



## SELECT COMMITTEE ON ECONOMIC AFFAIRS

### The Economic Impact and Effectiveness of Development Aid

#### Oral and Written Evidence

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## Matt Berkley—Written evidence

Time to end the myth of official poverty measurement?

### I. Summary and possibilities

I.1 This document relates to the aims of aid, and the provision of technical aid from macroeconomists. It explains how macroeconomic evidence on poverty, and the effects of officially reported economic activity, policies or aid on it, may be different from what the Committee believes.

**Problem 1: Defective reasoning in influential studies.** The UK promotes studies inferring relative economic benefit to the poor from officially reported economic activity, trade, policies or aid, based on spending data. The studies use methods clearly far inferior to those of Rowntree in the UK's past. They omitted necessary inferential steps, including: estimates of **data reliability**; price **inflation** for the poor; **needs** assessment; **asset** levels; **debt** levels; and the influence of **demographic change** on the cross-sectional statistics. We cannot know what people received or consumed, or other aspects of their economic welfare, from these numbers. The UK fails to note the problems.

Complacency may be further eroded by two facts:

- a) The financial crisis in rich countries showed inferences from economic activity to wealth creation to be irresponsible. Those inferences led economists to overlook the fact that a large proportion of spending was funded by rising debt, not rising wealth.
- b) MDG indicators for *consumption poverty* strangely report better progress than other indicators, including for *hunger*.

**Problem 2: Defective reasoning in aims.** Is trying to increase spending by the poor sensible?

**Problem 3: Narrow selection of views.** The UK repetitively cites the same World Bank author.

**Problem 4: Outdated figures.** The UK has been citing research from before food price rises.

**Problem 5: Impossible statements.** The UK has made claims for which there are not even spending data, thus exaggerating the recency of studies and reported progress.

I.2 **Possible solutions:** The Committee may wish to consider whether it finds these practices acceptable, morally or otherwise. If members feel unable to endorse the Government's methods as suitable if they were poor themselves, they are invited to consider two options: **referring the matter to one or more Parliamentary Committees with an appropriate remit, possibly while remaining the lead Committee**, or **recommending** that the Government and organisations it funds:

- i) **refrain from publicising unsupported inferences** from spending to gain;
- ii) **publish revisions to those inferences** and to claims based on outdated or no data;

- iii) **revise policies and priorities** lacking sufficient alternative arguments;
- iv) **only pay for social science staff who can explain, and demonstrate, exactly what their methods do and do not tell us about real events for real people.**

## 2 Introduction

2.1 Matt Berkley lived in Bangladesh in the 1980s for sixteen months to find out more about the causes of poverty. He lived for several months with four members of a farming family in a one-room village house. In 2000 he noticed, and began notifying senior academics and officials of, a flaw in economic theory: inferring aggregate outcomes without counting how many survived. A suggestion that survival be taken into account was subsequently adopted by academics. In 2003 he notified the Chairman of the Commons Select Committee on International Development of several errors in large studies claiming to look at global poverty. Among the flaws were that the largest macroeconomic policy studies had omitted to look at relevant inflation rates for the poor, and that global poverty claims omitted rising costs due to rising proportions of adults. He is not sure whether any tendency to see things from the point of view of the subjects of research stems from temperament, attempts at imagination, or experience. He has degrees in classics and experimental psychology.

2.2 This document follows consultation with professors of economics, political science and philosophy at the London School of Economics, Cambridge, Princeton, Columbia, Cornell, Texas, Harvard, Oxford and other universities; officials in DFID; and officials responsible for Millennium Goal monitoring and reporting for the UN Statistics Division, World Bank and FAO.

2.3 This document relates to the Committee's questions on: how far MDGs should shape allocations; what factors determine the effectiveness of aid; how aid effectiveness is monitored; how might the UK improve the effectiveness of its development aid.

2.4 The "should" questions might reasonably be taken as referring to a moral aspect, or an overarching question: What would Committee members want as the basis for policy decisions about themselves, if they were poor?

