The Power of Statistical Jugglery

Devinder Sharma

The economic wealth of 56 people is equal to the economic wealth of 600 million people. No wonder when we take averages like the rising average income, it hides the rapidly growing inequalities. The mainline economic thinking is that the 600 million would benefit from a trickle-down impact. Now with the number of absolute poor being reduced with a magic stroke, the World Bank will succeed in painting a rosy picture by brushing the poor under the carpet in one single sweep which hides the truth.

The magicians are out on the stage. The challenge before them is to compute poverty. Performing the vanishing trick, and that too without any compassion, they perform the statistical jugglery. Leading the pack is the World Bank. In its latest poverty vanishing trick the World Bank revisits its Purchasing Power Parity (PPP) index, and in one stroke it reduces India's poverty from over 402 million in 2005 to a very impressive 98 million in 2010.

On the other hand, the Asian Development Bank has revised its poverty line to $ 1.51 per person (from the existing $1.25), and India's poverty in 2010 rises to 584 million or 47.7 per cent of the population. The gap between 584 million and 98 million is so huge that one is forced to dismiss both the estimates as unreal.

Here comes the third magician. An expert committee under Prof C Rangarajan, a former economic advisor to the Prime Minister, submitted its report to India's Planning Commission in July this year. By revising the poverty line to Rs 32 in rural areas and Rs 47 in urban areas, Rangarajan committee actually added another 93.7 million thereby raising the number of total poor to 363 million or 29.5 per cent of the population.

So now we have three estimates: 98 million, 363 million and 584 million.

Isn't this shocking? While not many Indians will believe that Rangarajan committee's estimates are anywhere near the reality, and in fact is a gross underestimation of the extent of poverty in India, the World Bank's latest estimates only shows that poverty does not require Millennium Development Goals (MDGs) targets to be achieved or any real effort to combat poverty and squalor. All it needs is a few economists who can play around with statistics. These economists can perform the vanishing trick much better than the Indian rope trick.

According to the World Bank's latest estimates, global poverty has come down overnight from 1.2 billion to 571 million.

The earlier poverty line figure in India was Rs 27 for rural areas and Rs 33 for urban areas as computed by the Tendulkar committee a year back. This had raised a storm over the faulty and impractical estimates necessitating the setting up of yet another committee under C Rangarajan. And if the recommendations of the Rangarajan committee are to be believed, it tells us that there is something dubiously wrong with the way India is trying to deliberately keep poverty low. In all fairness, the new poverty line is nothing but a starvation line. It only tells us how many people need emergency food aid.

World Bank's projections are still worse. In order to justify economic liberalization, it has been trying to fiddle around with social indicators as well as the poverty line to establish that the market mantra is working. World Bank's chief economist Kaushik Basu defends the exercise by saying: "In case a dollar in Ghana can buy three times what it can but in the United States, then a person who earns 1,000 dollar each month in Ghana is said to earn 3,000 in terms of PPP-adjusted dollars". But the reality is that even in the United States, despite being a privatized economy, hunger has shattered a 25 year record. A record 49 million people, one in seven, depend upon food coupons to meet their daily food needs. One in four lives are in poverty in America.

The World Bank is wrong. In case of India, with or without the new PPP index of the World Bank, I would like to know what can a poor with a daily income of Rs 47 in urban areas buy three times more than what he can buy in America with the same money. It therefore tells us that economists are no different from the famed Indian magicians. They too can perform the vanishing magic trick with alacrity.

Global empirical evidence is now emerging, challenging the World Bank's deliberate underestimation of poverty. Recent studies (ECLAC 2002, 2011) have conclusively shown that in Latin America for instance actual poverty rates are twice of what the World Bank had projected. More recently, on April 11, 2014, a study by the University of Bristol published in the Journal of Sociology concludes that the World Bank is painting a 'rosy' picture by keeping poverty too low due to its narrow definition. Dr Christopher Deeming of the Bristol University's School of Geographical Sciences is quoted as saying: "Our findings suggest that the current international poverty line of a dollar a day seriously underestimates global poverty."

In India too, the entire effort of policy planners as well as the numerous expert committees constituted over time to estimate poverty have simply tried to brush the realities under the carpet. While Rangarajan Committee tabulates a new poverty line, way back in 2007, Arjun Sengupta committee report had estimated that 77 per cent of the population or 834 million people were unable to spend more than Rs 20 a day. But more recently, the consumer expenditure data presented by the National Sample Survey Organisation (NSSO) 2011-12 paints before us the grim realities.

Accordingly, if you are spending more than Rs 2,886 per month in the rural areas and Rs 6,383 in the urban areas you are part of the top 5 per cent of the country's population. In other words, those spending more than Rs 6383 in urban areas are in the same category as Mukesh Ambani, Ratan Tata, Nandan Nilekani et al. For the rest 95 per cent, roughly 118-crore people, life in any case remains tough. With or without the growth trajectory, their life hasn't changed. In fact, with the aggressive pitching by the corporate-controlled media, the growing social divide is getting completely ignored. Poor have simply disappeared from the economic radar screen.

Another estimate exposes the glaring inequalities. The economic wealth of 56 people is equal to the economic wealth of 600 million people. No wonder when we take averages like the rising average income, it hides the rapidly growing inequalities. The mainline economic thinking is that the 600 million would benefit from a trickle-down impact. Now with the number of absolute poor being reduced with a magic stroke, the World Bank will succeed in painting a rosy picture by brushing the poor under the carpet in one single sweep which hides the truth. With the passage of time, these unchallenged statistics will be repeatedly used and get accepted over time.

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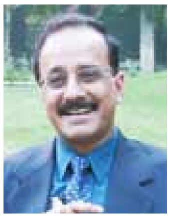
Unless the World Bank makes an immediate correction, all projections of removing 'extreme poverty' by 2030 would be as farcical as the new poverty estimates are. But I doubt if there would be an international uproar forcing the World Bank to redraw the poverty line. At this rate, in the next five years when the World Bank will revise its PPP index, poverty in India on paper will disappear. The poor in India will one day suddenly wake up to find themselves bracketed with those living in opulence. That's the power of statistical jugglery.



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