Chapter 2 – Definitions, Theories and Measures of Poverty –

Chapter Outline –

2.1 Definitions of Poverty –

2.2 Theories of Poverty –

2.3 Measures of Poverty –

2.4 Summary of the chapter-

2.5 References-
2.1 Definitions of Poverty –

2.1.1 Poverty is really a vast and seemingly all-encompassing concept. It is difficult to define all that it represents in a manner that is acceptable to all persons. It is possibly for this reason that many definitions of poverty are criticized as being too general and vague or dismissed as being too narrow and incomplete.

2.1.2 There have been numerous attempts made to define poverty. Some economists have merely said that poverty is a state of total deprivation and helplessness. Others have tried to describe the characteristics that are supposedly present in a poverty-stricken person.

2.1.3 The World Bank has the following to say about poverty -
"Poverty is hunger and the lack of shelter. It is being sick and not being able to see a doctor. It is not being able to go to school and not knowing how to read. It is not having a job, is fear for the future, living one day at a time. It is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom. It has many faces, changing from place to place and across time".

2.1.4 Most often poverty is a situation people want to escape. Hence, poverty is a call to action – a call to change the world so that many more may have enough to eat, adequate shelter, access to education and health, protection from violence, and a voice in what happens in their communities.
2.1.5 Robert Chambers has said that the poor person is caught in a Deprivation Trap from which it is very difficult to escape. The poor person is also afflicted by other deficiencies, such as physical weakness, isolation, vulnerability and powerlessness.

2.1.6 Gunnar Myrdal has spoken of the Vicious Circles of Poverty. His description of poverty is akin to that of Chambers. The poor person is a victim of numerous forces and finds it impossible to escape from the clutches of poverty.

2.1.7 The most commonly used definition of poverty is the Poverty Line. This Line is determined on the basis of a certain minimum level of nutrition required by a person for his sustenance. In India, the Planning Commission has fixed the minimum per capita daily requirement of calories at 2400 in rural areas and 2100 in urban areas.

2.1.8 This is translated into financial terms by calculating the price of the food-basket that would provide the stipulated calories. The Poverty Line in India was revised to an annual per capita income of Rs. 4800 in 1988 and has been revised further to around Rs. 11,000 now.

2.1.9 The World Bank also uses the Poverty Line to determine poverty. It fixed an annual per capita income of $ 370 as the Poverty Line for most of its calculations in respect of the Developing Countries. However, this definition has not been favoured by many economists and agencies, like the UNDP, as it is considered to be a very narrow definition of poverty.
2.1.10 The UNDP has argued that other aspects of human life such as the level of literacy, general health, life expectancy, the extent of infant-mortality, etc must also be taken into account while analyzing poverty. Nevertheless, it can be argued that the poverty line does serve a purpose in that it helps to focus upon the minimum that needs to be done to help the poor person.

2.1.11 A related issue on the question of how to perceive poverty is whether poverty must be seen in Absolute or Relative terms. This has been a very controversial and much-debated issue.

2.1.12 The writers who are in favour of an Absolute definition of poverty have argued that
- poverty must be seen as an absolute notion in order to understand the extent of deprivation of a poor person,
- absoluteness does not mean that it is fixed. It is a dynamic concept and changes over time.

2.1.13 Other writers have preferred to speak of poverty in Relative terms. They have said that
- deprivation of some persons must always be seen as related to the prosperity of other persons. There is some comparison involved in this analysis,
- the fact that some sections of society are always worse-off than others becomes clear only when their relative standards of living are compared and studied.
2.1.14 In the midst of this controversy, another angle has been introduced in the form of the discussion of poverty as inequality. Certain economists like A.K. Sen have said that poverty must be viewed as an issue of inequality. They have emphasized that one must observe the nature and size of the differences in incomes between the bottom 20% or 10% and the rest of the society to know the actual extent of poverty.

2.1.15 A.K. Sen has not favoured the idea of inequality as completely explaining poverty. He has argued in favour of explaining poverty in Relative terms. At the same time, he has stated that there is an irreducible "absolutist core" in the concept of poverty. For instance, if there is starvation and hunger present in certain sections of society, then whatever be the relative positions of people in the society there is obviously poverty present in that society.

2.1.16 If some persons have a standard of living that is perceptibly lower than the others we can conclude that there is inequality present in that society. However, it is important that we know at least something about the actual standard of living enjoyed by those people to conclude whether they live in poverty or not. Hence the idea of inequality alone is not a conclusive evidence of poverty in a society.

2.1.17 Poverty cannot be thought of in merely economic terms. It has much wider ramifications, in terms of society, religion, philosophy, climate, culture and so on. In the recent years development economists have focused on indicators such as nutrition to explain poverty. They have studied the relation between the level of nutrition and the extent of poverty.
2.1.18 The idea of nutrition has been made use of extensively in defining the poverty line. It has been accepted that the targeted level of income must deliver at least the minimum amount of calories that are required for a person to be free from malnourishment.