## 3 The 2002 Act authorises action likely to benefit people.

3.1 The International Development Act is not concerned with increasing the flow of money round the system. Economic growth, income and expenditure are measures of the flow of money, not wealth creation. They are not measures of consumption adequacy. (The argument that growth funds tax revenue is separate.) How can the Secretary of State judge from economic statistics on spending what is likely to help the poor, without assessment of whether price, needs, assets and debts are favourable?

## 4 Why are economic MDG indicators statistical outliers?

4.1 According to official statements, progress as been good on *extreme consumption poverty*, and bad on *hunger*.<sup>11</sup> How can we explain that?<sup>12</sup>

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<sup>11</sup> UN MDG Report 2011. [http://www.un.org/millenniumgoals/pdf/\(2011\\_E\)%20MDG%20Report%202011\\_Book%20LR.pdf](http://www.un.org/millenniumgoals/pdf/(2011_E)%20MDG%20Report%202011_Book%20LR.pdf)

<sup>12</sup> "Hunger is a direct consequence of poverty. Poor households spend the large majority of their disposable income on food or depend on food they grow themselves."

<http://www.dfid.gov.uk/Global-Issues/Emerging-policy/Wealth-creation-private-sector/?tab=2>

4.2 A similar puzzle exists in relation to other needs. If consumption adequacy has been improving at such a satisfactory rate, why have other indicators not been on track? <sup>13, 14</sup>

**5 Is the Committee happy with the aim of reducing the proportion of low spenders?**

5.1 "Aid effectiveness is about achieving the most poverty reduction possible for each pound or dollar of aid spent." (DFID, 2008) <sup>15</sup>

5.2 "Every year, your taxes help 3 million people lift themselves out of grinding poverty around the world." (DFID, 2010) <sup>16</sup>

Comment: How can DFID know that from the available data? DFID do not have estimates for poor people's prices; needs for food or medicine or rent; asset levels; or debt levels; and have not excluded effects of demographic change on the cross-sectional statistics. A person for whom costs rise faster than income would other things being equal be worse off, not better. DFID cannot know either what people got for their money, or whether consumption adequacy improved. They do not know what these statistics mean for real people.

5.3 Some factors influencing your and others' economic welfare:

Assets	Debts	Income
Needs	Prices	Shared assets
Shared debts	Environmental benefits	Environmental costs

5.4 Adam Smith talked about needs, and the inflation rate for the working classes (the "real recompence of labour"). Is the Committee happy about economists and the UK Government saying they can measure poverty and recommend policies without looking at either?

<sup>13</sup> The surveys are described as including the imputed value of own produce consumed. A similar problem applies here as in the case of transactions.

<sup>14</sup> While the World Bank has issued some statements about impact of national food price rises on poverty in recent years, data for poor people's food prices were not compiled for any year.

<sup>15</sup> Memorandum submitted by the DFID on behalf of the UK Government. Co-Ordination For Aid Effectiveness Inquiry. House of Commons International Development Select Committee. Written Evidence, 2008.

<http://www.publications.parliament.uk/pa/cm200708/cmselect/cmintdev/520/520we02.htm>

<sup>16</sup> <http://www.dfid.gov.uk/Media-Room/Features/2010/Why-we-give-aid-to-developing-countries/>

## 6 Macroeconomic "poverty reduction" is 80% woolly

Statements presented by the Treasury <sup>17</sup> , DFID, BIS, and ESRC <sup>18</sup> on	
<b>a global trend</b> ("500 million people rose out of poverty" <sup>19</sup> or "your taxes help lift 3 million a year" <sup>20</sup> )	<b>what benefits the poor</b> ("growth accounts for 80 percent") <sup>21</sup>
are based on <b>data</b> <sup>22</sup> of <b>unknown reliability</b> <sup>23, 24</sup>	

<sup>17</sup> "...more than 80 per cent of poverty reduction is accounted for by long term growth in average incomes." No evidence supplied. HM Treasury, 2010. Spending Review. Cm 7942. [http://cdn.hm-treasury.gov.uk/sr2010\\_completereport.pdf](http://cdn.hm-treasury.gov.uk/sr2010_completereport.pdf).

