What is the likely Poverty Impact of the The Global Financial Crisis?

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Summary

Estimates of the poverty impact of the current crisis are becoming numerous and varied. Global estimates of poverty impacts are based on assumptions regarding Gross Domestic Product (GDP) growth deceleration and the relationship between GDP growth and poverty. We take a different approach. We ask what do we know from research on the poverty impacts of previous financial crises in developing countries? We review current global estimates on poverty and then draw evidence from nine developing countries that have experienced a crisis episode since the mid 1990s.
1. INTRODUCTION
In this paper we review the research from previous crises in developing countries on the poverty impacts of crises. This is in order to better estimate and understand the likely poverty impacts of the current global financial crisis. We draw evidence from nine developing countries that have experienced a crisis episode since the mid 1990s.

The paper is structured as follows. Section 2 discusses the poverty estimates of the current crisis. Section 3 reviews the research evidence from nine previous country crises. Section 4 concludes.

2. ESTIMATES OF THE POVERTY IMPACTS OF THE CURRENT CRISIS
2a. Country based poverty estimates
Estimates of the poverty impact of the current crisis are becoming more numerous, and varied (see below). All suggest the poverty impact will be severe. What is often unclear are underlying assumptions relating to the deceleration of Gross Domestic Product (GDP) growth assumed (and data source and point in time) and additionally, with estimates of the number of new poor, the estimate of the poverty elasticity of GDP growth assumed.

The starting point for global poverty forecasts is growth deceleration data (see table 1). Using data from the World Bank (published in March 2009 Global Economic Prospects), developing countries as a group will experience economic growth in 2008. However, when China and India are excluded that economic growth falls to zero. In total, the growth deceleration for all developing countries is a GDP growth loss of 4 per cent. This rises to 5 per cent if China and India are excluded.

Table 1. Growth estimates by World Bank

<table>
<thead>
<tr>
<th></th>
<th>Growth forecast (percentage change from previous year)</th>
<th>Deceleration based on Nov 08</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>2009</td>
</tr>
<tr>
<td>Developing countries</td>
<td>5.8</td>
<td>2.1</td>
</tr>
<tr>
<td>Latin America</td>
<td>4.3</td>
<td>-0.6</td>
</tr>
<tr>
<td>South Asia</td>
<td>5.6</td>
<td>3.7</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>4.9</td>
<td>2.4</td>
</tr>
<tr>
<td>Developing countries</td>
<td>4.6</td>
<td>0.0</td>
</tr>
</tbody>
</table>
Over the course of the last six months various global poverty estimates have been published. Approaches have either been to identify countries or number of newly poor.

In late 2008, there was a rush to assess which countries where at macro-economic risk when it became clear the developing countries were not ‘decoupled’ from the crisis. These forecasts were followed by assessment of countries at risk of a large increase in poverty due to decelerating growth and existing levels of poverty. Cord et al., (2009) argued that of 116 developing countries analyzed 94 had decelerating growth and 43 developing countries were highly exposed to poverty effects of the crisis because of high levels of initial poverty.\(^1\) The country list included a number of countries with large populations such as Bangladesh, Ethiopia, India, Indonesia, Nigeria, Pakistan and South Africa.

The World Bank (2009b) took a gender lens to poverty impacts and argued that women and girls in 33 countries were at high risk of poverty based on the same economic growth deceleration data and existing low gender parity in schooling, and high under five child mortality deaths.\(^2\)

From these analysis Cord et al., then sought to identify which countries were best able to cope with the crisis by considering fiscal and institutional capacities to respond (see Gottschalk in this IDS Bulletin). Whether countries with higher levels of pre-crisis poverty would be more at risk than those with lower levels is not immediately clear because, for income poverty at least, what matters is the clustering of the near-poor above the poverty line. This also raises a ‘crisis poverty policy dilemma’ which is should policy makers focus attention on the new poor or the existing poor or can both be done?

2b. People based poverty estimates

Estimating the number of new poor entails not only assumptions about economic growth deceleration but also the relationship between poverty and
growth or the poverty elasticity of growth. There was an enormous debate, triggered by Dollar and Kraay's *Growth is Good for the Poor* in the late 1990s, concerning whether poverty elasticity of growth was one-for-one during positive growth episodes and in particular the country variations in the elasticity.

