The Persistent Poverty Level in the United States vs. the BRICs Emerging Economies Market

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Abstract: *The purpose of this article is to compare the poverty level in the United States versus the BRIC countries. The researchers examined the Ibn Khaldun theory that was written 650 years ago to better understand the meaning of poverty in the United States versus the emerging economies market. Results indicate BRIC countries are under absolute poverty. Poverty is a complex issue because the Federal Reserve Bank in the United States and regulatory financial agencies in the emerging economies market needs to comply with public policy rules and regulations and meet the supply and demand at the institutional level. The poverty levels in the United States, Brazil, Russia, India, and China remain persistent. Therefore, the middle class in the emerging economies market will surpass the G7 economies by 2050.*
Keywords: *poverty, absolute poverty, relative poverty, Ibn Khaldun theory, emerging economies, government policies, labor force, G7*

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1. Introduction

The major purpose of this article is to compare the poverty level of the United States to that of the emerging economies market known as Brazil, Russia, India, and China. The poverty level in the United States increased from 12.4% in early 2000 to 13.8% by year end 2006 through 2010 (Denisova, 2012). In the last 20 years, the poverty level in Brazil has been comparable to that of the post-war period in the United States, and China presents even a worse picture concerning the poverty level. In this article, the author identifies and introduces several key points of poverty in Russia that are relevant to the study and proposes four policies to prevent poverty in Russia. Since 1980, the poverty level in India has been increasing and India cannot sustain its welfare system.

The poverty level in the United States is below the threshold predictions in accordance with U.S. government standards. In addition, the highest unemployment rate in the United States was from 2007 to 2009 due to the economic recession. Brazil's leaders have been trying to rebalance the welfare system of the nation. In China, certain populations are presently starving, and the poverty level in China is counted as an absolute poverty. In the mid-2000s in Russia, the poverty level decreased and the median household income level grew steadily. For India, poverty remains a main discussion. For example, the nutrition level of all people in India is likely to be substandard because the people in India do not have the economic capacity level to consume the same commodities.

2. Literature Review

Affandi and Dewi (2014) defined poverty as "a process that is triggered by the decline of the political community that is not valid due to the lack of democracy that resulted in the emergence of a variety evils" (p. 138). McConnell, Brue, and Flynn (2015) suggested that poverty is a condition where a family does not have the proper means to afford food, transportation, clothing, shelter, and health care. Lauer and Lauer (2008) noted that the definition of poverty involves two important key factors: absolute poverty and relative poverty. Absolute poverty is the representation of life-threatening and supported by insufficiency. Relative poverty is understood as the inequality of income level.

Poverty can be prevented by adopting principles of the Ibn Khaldun theory, which was written 650 years ago. The Ibn Khaldun theory not only focused on economic stability and growth, it also addressed the importance

of morality, wealth, government stability, human capital well-being, and social justice. Affandi and Dewi (2014, p. 146) wrote the above mentioned theory in an operational equation as follows:

P=f(W,G,N,S,g,J)
P = poverty
W = Wealth of the country
G = Government
N = Human resources/people
S = Shariah
g and j = Development and justice

United States

Gittell and Tebaldi (2010) examined business statistical data from 1994 to 2003 and found poverty rates in metropolitan areas across the United States to be quite low. The poverty level in the United States is below the threshold predictions in accordance with U.S. government standards. The first poverty evaluation was conducted by former president Lyndon B. Johnson, who initially declared a war against economic social cost and help fight poverty. By 2000, the economic recession contributed to an increase in the poverty level in the United States. The poverty level in the United States has been controlled by adequately measuring education spending behavior and reducing taxes in the private and corporate sector (Gittell & Tebaldi, 2010).

Parker and Farrigan (2012) suggested in their statistical data analysis that the poverty level in the United States increased from 12.4% in early 2000 to 13.8% by year end 2006 through 2010. Companies in the United States experienced a poverty level at 30% and 878 counties nationwide were facing a poverty challenge (i.e., rural areas from 30% up to 58%; Parker & Farrigan, 2012). The highest unemployment rates in the United States were during the economic financial crisis from 2007 to 2009. As indicated by McConnell et al. (2015), 15% of the American population, or 46.2 million people, lives in poverty.