<sup>18</sup> "A programme of research on economic growth is being commissioned for several reasons. Firstly, a growing body of empirical work highlights the importance of economic growth for poverty reduction, with important implications for progress towards the Millennium Development Goals (MDGs)... Kraay (2006) concludes that growth in average incomes accounts for approximately 80% of absolute poverty reduction in the long-run." DFID/ESRC 2011. Growth Programme Specification of call for applications. [http://www.esrc.ac.uk/\\_images/DFID\\_growth\\_spec\\_tcm8-15017.pdf](http://www.esrc.ac.uk/_images/DFID_growth_spec_tcm8-15017.pdf)

<sup>19</sup> These claims usually come from Chen, S., Ravallion, M., 2009, "The developing world is poorer than we thought, but no less successful in the fight against poverty". Working Paper 4703. Chen and Ravallion devised and monitor MDG I economic indicators.

[http://www.wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2010/01/21/000158349\\_20100121133109/Rendered/PDF/WPS4703.pdf](http://www.wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2010/01/21/000158349_20100121133109/Rendered/PDF/WPS4703.pdf)

<sup>20</sup> "How do we calculate we lift three million out of poverty every year?...Economic evidence about the effect of aid on growth and of growth on poverty means we can estimate the number of people in each country that DFID pulls out of poverty....These estimates are based on the Collier and Dollar poverty models which have been influential in allocation decisions of other bilateral and multilateral organisations...." Supplementary memorandum submitted by the Department for International Development, Letter from Shahid Malik MP, Parliamentary Under-Secretary of State, 2008. House of Commons International Development Committee. Written Evidence.

<http://www.publications.parliament.uk/pa/cm200708/cmselect/cmintdev/520/520we03.htm>

It will not surprise Committee members that Collier and Dollar did not use information on poor people's prices, or needs, or assets, or debts, or data reliability, or demographic change.

<sup>21</sup> See also <http://www.theigc.org/partner/department-international-development> : "It is estimated that over the last 18 years, growth has lifted 500 million people out of poverty (accounting for 80% of poverty reduction)". The International Growth Centre is funded by DFID and based at the LSE and Oxford. The 18-year period appears to be a mistake, as is the 15 years mentioned by BIS and DFID (above).

<sup>22</sup> The surveys are on consumption expenditure plus own produce consumed, and where those are unavailable, the surveys are on income. Chen and Ravallion state, "*When there is a choice we use consumption in preference to income*". (2009, as above).

<sup>23</sup> James Galbraith of Texas (emails to this author, 2003) has characterised it as unreliable. Anthony Atkinson of Oxford and Brandolini of the Bank of Italy said "...we are not convinced that at present it is possible to use secondary data-sets safely without some knowledge of the underlying sources; and **we caution strongly against mechanical use of such data-sets**." (2000). [http://economics.ouls.ox.ac.uk/12713/1/tema\\_379\\_00.pdf](http://economics.ouls.ox.ac.uk/12713/1/tema_379_00.pdf)

<sup>24</sup> The World Bank's own evaluator, Daron Acemoglu, wrote of the Dollar and Kraay paper on growth and poverty: "Cross-country inequality data are **computed in a very suspect manner, and I find them generally unreliable**", as well as "the regression methodology... may bias the results toward finding the conclusions that the authors do find." <http://siteresources.worldbank.org/DEC/Resources/84797-1109362238001/726454-1164121166494/3182920-1164133928090/Daron-Acemoglu.pdf>