Estimates of the poverty elasticity of growth during the crisis are based one percent declaration of growth raises poverty by 20 million. This figure appears in two World Bank (2008b; 2008c) background notes for the November 2008 G20 and early 2009 press releases (but without explanation). It was also used in the Department for International Development’s (DFID) (2009) estimate that the total number of newly poor would be 90 million as a result of a 4.5 percent deceleration in GDP growth in developing countries.³

In a piece published at the end of April 2009 on the Vox crisis web-blog and carried by *the Economist* magazine, Chen and Ravallion (2009) revised their estimates of the new poor from 46 to 53 million based on the US$1.25 day poverty line based taking their pre-crisis data and estimating for 100 countries the poverty impacts.⁴

There are various other figures flying around: UNESCO (2009) has estimated the impact on the 390 million poor people in sub-Saharan Africa as a per capita fall in income of twenty percent or $46.00 per person. There are also various estimates of increases in non-income dimensions of poverty. For example, infant deaths may be 200,000-400,000 per year higher on average as a one percent fall in GDP growth leads to an additional 1.5 boy infant deaths per 1000 live births and 7.4 girl infant deaths per 1000 live births (World Bank, 2009a; 2009b).

Where does this all leave us? One might argue that global estimates during the current crisis are more about triggering political action with numbers. How might we get a clearer sense of the likely poverty impacts of this crisis? One option is to consider the existing research on the poverty impacts of previous
financial crises across a set of developing countries that have experienced economic crises in recent years. This is what we do in the next section.

3. TRACKING POVERTY DURING AN ECONOMIC CRISIS

3a. Methodological issues in crisis poverty impact assessment

To conduct a review of assessments of poverty impacts of crises, several methodological issues arise including the definition of a ‘crisis’ episode, the criteria for choosing which crises to review, when to assess (the temporal nature of ‘waves’ of the crisis), the lack of a counterfactual scenario and that the poverty impact of a crisis is a result of pre-crisis and during-crisis policies and the local socio-economic context. In short, the isolation of poverty impacts of a crisis is problematic. What we can say is exactly what happened and identify indicators that demonstrate the visible dimensions of changes in poverty during a crisis episode.

As Jickling (2008:1) notes

There is no precise definition of financial crisis but a common view is that disruptions in financial markets rise to the level of a crisis when the flow of credit to households and businesses is constrained and the real economy of goods and services is adversely affected.

Often it is rapid falls in exchange rates that are viewed as the key indicators of a crisis and later on GDP contractions.\(^5\) The Frankel and Rose (1996:3) definition of a (currency) crisis is often cited in the literature on crises:

\[\text{[A crisis is a situation whereby there is] a nominal depreciation of the currency of at least 25 percent that is also a 10 percent increase in the rate of depreciation.}\]

Time is also an important dimension. There is generally a time lag from the start of a financial crisis to the various impacts on the real economy and on poverty. Changes in GDP growth can take 4-6 quarters from the onset of a financial crisis (Claessens, 2008). Baldacci et al., (2008:7) note a three year window is usually given for a crisis ‘episode’. This might suggest we need to compare data on poverty from the year of or prior to the crisis (pre-crisis) and two years later (for the peak impacts).
Financial crises historically have three crisis ‘waves’. The first ‘wave’ is financial in nature and visible in changes in the exchange rate and stock market, interest rates, etc. The second wave is that whereby there is transmission from the financial to real sector effecting notably construction and manufacturing sectors and visible in falls in investment and GDP contraction. The third wave is then the transmission from the real economy (and finance) to visible household level and intra-household level impacts.

Doing social impact assessment amid these variables is tricky. We need to look at how much poverty incidence or severity has risen proportionally based on consistent time series data (assuming data available is good quality). Ideally we need a peak to trough picture in terms of an inflation spike or GDP contraction. Increasingly countries conduct mini-surveys during crises with smaller samples such as Indonesia during the 1997/8 crisis but this raises issues of different data from different surveys and their timing at different points in the crisis episode (see table 2).

