

**Quiz #1: Monday Feb 26<sup>th</sup>** covers Chapters 1 of Sachs (2005) and Chapter 1-5 of Collier (2007) as well as Problem Set #1 questions 1-4, calendar discussion questions on U.S. poverty and from the Indonesia case Part I. See also the [introduction](#) and [poverty case studies](#) [Lecture notes on Poverty measures, trends and miracles](#) lecture notes. The multiple choice quiz questions will focus mainly on poverty measures and trends; that is the purpose. Strengths, and weaknesses of the poverty measures are listed below. You will not be expected compute poverty measures, just know the key ingredients and sensitivities of each measure, as in the table below: the poverty gap for example includes H and I (since  $pg = H*I$ ): H and I measure the incidence and depth of poverty, and so on. See especially the charts below showing the answers and summary of poverty and severity measures.

**Why poverty fell in China, Indonesia, Bangladesh, Ethiopia.** Which countries/regions will meet MDG 1? What are the first 4 MDGs? Who is \$1.25/day poor (who is not)? What Migrant workers in rural (Munee) vs. rural areas, formal vs. informal employment, persistent poverty, Engel's Law, the Green Revolution, education of factory workers, labor standards, garment wages, jobs and women's agency. The first four MDGs, interactions between MDGs 1-2 created by migration and factory jobs for you women. How did China's 150 million migrant workers reduce poverty? How are they constrained by the Hukou system of household registration, Hukou and black factories, parallels with the Chai Feng Sweat shop.

**Three great poverty reversals: World, Rural Indonesia and China (not to be confused with the Reversal of Fortune, see Piketty Figure 1.1 below and lecture notes).**

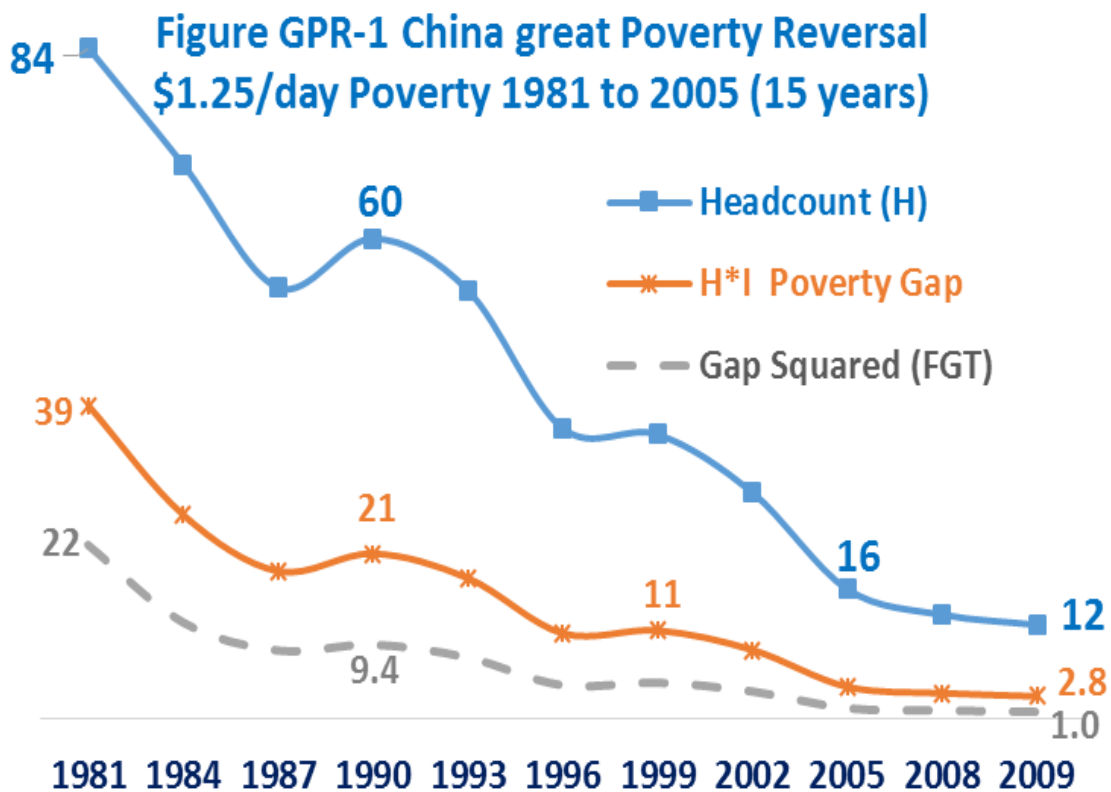
**Poverty trends:** In this section of the quiz you will be asked to show that you are aware of general poverty trends around the world, and in the U.S. In particular, you need to remember the poverty reversals as well as the cases where countries/regions are lagging behind on poverty reduction. Across the world as a whole, what has the long term trend been in terms of both the head count ratio and the number of poor people. Also, consider the reversal of fortunes; where and when has this happened? Finally, what are the poverty projections for 2030?