<p>adjusted by  <b>inflation rates of no known relevance to the poor</b> <sup>25, 26, 27</sup>  with  <b>no assessment of need</b> <sup>28, 29</sup>  and  <b>no assessment of changes in assets or debts</b> <sup>30</sup>  and taking  <b>no account of possible confounding influence of demographic change</b></p> <p>- perhaps unwise in general, and especially in view of, for example:</p>			
<p><b>Urbanisation</b> <sup>31</sup></p> <p>(may plausibly increase need for rent and transport fares; may be associated with lower land ownership so less security)</p>	<p><b>Sharp food price rises since 2005</b> <sup>32</sup></p> <p>(So analyses outdated. Why are DFID still citing World Bank figures from 2005?)</p>	<p><b>Rise in food needs per person</b> <sup>33</sup></p> <p>(due to rapid falls in birth rates, including China 1-child policy)</p>	<p><b>Concerns about charges for water, sanitation, electricity, education, health care</b></p> <p>Is all spending a sign of added prosperity?</p>

6.1 The problem is not just that statements on progress or the relationship between growth and poverty are untrustworthy. **The same problems apply to all other conclusions by economists from these methods** as to success or otherwise of countries, economic conditions (such as trade levels), or policies. The distribution of

<sup>25</sup> "Price indexes are weighted averages of prices, and **both weights and prices could be wrong.**"

Deaton, A. and Dupriez, O. [Princeton and World Bank respectively] 2009. Purchasing power parity exchange rates for the global poor. These two authors looked at reweighting the 2005 prices for the purchasing patterns of people at the poverty line, but not people below it and not for previous years, and not for prices that poor people paid for those goods or services.

[http://www.princeton.edu/~deaton/downloads/Purchasing\\_power\\_parity\\_exchange\\_rates\\_for\\_global\\_poor\\_Nov11.pdf](http://www.princeton.edu/~deaton/downloads/Purchasing_power_parity_exchange_rates_for_global_poor_Nov11.pdf)

<sup>26</sup> Srinivasan, T.N., 2001. "Comment on 'Counting the World's Poor' by Angus Deaton", World Bank Research Observer.

<sup>27</sup> <http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/ICPEXT/0,,contentMDK:20975195~pagePK:60002244~piPK:62002388~theSitePK:270065,00.html>

<sup>28</sup> Prices x need = necessary cost. Consumption level, even if known via prices, would not tell us consumption adequacy. Many people confuse price inflation with the cost of living, ie of buying enough to meet needs.

<sup>29</sup> Reddy and Pogge, "How not to count the poor", 2009 (www.socialanalysis.org) deals with fact that the global poverty claims fail to look at costs to the poor. The problems also apply to studies making claims, from basically the same data, about effects of policies and/or economic conditions on the poor.

<sup>30</sup> Assets and debts are simply omitted in these claims on "poverty". This is evident from all economists' claims about consumption poverty - it is a restrictive concept. The same applies to all studies nominally of the distribution of income (in practice often spending). The poorest are not those with nothing, but those who cannot pay debts.

<sup>31</sup> As above: the World Bank data make no assessment of changing needs due to urbanisation. Chen and Ravallion, the MDG monitors (2009, above), looked at rural-urban price differentials, which is something else. One aspect of needs is for accommodation. Chen and Ravallion say that the surveys do not generally include imputed rent of owner-occupied dwellings. That would seem to imply that people look richer if they pay rent than if they own their home, when in fact they are poorer. Since we might expect such a trend to occur with urbanisation, it would seem unwise to ignore the problem.

<sup>32</sup> The UN MDG Report 2011 (above) still says the World Bank estimates that the target will be met. That is despite the food price rises and the fact that the World Bank has no food price data for the global poor for any year. Deaton and Dupriez (above) say that the Asian Development Bank has some mixed results on whether the poor pay different prices. Even more uncertain are past trends, and correlations with policies or economic conditions. It is not clear what reason there may be for assuming, as the UK has done, that policies or economic conditions were associated with zero price differentials for the poor relative to overall inflation. What was the effect of compound inflation differentials for the poor with growth, trade or policies? Economists do not know. So why is there talk about benefits to the poor?

<sup>33</sup> See "The global food error" below.

income may or may not be equivalent to the distribution of profit or of economic gains. Those relationships are contingent, not necessary.

