of ethnic groups' perceptions that they are losing out in the competition for limited resources and job opportunities. The poverty problem is even more serious for indigenous peoples, whose numbers exceed 300 million in over 5,000 different groups in more than 70 countries.<sup>40</sup>

Although detailed data on the relative poverty of minority ethnic and indigenous peoples are difficult to obtain (for political reasons, few countries wish to highlight these problems), researchers have compiled data on the poverty of indigenous people in Latin America.<sup>41</sup> The results clearly demonstrate that a majority of indigenous groups live in extreme poverty and that being indigenous greatly increases the chances that an individual will be malnourished, illiterate, in poor health, and unemployed. For example, the research has shown that in Mexico, over 80% of the indigenous population is poor, compared to 18% of the nonindigenous population. Table 5.8 shows that similar situations exist in countries such as Bolivia, Guatemala, and Peru (not to mention Native American populations in the United States and Canada). Moreover, a 2006 World Bank study confirmed that all too little progress had been made. Whether we speak of Tamils in Sri Lanka, Karens in Myanmar, Untouchables in India, or Tibetans in China, the poverty plight of minorities is as serious as that of indigenous peoples.

**Poor Countries** Finally, it should be noted that the poor come from poor countries. Although this may seem like a trivial observation, it is actually a useful note of optimism. The negative relationship between poverty and per capita income suggests that if higher incomes can be achieved, poverty will be reduced, if only because of the greater resources that countries will have available to tackle poverty problems and the growth of civil society and the voluntary sector. Unfortunately,

**TABLE 5.8** Indigenous Poverty in Latin America

Country	Population below the Poverty Line (%), Early 1990s		Period	Change in Poverty (%), Various Periods	
	Indigenous	Nonindigenous		Indigenous	Nonindigenous
Bolivia	64.3	48.1	1997–2002	0	–8
Guatemala	86.6	53.9	1989–2000	–15	–25
Mexico	80.6	17.9	1992–2002	0	–5
Peru	79.0	49.7	1994–2000	0	+3

Sources: Data for the left side of the table from George Psacharopoulos and Harry A. Patrinos, "Indigenous people and poverty in Latin America," *Finance and Development* 31 (1994): 41, used with permission; data for the right side of the table from Gillette Hall and Harry A. Patrinos, eds., *Indigenous Peoples, Poverty, and Human Development in Latin America, 1994–2004* (New York: Palgrave Macmillan, 2006).