Brazil

Garroway and de Laiglesia (2012) noted that in the last 2 decades the poverty level in Brazil has been comparable to that of the post-war period in the United States. The median income level in Brazil remains at 60%, which is considered acceptable. Over the years, the living standard of

society in the Brazilian market has changed. Poverty reduction continues to be one of the most prominent priorities for the Brazilian government. The majority of the population in Brazil continues to be poor and poverty remain constant (Garroway & de Laiglesia, 2012).

Leahy (2011) wrote that traditional middle class families in Brazil have expanded their consumption in the market. The middle class in Brazil is in debt because they want to support the cause of helping to lift millions of people out of poverty. Leahy suggested that:

On the winning side have been an estimated 33m people who since 2003 have risen to the ranks of the so-called "new middle classes" or above. Today 105.5m Brazilians out of a total population of 190m are members of this group, who earn between R$1,200 and R$5,174 (US$3,315) per household each month. Also better off are the rich, who have profited from a stock market, commodities and consumption boom. (p. 6)

Since 1888, Brazil has been trying to rebalance the country's welfare system (Leahy, 2011).

Russia

In 1994, the income-based and expenditure-based poverty level in Russia was 17%. From 1998 to 2003, the poverty level increased steadily from 20% to 24%. In the mid-2000s, the poverty level decreased and the median household income level grew steadily. By 2007, the income-based and expenditure-based poverty level decreased to 18%. Denisova (2012, as cited in Bane & Ellwood, 1986) reported there is both temporary and long-term poverty in Russia. The poverty level in Russia is below 30% and 5% face a dramatic income gap by leaving 90% in the same poverty level position (Denisova, 2012).

Denisova (2012) proposed four policies to prevent poverty in Russia. The first was to fully exploit the labor market and increase employees' wages. The second policy was to reform Russia's economic system. The third policy was to increase benefits in the public sector such as pensions and child benefits. The fourth policy was to sustain the quality of education to promote human capital well-being. The four policies together were designed to help to create a better Russia (Denisova, 2012).

India

Since 1980, poverty has been a major concern to the Indian government. In 1973 through 1974, people in India were estimated to consume 2,400 calories per day, which was equivalent to Rs.49.09 in rural areas and Rs.56.64 in urban areas. Dixit (2011) wrote, "The gap between the two narrowed after 1987–1988, when the percentage of urban poverty declined drastically. From 1993–1994 to 2004–2005, decline in rural poverty percentage was marginal, while the number of rural poor actually increased" (p. 131). However, in one of the emerging states of India, known as Gujarat, the poverty level declined from 37.27% to 28.3%. Therefore, the poverty level in India has two dimensions in society (Dixit, 2011).

The first dimension is the identification of the actual people living in poverty. The second dimension is the aggregated people living in societal poverty. Since 1973, the poverty level in India has decreased sharply, though it remains a main topic of discussion. For example, the nutrition level of all people in India is low because the people in India do not have the same economic capacity to consume the same commodities at the same price. India has created a middle class of 100 million people and the poverty ratio remains at 40% (Garroway & de Laiglesia, 2012). However, the inequality of income in India is in the horizon. The change in the consumption basket has brought inequalities and inefficiencies to the community (as cited in Mehta & Venkataraman, 2000), the destruction of villages by remodeling the same and increasing the expenditure level of the citizens, increases in the prices of food and cereal, and the substitution of the medical health plan system (Dixit, 2011).

By 2015, it was expected that the poverty rate in India would decline from 51% to 24% ("Poverty rate in India," 2010). The projection forecasted by The Financial Express stipulated that 188 million people in India would meet the basic needs of living with a minimum of a $1.25 a day ("Poverty rate in India," 2010). The process of removing poverty in India is by creating better schools, promoting gender equality among people, ensuring environmental sustainability, and reducing hunger and diseases. For example, in Southeast Asia, the employment opportunities in 2008 were 44% and 2009 were 51%. Therefore, the goal of India is to promote a universal program by bringing sustainability and competitive advantage by people meeting adequate living standards ("Poverty rate in India," 2010).