6.2 The real risk is not general unreliability but bias. **These methods have an obvious risk of bias** against countries, times, economic conditions and/or policies where people have more security and less need to borrow because of assets; their debts are low; they save rather than spending on cigarettes or junk food; they spend less or nothing on items such as child care, rent or bus fares not because they are poorer but because they do not need them. Conversely, the risk of bias is of exaggeration of benefits in countries where people spend more, irrespective of what they got in return, irrespective of whether they needed more for food, rent or commuting, and irrespective of whether in the process they have less land or borrow money to buy food.

6.3 We might say of an observed correlation between GDP per capita growth (which includes spending) and spending per capita among low spenders, "So what?". The argument that spending or income or GDP is a reliable proxy for other aspects of welfare - which is dubious in any case as an argument from past correlations in times of social and economic changes - is dented by both the unwise assumptions that those things measured prosperity which preceded the 2008 financial collapse, and the fact that the economic MDG indicators are outliers.

6.4 Research on overall correlations does not prove that action to increase one variable will increase another. Cross-country research does not even show a correlation in the past between the variables in any particular country. So simply saying "growth causes x% of poverty reduction" would not be of obvious relevance to any particular country even if poverty had been measured, which is plainly not the case.

## 7 Is there transparency in the UK's evidence base?

7.1 The study repeatedly cited in recent years by UK Governments as showing the effect of growth on poverty (Kraay, 2006)<sup>34</sup> states, "Average income or consumption is...adjusted for cross-country differences in purchasing power parity." In reality the data on the poor are not adjusted for purchasing power parity. They cannot be, since there are no relevantly large-scale international estimates of the purchasing power of the poor's money.

7.2 Dr Kraay, like the global monitors Chen and Ravallion, said he was looking at "absolute poverty". That means physical inadequacy of resources to meet needs. But none of the researchers looked at needs.

7.3 Dr Kraay said he was looking at growth rates of incomes. He was not. Firstly, he was looking at rises in the average, not average rises. The relationship between the two depends on demographic factors (see below). Secondly, "income" is an oversimplification of what his actual data are - basically the dataset from Chen and Ravallion, who choose spending surveys (plus imputed value of own produce consumed) over income. Macroeconomists choose spending data because they are "smoother" - less volatile than incomes. That may be a defect rather than an advantage, since people may spend a) money

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<sup>34</sup> Kraay, A. (World Bank), 2006. When is growth pro-poor? *Journal of Development Economics* 80 (2006) 198–227. Cited by BIS, DFID, DFID/ESRC, the International Growth Centre on their DFID page, and apparently the Treasury.

they are earning; b) money borrowed, or c) money from sold assets. The implications may be severe, but the macroeconomist can't tell the difference.

7.4 Any representation of the research as relevant to assessing the impact of growth on poverty during the Millennium Goal period needs to be considered in the following light:

- a) Dr Kraay's latest data are for 2001 (one country) and 2000 (six countries). So the amount of data after the Millennium Goals were signed is either zero (because of lag between observation and survey compilation) or negligible.
- b) It is not clear why DFID analysts think that the conclusions hold for the recent past, for the past few decades overall, or the future despite the food price rises since 2005.

The fact that UK governments have several times misstated the period over which the World Bank has reported 500 million people rising out of poverty <sup>35, 36, 37</sup> is odd (see above footnotes), bearing in mind the huge budget DFID has for research. The mistakes made it look as if there was good progress in a period when in reality food prices were soaring. In one 2011 paper, *The Engine of Development*, DFID has claimed to have figures for poverty reduction from the World Bank's World Development Indicators up to 2009, and produced a striking graph showing a steep fall, when in reality the WDI 2011 only uses figures up to 2005.

## 8 Has the UK ignored policies unreasonably?

8.1 A previous study by Dollar and Kraay (2000-2) <sup>38</sup> claimed to look at benefits to the poor from growth and, among other things, social spending by governments. It employed similar inferences: from poor people's spending to poor people's profit, and from profit to economic gain - without estimating data reliability, relevant prices, needs, assets, debts, or demographic change. Yet it was not only widely quoted, but also cited by the UK Government as an example of rigorous research. <sup>39</sup> Their conclusion that social spending does not disproportionately benefit the poor might be thought especially incautious when they did not exclude a likelihood of systematic bias from ignoring the factors above. Why did the authors talk of benefits they could not know?