2.1.19 One has to look at the question of poverty from a very practical point of view. There has been a great deal of debate about the various definitions of poverty. In the international context, writers have drawn attention to the purchasing power parity and the base poverty line. The comparison between the same levels of income across countries gives very astounding results. In the national context, in countries like India, there are discrepancies between national accounts and survey estimates of consumption, which could lead to improper estimates of the level of poverty in the country.

2.1.20 It will be quite clear that the Developing Countries of the world have very limited financial resources. It is important therefore that the focus and priorities are made amply clear to all those involved in the development process. Hence, it makes a great deal of sense to define the goal as the enabling of all families below the poverty line to come above it without setting numerous other objectives.

2.1.21 Again, in order to ensure that the delivery mechanism is not confused with too many high-sounding and noble objectives, it would be ideal if all that is sought to be achieved is compressed into one solitary objective, namely to reduce the level of deprivation both of income and various basic minimum needs of a large section of the population. This objective could be elaborated to also include indicators based directly on the level of income,
such as the level of nutrition, the use of clothing and the provision of shelter for the homeless.

2.2 Theories of Poverty –

2.2.1 There have been a number of theories on poverty. These have dealt with the reasons for poverty and the manner in which it can be alleviated or eradicated.

2.2.2 The trickle-down theory was one of the earliest theories of alleviating poverty. It was assumed that when there is large-scale development in a country, the benefits would automatically flow to all sections, including the poor and weaker sections. Hence, there was really no need to have special programmes for the backward and under-privileged sections of society. In a sense, this theory corresponded with the Gandhian idea of trusteeship in society. It was felt that once a certain section of the society had developed, they would pass the further benefits on to the less-privileged people.

2.2.3 However, it was very much later that realisation dawned on the policy makers that the situation that exists in most countries, including the Developing ones is that this theory is Utopian and will never succeed on a large scale. Hence, the benefits would never reach the weaker sections unless there were special programmes which were meant to help them.

2.2.4 The World Bank, which also believed in the trickle-down theory to begin with, later adopted a more pragmatic two-pronged approach, which
(i) undertook steps to increase the productivity of the poor people and
(ii) aimed at providing more and efficient public services to the poor people.

2.2.5 It was in line with this approach that the Bank started funding projects in Developing countries that directly aimed at improving the lot of the poor and less-privileged sections of society.

2.2.6 Another theory is simply to empower the poor to work for their betterment. However, even this approach has its critics, like D. Goulet who felt that a third and very vital prong needed to be added, namely the redistribution of the access to productive assets, especially the critical factors of production. In the absence of this step, the mere transfer and creation of assets would not really help the poor in the long run.

2.2.7 A corollary to this criticism was that the beneficiaries of the poverty-alleviation programmes had to be freed from the over-powering influence of the landlords, moneylenders and other leaders in the rural and backward areas. Only then would the benefits really flow to the target-groups.

2.2.8 Some theorists have argued that Government alone can and must play the role of leader in the campaign to eradicate or at least alleviate poverty. They have said that no other agency can undertake this gigantic responsibility given the conditions that prevail in most of the Developing countries.
2.2.9 While some theorists have gone to argue that Government must adopt a hands-on approach, there are others who have said that Government must merely be the catalyst or facilitator and leave it to private enterprise to actually take up the development works and projects. Of course, Government must also play the role of an impartial umpire and intervene whenever necessary to set right imbalances.

2.2.10 Some economists, like H. Hazlitt have bitterly criticised the role played by Government in many Developing countries. They have sarcastically remarked that Governments just assume that the poor will not be able to do anything for themselves. This approach has led to many able-bodied but lazy persons becoming “permanent paupers” and totally dependent on Government for all their needs.

2.2.11 Some others, like Korten and Alfonso, have remarked that Governments are not really serious about the task of eradicating or alleviating poverty. In fact, they may even have a vested interest in perpetuating poverty. Hence, Government should not have any role to play in the important task of eradicating poverty.

2.2.12 However, at least in India, Government will have an important role to play in the field of poverty alleviation for many more years. However, there are certain aspects of the campaign against poverty that may best be left to Non-Governmental Organizations.

2.2.13 A significant part of the delivery mechanism is highly discredited in the eyes of the poor people. It may be advisable for Government to enlist the
services of Non-Governmental Organizations in the task of creating awareness among the people and forming them into Self Help Groups, Affinity Groups, Micro Credit Groups, etc.

2.2.14 Once this is done, the groups of people will have to be given training in all the skills that may be required. Finally, they must be allowed to plan and implement the programmes of poverty alleviation at their level itself. The Governmental machinery and the Non-Governmental Organizations must stand by and assist these groups, as and when required.