Table 2 Indonesia: Survey poverty data available during the 1997/8 crisis

<table>
<thead>
<tr>
<th>Surveys</th>
<th>Type</th>
<th>Date and sample size</th>
<th>Sample Frame</th>
<th>Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>BPS Susenas</td>
<td>Random, longitudinal,</td>
<td>Feb. 1996 and 1999: 65,000 HH Dec. 1998 (mini-Susenas) 10,000 HH</td>
<td>Indonesian population</td>
<td>Head of HH and partner interviewed by BPS enumerators</td>
</tr>
<tr>
<td>Funded and</td>
<td>quantitative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>conducted by BPS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BPS Sakernas</td>
<td>Random, longitudinal,</td>
<td>Aug. 1996, Aug. 1997: 65,000 HH</td>
<td>Indonesian population</td>
<td>Head of HH and partner interviewed by BPS enumerators</td>
</tr>
<tr>
<td>Funded and</td>
<td>quantitative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>conducted by BPS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNICEF 100 Villages</td>
<td>Random, longitudinal,</td>
<td>July 1997, Aug. 1998, Dec. 1998, May 1999: 12,000 HH</td>
<td>120 HHs in 100 villages (80 rural and 20 urban villages) in 10 districts spread across 8 provinces</td>
<td>Interviews by BPS enumerators, using a modified version of Susenas core questionnaire</td>
</tr>
<tr>
<td>Funded by</td>
<td>quantitative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNICEF/ADB Conducted</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>by BPS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>World Bank Kecamatan</td>
<td>Non-random, qualitative</td>
<td>Oct. 1998: 12,075 ‘notables’ 3 ‘notables’ in 4025 Kecamatans</td>
<td>3 ‘notables’ in 4025 Kecamatans</td>
<td>Questionnaire consisted of a standard set and profession-related</td>
</tr>
</tbody>
</table>
There is then the issue of the counter-factual. What would have happened without a crisis? It is very difficult to isolate crisis impacts from factors such as positive impacts of emergency programmes on mitigating poverty impacts. In Indonesia in 1997-9 there was also the El Nino draught, a highly orthodox IMF crisis response (high interest rates, cancellation of infrastructure projects, reduction in fuel and agriculture subsidies, etc.) and a US$5bn social safety net response of subsidised rice, cards for free health services, primary school scholarships and public works employment creation schemes.

With regard to the current crisis, there are also the inter-linkages to multiple crises. This includes the ‘triple f’ crises: the food price hike of early-mid 2008; the fuel prices rises in mid 2008 as well as the financial crisis. This is particularly important for poverty given that large proportion of household budgets of the poor are spent on food and fuel.

In the following review we take nine developing countries that have experienced a financial crisis in the most recent period of financial globalisation – the early/mid 1990s onwards. We take data from World
Development Indicators to ensure some comparability across countries and we refer to the wider literature as and when it is relevant.

3b. Poverty transmission pathways

In terms of previous crises in developing countries we can identify nine crises since the early 1990s that have been researched (see table 3). What do we know from these crises on the poverty impacts? We have a reasonable understanding of poverty transmission mechanisms during crises episodes (Baldacci et al., 2002; Lustig and Walton, 2009; Pernia and Knowles, 1998; Prennushi et al., 1998).

Financial crises impact poverty through several transmission mechanisms. Baldacci et al., (2002) argue that 60-70 per cent of the poverty impacts of a crisis are due to four factors: unemployment, inflation, reduced public expenditure and GDP contraction.

Prennushi et al. (1998:1) identified five main types of transmission mechanisms between shocks and welfare as follows: changes in relative prices which lead to changes in relative wages, consumption baskets and employment patterns; changes in aggregate labour demand which can reduce employment levels and/or wage rates; changes in the rates of return on assets; changes in levels of public transfers, in cash and kind; and changes in community environment, in terms of public health or safety. Lustig and Walton (2009) identify a similar set (see box 1).

Box 1. How does a Crisis Transmit to Poverty?

A crisis may transmit to poverty through the following:

- Changes in labour demand;
- Changes in prices;
- Changes in public spending;
- Changes in the value of economic, human, social, environmental and financial assets;
- Long-term impacts on capabilities (i.e. effects of malnutrition, schooling drop-outs, etc.).

The exact nature of poverty impacts is likely to be a function of: the pre-crisis structure of poverty/vulnerability (notably poverty levels, inequality levels, clustering of people near the poverty line, education, health and economic asset levels, etc.); the pre-crisis social and economic policy package in place (social protection in particular); the nature or type of the financial crises (is it a capital account shock or a banking crisis or a current account shock via trade?); the economic and social policy response to the crisis (social safety nets in particular but also fiscal stimuli and changes in public expenditures); the health of the global economy and finally the actual household responses to the crisis.