8.2 The World Bank studies could not look at what the money actually bought. That is necessarily the case since no-one, including the global "purchasing power parity" project (the International Comparison Program hosted by the World Bank) has collated prices paid - or sometimes at least, not afforded - by the poor. <sup>40</sup> In fact we might say that the price of

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<sup>35</sup> "We know that economic growth is the most powerful instrument for reducing poverty and improving the quality of life in developing countries. Kray (2006) tells us that 80% of poverty reduction is due to growth in average incomes ....Cross-country research and country case studies provide evidence that rapid and sustained growth is critical to making faster progress towards the Millennium Development Goals – and not just the first goal of halving the global proportion of people living on less than \$1 a day. ". DFID Private Sector Department Operational Plan 2011-2015. May 2011.

<http://www.dfid.gov.uk/Documents/publications/op/priv-sect-dept-2011.pdf>

<sup>36</sup> "Growth accounts for approximately 80% of the poverty reduction that has, over the last 15 years (sic - the World Bank researchers Chen and Ravallion (2009) say 1981-2005, not 1993-2008), lifted 500 million people around the world above the poverty line (sic - not a poverty line)." Memorandum submitted by the DFID on behalf of the UK Government. Co-Ordination For Aid Effectiveness Inquiry. House of Commons International Development Select Committee. Written Evidence, 2008. <http://www.publications.parliament.uk/pa/cm200708/cmselect/cmintdev/520/520we02.htm>

<sup>37</sup> "Growth accounts for approximately 80% of poverty reduction which has lifted 500 million people over the poverty line over the past 15 years (sic) ". BIS. Trade Policy Unit web page, undated. <http://www.bis.gov.uk/policies/trade-policy-unit>

<sup>38</sup> "Growth is good for the poor", 2000, 2001 World Bank working paper; *Journal of Economic Growth*, 2002.

<sup>39</sup> Performance and Innovation Unit report "Adding it Up", Cabinet Office, 2000.

<sup>40</sup> International Comparison Program, 2006. "Harmonizing ICP and HES Data to Calculate PPPs for the Poor". ICP News Volume 3, No. 1. [http://www.eclac.org/deype/noticias/proyectos/5/14465/news\\_icpv3\\_01.pdf](http://www.eclac.org/deype/noticias/proyectos/5/14465/news_icpv3_01.pdf)  
Deaton and Dupriez (2009, above): "we make no attempt to use separate prices for the poor....in some countries and for

food when people can afford less of it is more important to them, whereas a "perfect" annual index would count it as less important because less is bought. Further, people may buy some food, sell some food and eat some home-grown food, which means prices affect even calculations for one family in different ways for different items at different times. Real life is complex.

8.3 But some things are simple. A person who understands business finance might say: "There is a difference between income and profit, and assets and debts are crucial to understanding the economic position of a business." They might consider the nature of economists' inferences from income to profit, and from profit to economic gain, about real families - who in many cases (farmers are an example) are their own business.

8.4 The Prime Minister made that kind of error when he referred to the "bottom line" in relation to GDP. For similar reasons to those in the previous paragraph, GDP does not show the "bottom line" either for governments or people, in any sense related to basic concepts of business or personal finance. **Some may think that conventional macroeconomic indicators of progress simply ignore non-monetary aspects of well-being. In reality they do not capture the monetary aspects either.** Income is not a welfare statistic. It is a social statistic.

8.5 These problems go far beyond the UK Government and the World Bank. Where are the academics who point out that the distribution of income does not tell us what people got in return, or whether it was enough to meet needs, or associated with changes in asset or debt levels? If economists had been concerned enough about such problems then perhaps the financial crisis would have not occurred in the same way, and perhaps the objective Millennium Goal indicators would be doing better.

## 9 The UK has inferred poverty outcomes without excluding demographic change.

9.1 The China one-child policy, and birth rate falls elsewhere, mean more workers per child. "Average income rise" is not same thing as "the rise in the average for individuals compared to people of their age in the past".