China

China presents a worse picture concerning poverty than Brazil. Kesavan, Mascarenhas, Ning, and Bernacchi (2014) indicated that the

poverty level in China post-Deng was 20% as compared to 60% during Mao's regime. For instance, under Mao's regime, everyone in China was equally poor. After the United States began to trade goods and strengthen its business relationship with China, a middle class has grown. Poverty in China is a sensitive issue and organizations in China have mentioned that Chinese people are starving. The poverty that exists in China is classified as absolute poverty. In order to overcome poverty, China's leaders must meet three objectives: revise government policies, analyze the country's income distribution, and develop a suitable labor force that can contribute to the country's economy (Garroway & de Laiglesia, 2012).

3. BRICs Enter Middle Class

The below figures illustrate the increase of the middle class population of the emerging economies market by surpassing the G7 economies and achieving a world class model by 2050. Since, 1992, China and India began to experience a middle class expansion as compared to the world. By 2050, China and India are expected to become the first and third largest global economies. Also, Brazil and Russia will be leading the global economy in the fifth and sixth place.
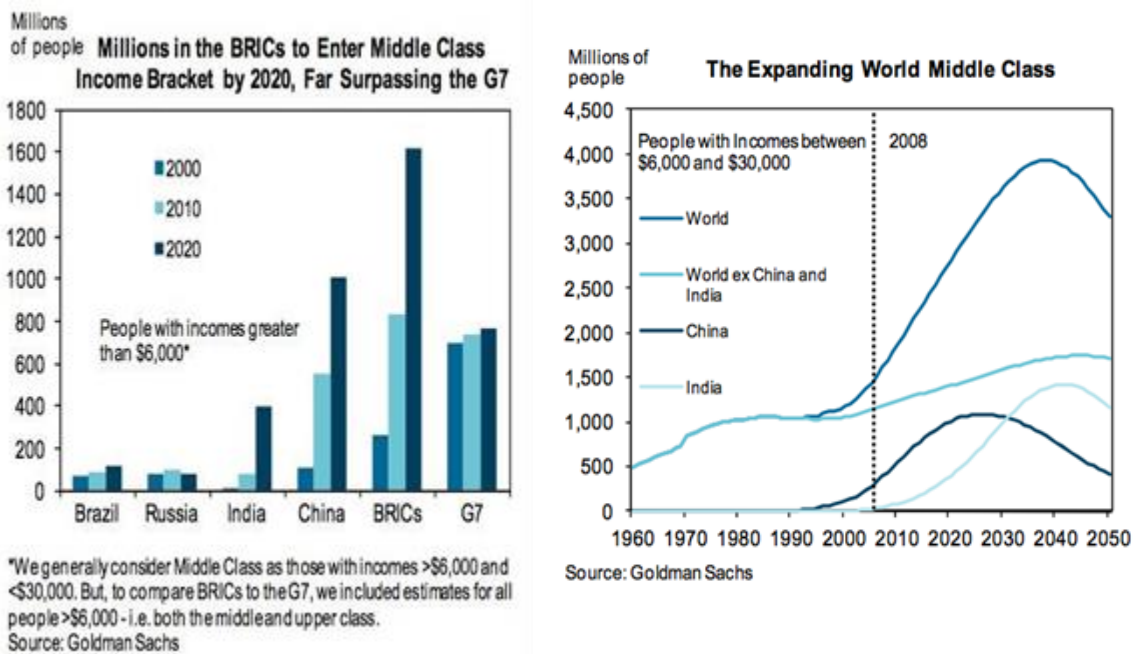
Figure 1. (Global Sherpa, n.d.).

4. Conclusion

This article provided a comparison of the poverty level in the United States with that of the emerging economies market known as Brazil, Russia, India, and China. McConnell et al. (2015) revealed that 15% of the American population, or 46.2 million people, lives in poverty. Brazil has been trying to rebalance its welfare system. The poverty level in Russia is below 30% and 5% face a dramatic income gap by leaving 90% in the same poverty level position. According to The Financial Express, by 2015 it was expected that the poverty rate in India would decline from 51% to 24% ("Poverty rate in India," 2010). China must meet three objectives to overcome poverty: revise government policies, analyze the country's income distribution, and develop a suitable labor force that can contribute to the country's economy.

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