2.3 Measures of Poverty –

2.3.1 The World Bank has stated that it is essential to define, measure and study poverty to know what steps should be taken to alleviate poverty, what may work and what may not. Poverty has many dimensions that have to be looked at through a variety of indicators, like level of income and consumption, social indicators and indicators of vulnerability to risks and of socio-political access.

2.3.2 The World Bank has tried to measure poverty by studying income or consumption level. A person is considered poor if his income or consumption level is below some minimum level that is necessary to meet the basic needs. The minimum level is called the Poverty Line. However, what is necessary to satisfy basic needs varies across time and societies. Hence, the poverty line varies according to the time and the place.
2.3.3 Poverty has traditionally been measured by using the Head Count Ratio, which has meant that the number of persons below the poverty line is shown as a ratio of the total population.

2.3.4 Another measure is the Income Gap Ratio. This is an absolutist measure as it is concerned with the task of finding out the difference between the actual income and the desired level of income. In this case also, the desired level of income would correspond to the poverty line.

2.3.5 A third and simple measure is the Per Capita Income which is merely the GNP of the country divided by the size of its population. This facilitates comparison between countries.

2.3.6 There are a number of measures of inequality, which have been used as measures of poverty as well. Some of these measures are the Variance, the Co-efficient of variation, the Standard Deviation of Logarithms, the Lorenz Curves and the Gini Co-efficient.

2.3.7 A.K. Sen has developed a measure of poverty, which satisfies two important axioms, namely,

- the monotonicity axiom, wherein, given other things, a reduction in income of a person below the poverty line must increase the poverty measure and
- the transfer axiom, wherein, given other things, a pure transfer of income from a person below the poverty line to anyone who is richer must also increase the poverty measure.
2.3.8 Using his axioms, Sen has developed the Poverty Index for large numbers of the poor. The Index satisfies the monotonicity and transfer axioms and reveals the income-distribution of the poor.

2.3.9 The measure of inequality corresponding to this Index is arrived at by
- using the total population in the place of the number of poor people and
- using the Mean income of the population in place of the poverty level.

2.3.10 Sen's Index essentially uses the Head Count Ratio, the Income Gap Ratio along with the Gini Coefficient. The Index also makes use of an ordinal approach to make welfare comparisons. Sen's measure of poverty has been refined by writers such as Khare and Tripathi. They have tried to make the measure reflect reduction in inequalities among the poor and also to capture the higher growth, if any, in the average income of the poor. This has, in their view, made the measure more appropriate, precise and also relevant as a measure of poverty.

2.3.11 Atkinson has also developed a Measure, using the ideas of Dalton. He has suggested a concept of equally distributed equivalent income and shown how it can be used as a measure of inequality. His calculation involves making use of the Mean income and the level of social welfare in a society. The main idea is that the ratio of the actual level of social welfare can be used with that ratio which would be achieved if all the income in a society were equally distributed.

2.3.12 However, as has already been mentioned before, the UNDP has not been content with just a measure based on economic indicators. They have
chosen to analyze poverty by making use of the Human Development Index (HDI) which contains information on economic as well as non-economic indicators like the level of literacy, the level of life expectancy, etc. These indicators have also been taken into account by the World Bank while assessing poverty in Developing Countries, in its various reports.

2.3.13 A very recent development is the effort of the World Bank at measuring and studying the many other dimensions of poverty by assembling comparable and high-quality social indicators for education, health, access to services and infrastructure. This effort also includes developing new indicators to track other dimensions, like risk, vulnerability, social exclusion, access to social capital, as well as ways to compare a multidimensional conception of poverty, when it is not appropriate to aggregate the various dimensions into one index.

2.3.14 However, there should not be too many measures of poverty. It is certainly important to measure the per capita income of the poverty-stricken family. However, it is important to view poverty in terms of the availability and access of the families to certain basic social infrastructure.

2.3.15 The social infrastructure should include education facilities, especially for the women, health facilities, water and sanitation facilities. These are not normally available in the rural areas, especially to the poor. If it is ensured that the poor have access to these facilities, over a period of time, their economic condition is certain to improve in a significant manner.
2.4 Summary of the chapter -

2.4.1 This chapter first explores some of the definitions of poverty. It enters into a discussion on defining poverty in absolute terms as opposed to doing so in relative terms. It also describes definitions that have been propounded by some economists and those that have been adopted by international organizations, concerned with poverty alleviation. The merits of these definitions are examined.

2.4.2 Some well-known theories and approaches to poverty are considered, especially in the Indian context. The trickle-down theory, the trusteeship approach, the rapid industrialization model are all examined critically.

2.4.3 Measures of poverty that have been proposed by various theorists and others are also examined. While some are too narrow, others are too broad and all-encompassing. The manner in which the state of poverty ought to be measured is explored in detail.

2.4.4 The author shares his perception and views on all three aspects of poverty while dealing with the relevant matters. The manner in which poverty should be viewed and measured are explained in a cogent manner.

2.5 References -


43