9.2 Cross-sectional trends in averages (of whoever is alive at each of two times) do not measure average rises. Changes in the number or proportion of people on one side of a line do not measure how many crossed it. Such inferences depends on assumptions about birth and death rates, and technically migration.

### 9.3 The poor are bad for growth

Survival rates show the most striking aspect of demographic change on statistics, and how social scientists' theory can be inadequate.<sup>41</sup> Perhaps if economists had got this right, Live Aid would never have happened, because the rich world would, when looking at the risk of

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some goods, the ICP prices may reflect....the prices of international goods in a few high-priced stores in the capital patronized by the rich and by expatriates." A second problem is that among the poor, spending patterns may be different at different levels of spending. A larger problem may be that they did not look at needs.

<sup>41</sup> Berkley, M. Document 16 October 2001. Note of email sent to Andrew Smith MP, 15 October 2001. Mr Smith forwarded the email to Clare Short MP, Secretary of State for International Development and Britain's Governor of the World Bank.

famine, not have been looking at possible changes for the *economy* but possible outcomes for *people* - and taken the threat more seriously to begin with. A similar argument might be made about AIDS.

9.4 "03/08/2000 To: jmorduch@princeton.edu...What strikes me is that in policy debates people look at "reducing poverty" without looking at how many people die in the interim. This seems to me the worst flaw in simple economic analysis... **if the poorest die, the income figures look better...** is there any reason for the total mix of a government's policies not to be evaluated on the number of deaths among the most-vulnerable?" <sup>42</sup>

9.5 "11 April 2001 Subj: Economics of survival...Dear Professor Sachs I wonder if this of interest to the WHO Commission....**if the worst-off die, we are closer to the target...**To me, **no outcome measure is humane unless it takes into account what happened to people who started the period but didn't make it to the end. If the poorest die, the average income of those alive at the end of the period will be higher...**" <sup>43</sup>

## 9.6 The global food error

"Economic statistics on "poverty" in all large-scale studies...ignore the facts that the **proportion of adults is rising and adults need more food than children.** The World Bank's method for counting the global poor suffers from this flaw. **Other things being equal, the Bank must have overestimated the reduction** in the proportion of people living on the original level of per-day consumption **considering their age and size.** A dollar a day, even if we knew its value in food terms, would not be an appropriate measure where the proportion of children is changing, as now." <sup>44, 45</sup>

## 10 Partial answers to Millennium Goal puzzles?

10.1 The World Bank failure <sup>46</sup> to use FAO data on rising food needs per capita <sup>47</sup> may provide a partial explanation for the discrepancies in reported MDG progress for poverty ("on track") versus hunger and some other indicators. <sup>48</sup>

10.2 The World Bank failure to take account of other needs, relevant prices, assets or debts, and the failures to estimate reliability of the spending data or the effects of demographic change on the statistics may provide a further partial explanation.

<sup>42</sup> <http://www.mattberkley.com/morduch.htm>

<sup>43</sup> [www.mattberkley.com/survival.htm](http://www.mattberkley.com/survival.htm)

<sup>44</sup> Letter from Matt Berkley to the Chairman of the House of Commons Select Committee on International Development, 25 June 2003. Emphasis added. The Chairman forwarded the letter to DFID for a response; Hilary Benn MP as Minister of State in charge of Millennium Goal matters replied to the Chairman without mentioning the food problem. Gordon Brown, Chancellor of the Exchequer, Chairman of the IMF policy committee and UK alternate governor at the World Bank, was informed of the food problem in person in 2003. Letter quoted in "Benn and UN experts differ on global food needs", 2006. <http://www.mattberkley.com/Bennglobalfooderror.htm>. Note: Sometimes birth rates will have fallen while life length increases. The idea of working out a "level" of human welfare is not without complications.

<sup>45</sup> Berkley, M., 2003. "Discoverer of global poverty error calls for statistics on survival". Addis Tribune.