Households that are adversely hit may respond by trying to increase income. They may do this via family members seeking new or additional work and/or drawing upon savings, credit (if available) and/or selling assets. Or they may try to reduce household expenditures via changes in quantity and quality of diet or health and children’s education costs (see Gottschalk, 2008; Lustig and Walton, 2009).

3c. Evidence from previous crisis on income poverty impacts
The total number of poor people is likely to rise dramatically during a crisis if we look at poverty impacts of previous crises (figure 1; table 3; World Bank, 2008a). However, just how large the poverty increase is differs considerably across countries. The poverty increase during crises was much higher in Indonesia, South Korea and Russia but much smaller in Malaysia and Mexico (using World Development Indicators data).

Figure 1
Cline (2002) puts the average poverty impact of a crisis at a seven per cent increase in the poverty headcount per country (this is more or less consistent with the data in table 3). If we calculate the average proportional increase in the national poverty headcount we actually come out at 148.9 per cent (i.e. poverty increases by almost 50 per cent on average). However, this ranges from poverty rising just 115 per cent in Malaysia and 200 per cent in South Korea (incidentally on a similar GDP contraction).

The average GDP contraction across the nine crises is 8.0 per cent thus the poverty elasticity is slightly less than one for one overall (0.9). However the correlation between GDP contraction and increases in poverty is limited.

Table 3. Impact on national poverty headcount of selected financial crises, 1990 - present

<table>
<thead>
<tr>
<th>Country (date crisis began)</th>
<th>GDP contraction (year of crisis)</th>
<th>Proportional change in national poverty headcount (% increase)</th>
<th>Population under national poverty line (% date)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Pre-crisis (year prior to crisis)</td>
</tr>
<tr>
<td>Mexico (Dec. 1994)</td>
<td>-6.2</td>
<td>119.4</td>
<td>36.0 (1994)</td>
</tr>
</tbody>
</table>

Source: Gottschalk (2004:13)
Thailand (July 1997) | -10.5 | 138.8 | 9.8 (1994) | 13.6 (1998)  
Turkey (June 2001) | -6.2 | n.a. | 28.3 (1994) | 27.0 (2002)  
Argentina (Dec. 2001) | -10.9 | 147.2 | 35.8 (2001) | 53.0 (2002)  
Average of 9 crises | -8.0 | 148.9 | 20.6 | 27.1  


Cross country comparisons should of course be treated with some caution here given differing national poverty lines. Indeed, doing poverty impact assessments of crisis episodes raises various methodological issues such as the separation of crisis and non-crisis factors, when to assess and if data is available for peak to crisis trough. Nevertheless, even with these caveats, the increases in income poverty reported are significant in countries with appropriate data points. Further, the poverty increases do not seem to be as closely tied to the magnitude of the GDP contraction as one might expect.

The rise in income poverty above reflects changes in real household per capita consumption, real wages and unemployment (see table 4). The extent of the poverty rise depends at an aggregate level on changes in GDP and income inequality (see Baldacci et al., 2002) and at household level on household characteristics, education and location - some of the poor will be protected by their geographical isolation and poor connectivity with national and global markets (Ravallion, 2008; World Bank, 2008a).

### Table 4. Changes in real household per capita consumption, real wages and unemployment

<table>
<thead>
<tr>
<th>Country (date crisis began)</th>
<th>Change in real household per capita consumption</th>
<th>Change in real wages</th>
<th>Changes in unemployment</th>
</tr>
</thead>
</table>
### Table: Changes in inequality during selected crises

<table>
<thead>
<tr>
<th>Country (Date)</th>
<th>Initial Inequality</th>
<th>Stressed Inequality</th>
<th>Period of Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia (July 1997)</td>
<td>7.4 (1998)</td>
<td>30%-50% (1998)</td>
<td>From 4.7% in 1997 to 5.5% and 6.4% in 1998 and 1999, respectively.</td>
</tr>
<tr>
<td>Brazil (January 1999)</td>
<td>na</td>
<td>na</td>
<td>From 7.8% in 1997 to 9.6% in 1999.</td>
</tr>
<tr>
<td>Turkey (June 2001)</td>
<td>10.3 (2001)</td>
<td>na</td>
<td>na</td>
</tr>
</tbody>
</table>

Source: Adapted from Gottschalk (2004:11-12).

