guided READING

5 What is a classification

6 what are the classifications _now_

10 Explain the total global changes in trends since 1978

1 What is the World Bank?

2 What are the different income levels?

3 Define threshold

4 Describe how the thresholds have changed?

CLASSIFYING COUNTRIES – THE WORLD BANK

Are richer countries polluting more than poorer ones? What progress in poverty reduction has been made in countries affected by fragility and conflict? To help shed light how different groups of countries are doing, the World Bank categorizes countries based on various characteristics, such as geography, lending eligibility, fragility, and average level of income. When it comes to income, the World Bank divides the world's economies into four income groups: high, upper-middle, lower-middle, and low.

The income classification is based on a measure of national income per person, or GNI per capita, calculated using the Atlas method. In 1978, the first World Development Report introduced groupings of "low income" and "middle income" countries using a threshold of $250 per capita income as threshold between the groups. In the 1983 WDR, the "middle income group" was split into "lower middle" and "upper middle" groups, and in 1989 a "high income" country definition was introduced.

Since then, the thresholds to distinguish between the income groups have been adjusted for prices over time. As of 1 July 2019, low-income economies are defined as those with a GNI per capita, calculated using the World Bank Atlas method, of $1,025 or less in 2018; lower middle-income economies are those with a GNI per capita between $1,026 and $3,995; upper middle-income economies are those between $3,996 and $12,375; high-income economies are those with a GNI per capita of $12,376 or more.

Because most parts of the world have experienced considerable economic growth in recent decades, and the classification thresholds are held stable in real terms, there are now fewer low-income countries and more countries have gained middle or high-income status. Just since 2003, the number of low-income countries has nearly halved, declining from 66 to 31 in 2019. The number of high-income countries is currently 80, up from less than 50 in the 1990s. The number of middle-income countries is 107 (60 UMICs and 47 LMICs) and has not changed much as countries have transitioned both in and out of this group.

The changes are even starker when looking at the share of the world population that live in each type of countries. The vast majority (75 percent) of people currently live in countries defined as lower or upper-middle income countries. As large countries, such as India and China, have transitioned from low income countries to middle income countries, the population shares have shifted dramatically. In the 1990s, more than 6 in 10 people of the world's population lived in low-income countries, while today it is just about 1 in 10.

With only a small share of the world currently classified as "low income" and as the thresholds not having changed since 1988 (in real terms), critics argue that these income groups are losing relevance, and are somewhat arbitrary and dated.

Statistical facts don't come to people naturally. Most people understand the world by generalizing personal experiences which are very biased. In the media the "news-worthy" events exaggerate the unusual and put the focus on swift changes. Slow and steady changes in major trends don't get much attention. Unintentionally, people end-up carrying around a sack of outdated facts that you got in school (including knowledge that often was outdated when acquired in school).

11 What is disparity

12 What is the media's role

9 What is a UMIC – guess

7 What happened July 2019

8 Using your own knowledge, why did this have to change