**Poverty measures:** In this section you will be asked to show the advantages and disadvantage of the headcount ratio, the poverty deficit, the income gap, as well as the poverty gap. You also need to know the difference between absolute and relative poverty lines, as well as the implication of each approach. What happens when the income of everyone grow? What happens when you redistribute the incomes of the poor among themselves (welfare reform)? How economic growth affects absolute vs. relative poverty. Why the EU-OECD prefers relative poverty measures, while the U.S. & World Bank prefers absolute poverty measures (see also Sen's Poor Relatively speaking). Poverty and Adam Smith's linen shirt (and shoes for children). Visible indicators of \$1/day poverty.

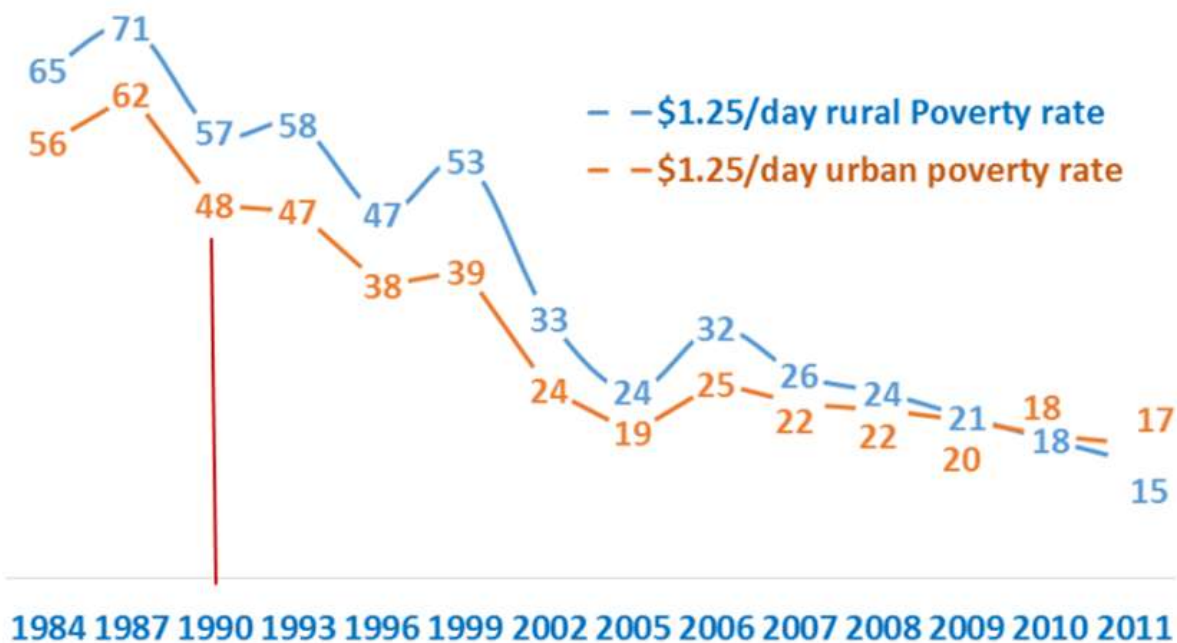
Summary for review: Poverty and Inequality measures:	Is this poverty measure sensitive to the:						ILO Poverty Compendium Name
	Incidence of Poverty	depth of Poverty	Severity of Poverty	Income** of poorest	incomes of non-poor	Other Names	
Headcount or Poverty Rate (H)	Yes	No	No	No	No	Headcount Ratio	p(0)
Average Income shortfall (I)	No	Yes	No	No	No	Income Gap	
Poverty Gap (H*I)	Yes	Yes	No	No	No		p(1)
Sen Severity Index (S)	Yes	Yes	yes	No	No		
Gap Squared-aka *FGT( $\alpha = 2$ )	Yes	Yes	yes	Yes	No	FGT index	p(2)
Poverty Deficit	No	Yes	No	No	yes		
Relative poverty rate (H, I, H*I)	Yes	Yes	no		yes		