### 3d. Inequality and distribution of impacts

The distributional impacts of crises are highly uneven and income inequality may worsen during a crisis adding further pressure to poverty levels (figure 2; Ravallion, 2008). However, in some countries the gini rises and in others it falls (see figure 2). Further, impacts on the existing poor and the severity of poverty can be more significant than the headcount.

Figure 2. Changes in inequality during selected crises
When we consider gender (in)equality, across the nine crises reviewed gendered impacts are particularly evident via indicators of changes in labour markets (World Bank, 1999). It has been argued that women are more likely to lose employment than men as women dominate export sectors in sectors for garments, electronics and agriculture exports (Buvinic, 2009). Further, girls are more likely to drop out of school in both low and middle income countries (Skoufias and Parker 2006; Schady 2004) and girls infant mortality rates exceed boys during a downturn (Baird et al., 2007). Elson (2009) identifies four gender biases during crises as follows: A deflationary bias; A privatisation bias; A male breadwinner bias (protect male jobs if possible); A reliance on women to provide safety net bias through paid and unpaid informal work.

Further, during crises major rural and urban variations are often evident because of different impacts on different production and consumption patterns (World Bank, 2008a). However, poverty data from World Development Indicators is limited. The rural poor may be hit harder in the current crisis as falling agriculture export commodity prices reduce rural employment and
incomes (IMF, 2009:23). The impacts relate to if the household is a net producer or consumer of food.

3e. Non-income poverty impacts
In our review of nine crises education health and nutrition indicators generally deteriorated during a crisis episode but not always (see figure 3 and 5; table 5). Again one can ask why does the data show deterioration in some countries but not others?

Figure 3: Primary school completion rate (per cent of relevant age group) during selected financial crises, 1990 – present

Figure 4: Changes in Low birth weight babies as % of all births during selected financial crises, 1990 – present
Table 5: Changes in infant mortality in East Asian Crisis, 1997-9

<table>
<thead>
<tr>
<th></th>
<th>GDP growth (%)</th>
<th>Infant mortality rate (per 1000 live births)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1995-6</td>
<td>1997-8</td>
</tr>
<tr>
<td>Severely affected</td>
<td></td>
<td></td>
</tr>
<tr>
<td>countries</td>
<td>-22.8</td>
<td>50.6</td>
</tr>
<tr>
<td>Moderately affected</td>
<td></td>
<td></td>
</tr>
<tr>
<td>countries</td>
<td>-11.8</td>
<td>52.5</td>
</tr>
</tbody>
</table>


Research suggests that children are particularly vulnerable during financial crises. A one percent contraction in per capita GDP raises infant mortality between 0.18 and 0.44 deaths per thousand children born (Baird, et al., 2007). Non-income poverty impacts particularly affect children. Partly, this is because many household coping mechanisms include household decisions related to children such as expenditures on food, education and health (Bhutta et al., 2008; Mendoza, 2008). Indeed, there is significant evidence that crisis shocks impact children’s future wellbeing and can lead to lesser
height, delayed school enrolment and reduced grade completion (Alderman et al., 2006). Further, changes in child labour may be evident (Mok, 2009).

A particular concern is that crisis poverty impacts have long-term or intergenerational poverty effects. A negative shock of sufficient size can push household past a ‘threshold’ or ‘tipping point’ while the same households can bounced back from a smaller shock (Ravallion, 2008). Additionally, there is strong cross-country evidence of psychological distress and mental health problems (Das, 2008); elevated levels of community and intra-household conflict during and post-crisis (Friedman and Thomas, 2007; World Bank, 2008a); and negative environmental impacts as people are driven to exploit natural resources (Pernia & Knowles, 1999).

4. CONCLUSIONS
What will the likely poverty impact of the crisis be? We know from the nine developing country crises since the mid 1990s that,

- Income poverty rises significantly during all economic crises at approximately the same rate as the GDP contraction on average (but there are considerable variations across countries).
- The distributional impacts of crises are highly uneven. Gendered impacts are particularly evident via changes in labour markets.
- Children are particularly vulnerable to financial crises. This is because many household coping mechanisms include decisions related to children such as expenditures on food, education and health.