<http://web.archive.org/web/20070223160812/http://www.addistribune.com/Archives/2003/11/28-11-03/Discoverer.htm>

<sup>46</sup> Chen and Ravallion, 2009.

<sup>47</sup> Naiken, L., 2003, FAO methodology for estimating the prevalence of undernourishment.

<http://www.fao.org/docrep/005/Y4249E/y4249e06.htm>

<sup>48</sup> UN MDG Report 2011. [http://www.un.org/millenniumgoals/pdf/\(2011\\_E\)%20MDG%20Report%202011\\_Book%20LR.pdf](http://www.un.org/millenniumgoals/pdf/(2011_E)%20MDG%20Report%202011_Book%20LR.pdf)

10.3 Given those flaws, and the discrepancies:

What is the likelihood that the economic data have really been measuring - to the extent that such concepts are coherent - either consumption adequacy or overall economic gains?

It may be wise to discard statistical outliers.

## 11 Concluding remarks

11.1 None of the foregoing implies that economists, or others, are unaware of problems. But the profession is in a state of indiscipline where baseless inferences are allowed by professional organisations, to the extent that peer-reviewed journals accept them.

11.2 It is also evident that DFID did not respond to descriptions of several of these problems given in 2000, 2001 or 2003, but instead persisted in the inferences.

11.3 DFID told the International Development Committee in 2011: "making food affordable to poor families is as much about raising people's incomes through broad-based economic growth and the creation of jobs as it is about increasing agricultural production."<sup>49</sup> How can they know that without looking at needs or relevant prices?

11.4 Is "increasing the poor's spending" the new tied aid?

11.5 It is perhaps not unreasonable to suggest that starving people may die even from apparently small errors, omissions, or lack of attention to the true basis of particular statistics.

11.6 It would not follow from

11.7 In what way do such methods honour the ideal, of the person commemorated by the Millennium, of treating others as oneself? I am not a Christian, but I wonder if there are Christians who know the detail of the indicators and consider them to be in line with their faith. If a person would not use a method of social science on themselves in a similar situation, the method is necessarily invalid for other people. If scientists and governments cannot justify claims which form an important basis of policies, leaving the situation in place is not desirable for taxpayers or those for whose benefit the policies are intended.

11.8 Perhaps the global food price crisis might have been mitigated - and deaths averted - if (leaving aside economists' inclusion of speculators' parasitic activities in aggregations of countries' "product" or "output") those in charge of monitoring the progress of the poorest had considered relevant food prices and needs before speaking of absolute poverty trends.

11.9 This submission does not deal with wider issues about the quality of life or its relationship to economic considerations. However, the author considers those issues important. This is the Economic Affairs Committee, and the inquiry is about the role of UK aid which is with few exceptions legally bound to what seems likely to benefit people. The evidence for the influence of economic growth - which measures neither wealth creation

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<sup>49</sup> The 2010 Millennium Development Goals Review Summit: Government Response to the Committee's Second Report of Session 2010-11 <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmintdev/959/95904.htm>

nor the amount of productive or sustainable work done - on the poorest is not what it has been presented to be.

11.10 There is arguably little point in gathering more statistics if existing statistics are misused. Statistics on survival rates are needed to find out what happened to people; they are needed in order to interpret economic statistics; they are less prone to misinterpretation than money data, which are already very complex and expensive to produce, and still inadequate. It may therefore seem wise to prioritise survival as one aim of progress.

11.11 A problem with making economic statistics more representative of real life (apart from the even greater expense on experts and data collection) would be: **the more complexity, the less transparency.** Surveys on spending already ask dozens of questions and have difficult problems about comparison of nutritional value of different diets, quality of nominally identical products, faulty memories of people for what they bought over a certain period, lack of cooperation by rich people, lack of ability to trace the destitute, and so on. **Poverty measurement makes sense until you think about it.**

11.12 DFID's claim about how many people UK aid helps lift across a poverty line is based on the same problematic methods. How is basing policies on these methods more prudent than the methods for assessing prosperity which led to the financial crisis?

11.13 We might also ask - if money data is a reliable proxy for other things we value, then are the money data needed?

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