\*FGT: Foster-Greer-Thorbeck Index

\*\*most sensitive to income of poorest families

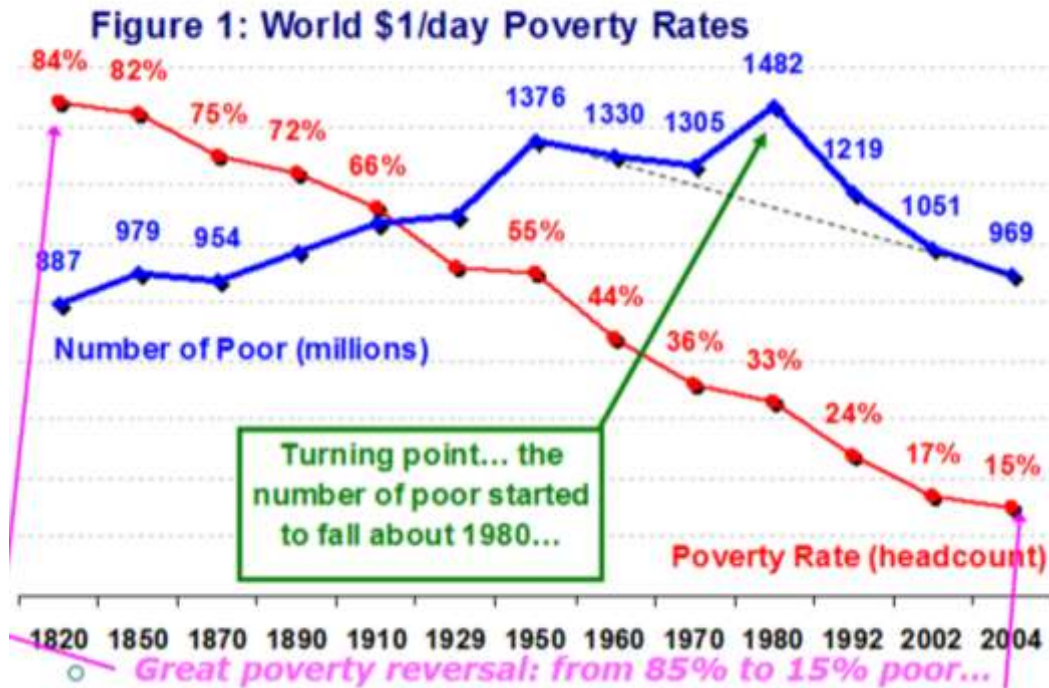


### FIGURE P-1: INDONESIA MDG-1 POVERTY

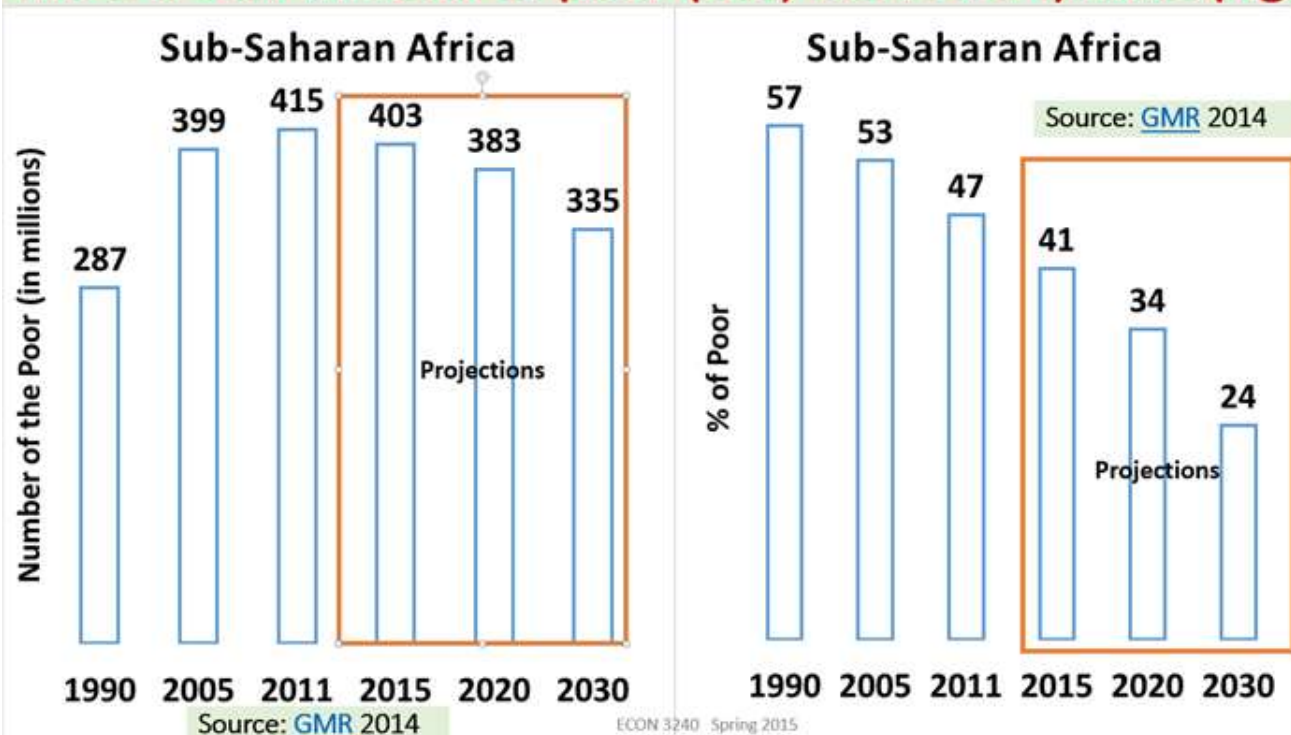


Source 'PovcalNet: the on-line tool for poverty measurement developed by the Development Research Group of the World Bank (<http://iresearch.worldbank.org/PovcalNet/index.htm>)