Future research needs to ask why crisis poverty impacts differ so much across countries. Why was income poverty increase much higher in Indonesia, South Korea and Russia than Malaysia and Mexico? Why do social indicators deteriorate more in some countries than others? What are the commonalities in countries with higher and lower poverty impacts? Is social protection an important factor for example?

We need to note that our review here is based on middle-income countries in Asia and Latin America. Thus our understanding of the crisis in low income
Sub-Saharan Africa is limited. We could review the structural adjustment literature from the early 1980s. However, that was over 25 years ago, and both Africa and the world have substantially changed. Further, the poverty impacts of the current crisis may be worse for poverty impacts because it comes on the tail of food and fuel prices spikes in 2008. Food and fuel account for the majority of poor and near poor households consumptions. Households can respond with coping mechanisms such as changes in diet, school enrolments, asset sales and so on but multiple shocks are likely to be much harder to deal with (see Hossain paper in this special issue).

In sum, the April 2009 G20 calls for a global poverty and vulnerability alert are compelling. The G20 Communiqué of April 2009 reads, 

we call on the UN, working with other global institutions, to establish an effective mechanism to monitor the impact of the crisis on the poorest and most vulnerable.

What might such a Global Poverty and Vulnerability Alert look like? National statistical bureaus in a number of countries will be conducting rapid surveys and data also exists from other surveys, notably the UNICEF MICs and World Bank DHS. All these data need to be pooled. However, we also need indicators that better capture crisis situations. The standard poverty indicators need some adaptation in rapidly changing circumstances. One option is that we expand the MDG-lens to capture increased vulnerabilities due to the crisis by linking poverty indicators to corresponding indicators of vulnerability to poverty. Fortunately, we can build on existing work quickly whilst at the same time participatory crisis indicators might also be developed (see Hossain in this special issue). For income poverty the corresponding early warning signal might be the proportion of the population within 10 per cent of the income poverty line. For the education indicators the early warning signal might be the proportion of the population reporting difficulty paying primary school fees or costs and/or the changes in education costs. Then behind these vulnerability indicators we could have various sets of indicators relating to the causes of vulnerability to poverty such as social protection and food security amongst others (see for such indicators Barrientos, 2009; Devereux, 2006). Of course,
tracking, monitoring and evaluating will not, in and of itself, solve the problems of poverty. These need to be done within a rapid-response context. ‘Operation rooms’ are needed to allow meza-level and local-level governments, civil society and aid agencies to respond efficiently and effectively to locally-appropriate responses. If such a Global Poverty and Vulnerability Alert can bring such things together it would play a major role in informing policy interventions which reduce vulnerability and poverty.

NOTES

1 This was based on real per capita GDP growth 2008-9 expected to be lower than 2004-7 (using data from the January 2009 IMF World Economic Outlook) and poverty levels >20 per cent (based on the 2008 World Development Indicators poverty supplement and a poverty line of US$1.25/day).

2 This was based on the average for the bottom quartile of countries on each indicator. For gender ratios of primary and secondary school enrolment this was <94.6 and for under five child mortality the average for the bottom quartile of countries was <98/1000.

3 It has proved surprisingly difficult to track down where this 20 million figure originally comes from. Various Google searches on “crisis + poverty + 20 million” bring up the ILO’s October 2008 estimate that the crisis will cost 20 million jobs which was later revised to 33 million (ILO, 2009). A possible source is Chen and Ravallion’s updated poverty data (2008) which was produced following the availability of new price data in 2008. This paper (p. 19) argued that global poverty fell by 500 million over 25 years at a decline in the poverty headcount of 1 per cent per year (implicitly 20 million people per year). However, as they note (p. 10) ‘the overall elasticity of the poverty line to mean consumption is about 0.7’. This would though equate 20 million with 0.7 per cent growth on average. Ravallion’s earlier study (2004) which was cited in IMF’s crisis report (2009) argued that the average across the average around 2 per cent but notes that the poverty elasticity of growth varies widely and across countries it varies from 0.6 to 4.3 when using measures of absolute poverty.
4 The World Bank's March 2009 paper *Swimming Against the Tide* prepared specifically for the G20 used the 46 figure.


REFERENCES