**Great Poverty Reversal: \$1/day poverty fell from 1820 to 2004: but the number of poor rose until 1980**

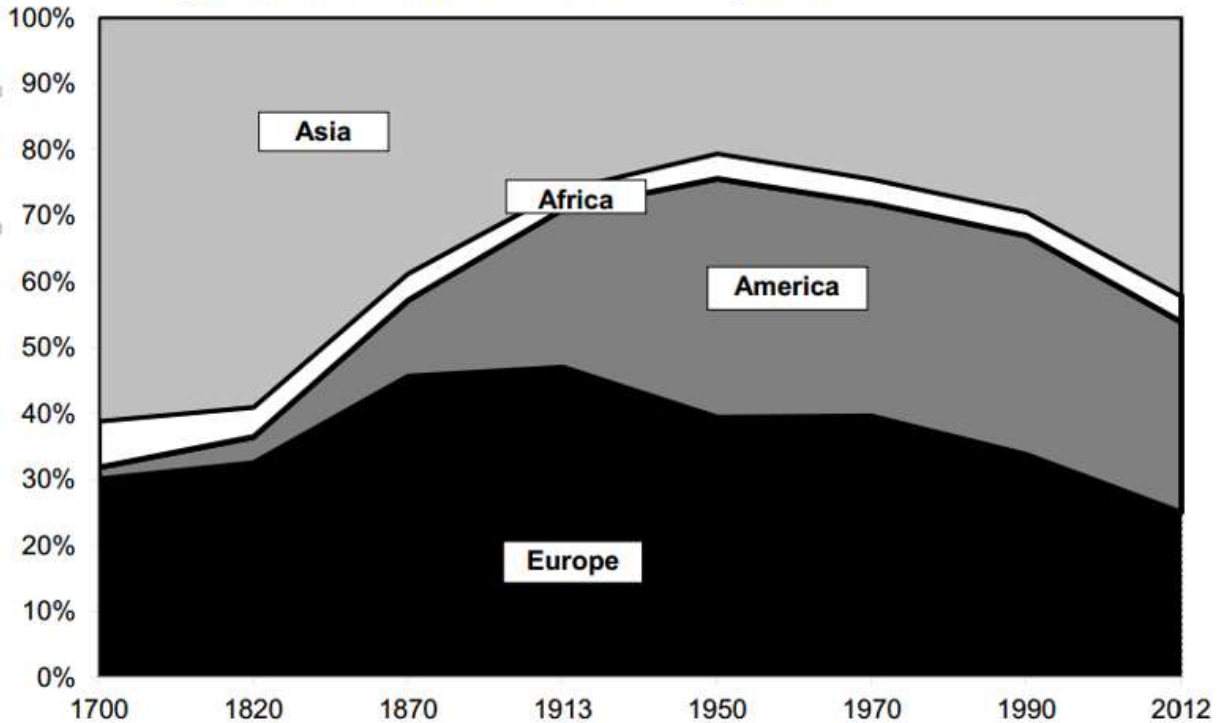


**MDG-1 SSA millions of poor (left) DD Poverty Rate (right)**



**The Great Reversal of Fortunes**

**Figure 1.1. The distribution of world output 1700-2012**

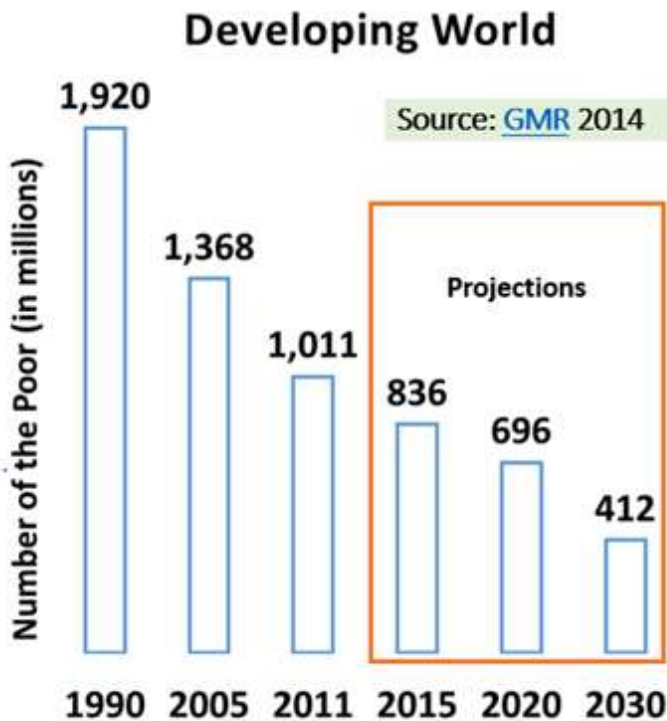


Source: [Piketty 2014](#)

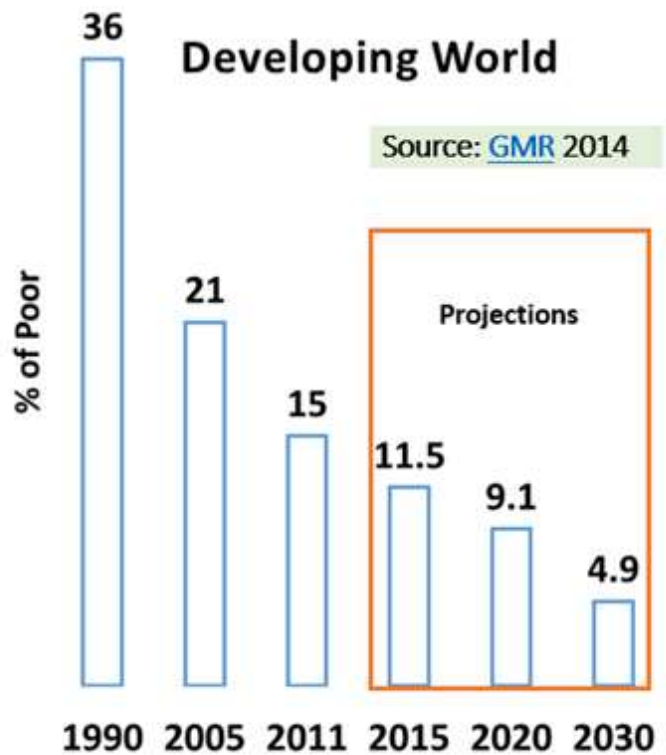
Europe's GDP made 47% of world GDP in 1913, down to 25% in 2012.

Sources and series: see [piketty.pse.ens.fr/capital21c](#).

**Figure MDG -1 millions of poor (left) DD Poverty Rate (right)**



Source: [GMR 2014](#)



Source: [GMR 2014](#)

Figure 12: Global and regional \$1.25/day poverty rate estimates for 1990, 2011, and 2030

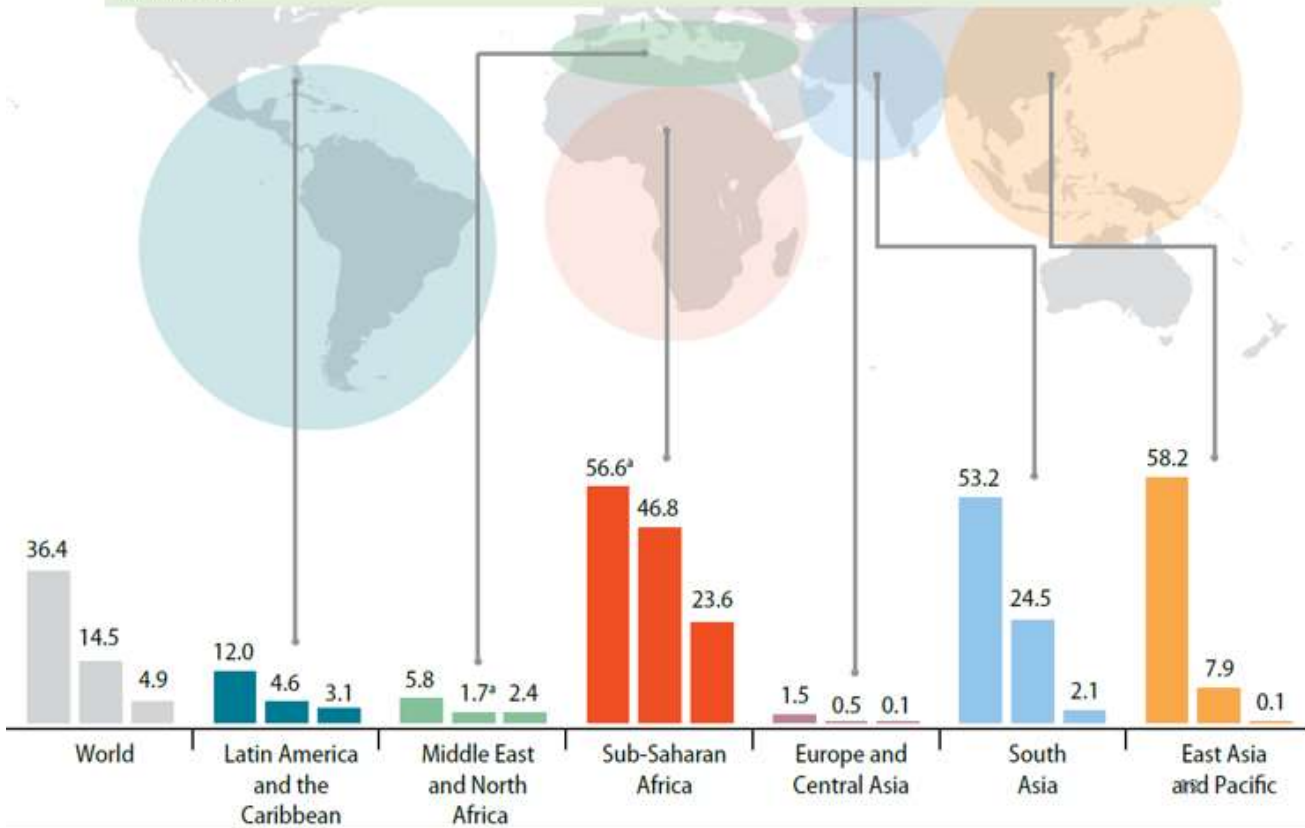
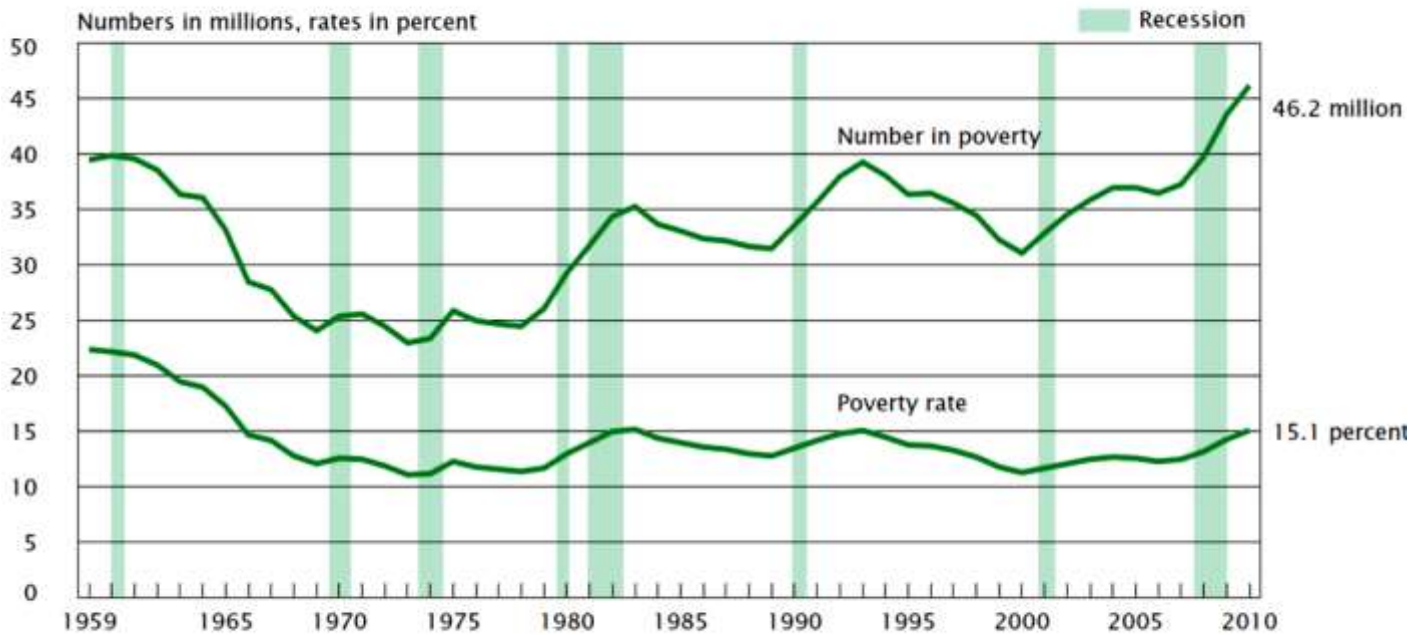
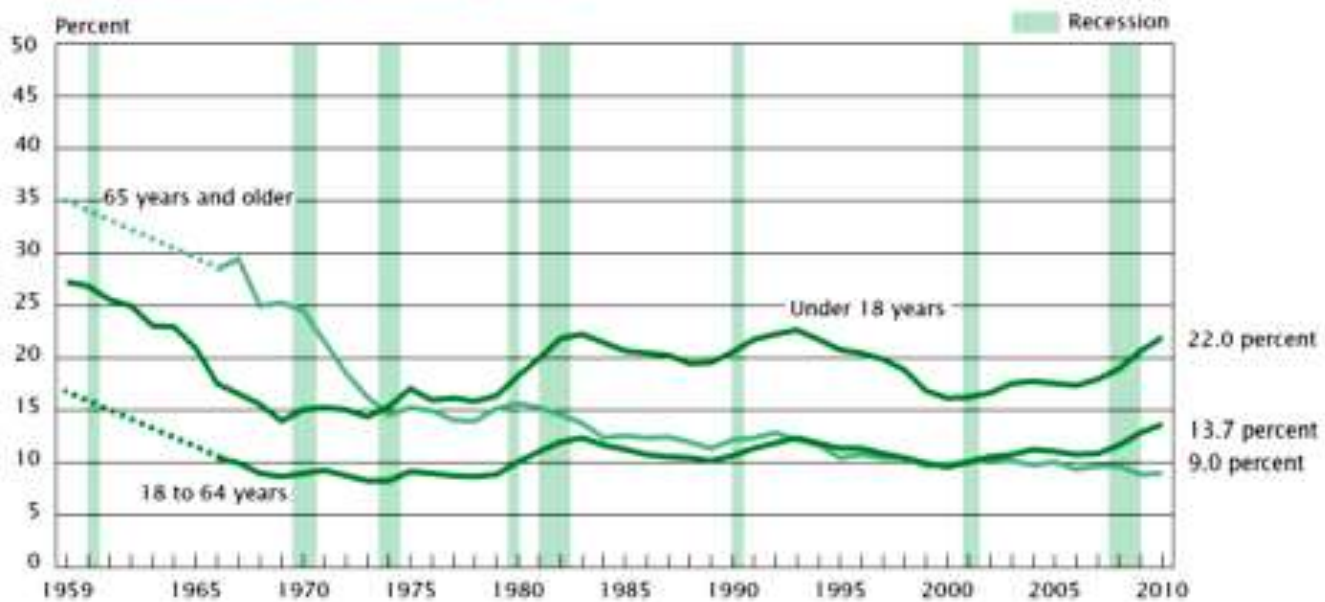


Figure 4. Number in Poverty and Poverty Rate: 1959 to 2010



Note: The data points are placed at the midpoints of the respective years. For information on recessions, see Appendix A.  
 Source: U.S. Census Bureau, Current Population Survey, 1960 to 2011 Annual Social and Economic Supplements.

Figure 5:  
Poverty Rates by Age: 1959 to 2010



Notes: The data points are placed at the midpoints of the respective years. For information on recessions, see Appendix A. Data for people aged 18 to 64 and 65 and older are not available from 1960 to 1965.  
Source: U.S. Census Bureau, Current Population Survey, 1960 to 2011 Annual Social and Economic Supplements.

## Real progress: on track to meet MDG 1: even Sub-Saharan Africa

Figure WP-1: Trends in \$1.25/day Poverty

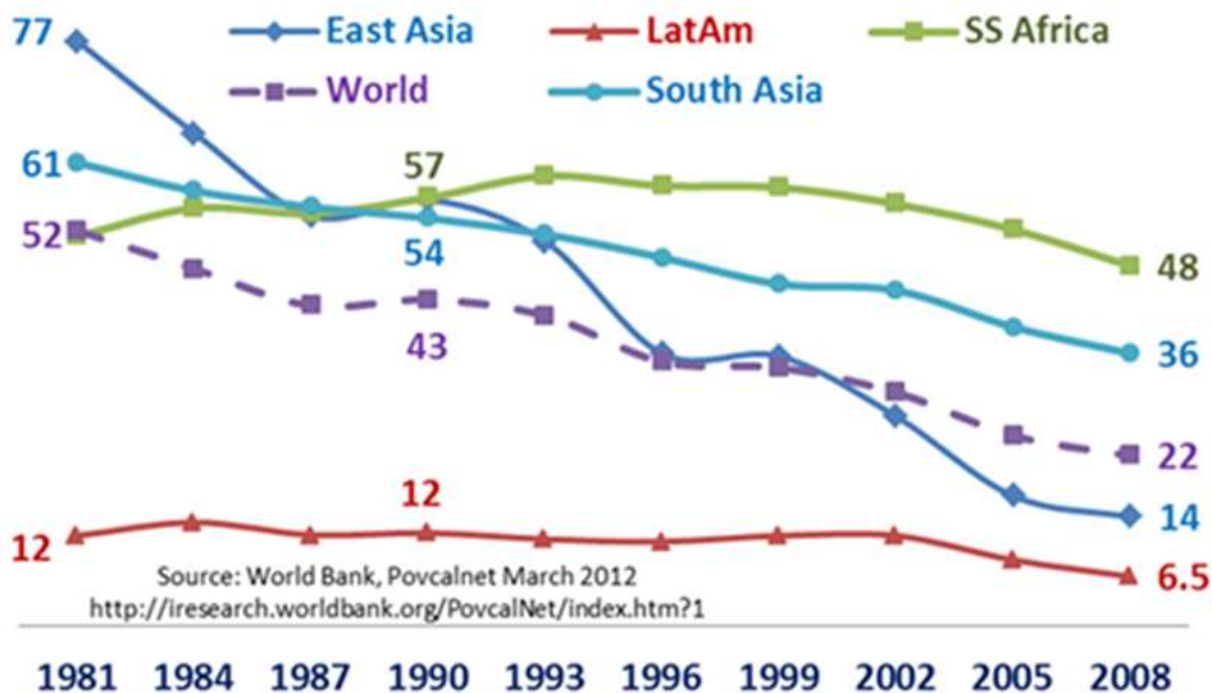




Figure 7: MDGs  
Established in  
2000, 1990 base  
2015 targets:  
goals, targets and  
indicators  
MDG 1. Cut 1990  
\$1/day poverty in  
half  
MDG 4: Cut  
Under 5  
mortality rate by  
2/3

[Source here](#)



1

Eradicate extreme poverty and hunger



3

Promote gender equality and empower women



5

Improve maternal health



7

Ensure environmental sustainability

ECON 3240 Spring 2015



2

Achieve universal primary education



4

Reduce child mortality



6

Combat HIV/AIDS, malaria and other diseases



8

Develop a Global Partnership for Development

14



# BLACK AMERICA

