

What Is Poverty? Good Question.

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The emergence of people-centred poverty measures in the late 1990s, first introduced by UNDP's *Human Development Report*, was a hopeful sign that poverty analysis would be re-aligned with the human development paradigm. But progress has been slowed by ambiguities. Moreover, some recent efforts have tried to redefine human poverty in income-poverty terms.

The inaugural 1990 *Human Development Report* defines human development as "a process of enlarging people's choices" and states that "income is a means [to], not an end" of human development (p. 10). However, in constructing the Human Development Index, the report included as one of its three indicators real GDP per person. This indicator was meant to denote "command over resources needed for a decent living" (p. 12). So what had been clarified as a means to human development (income) established itself thereafter as an indicator of the attainment of the end itself (human development). This has been a persistent source of confusion since then.

The Emergence of Capability Poverty

The 1996 and 1997 *Human Development Reports* broke new ground by defining measures of human deprivation in addition to human development. The path-breaking 1996 *HDR* developed the 'capability poverty measure', which was the first "multidimensional index of poverty focused on capabilities". The report stated that "unlike income, capabilities are ends, and they are reflected not in inputs, but in human outcomes—in the quality of people's lives" (p. 109).

The capability poverty measure was based on three *non-income* measures (related to health, literacy and reproduction), specifically "intended to complement income measures of poverty" (p. 27). Thus, this measure sought to maintain a clear distinction between means and ends. Otherwise, the same object—namely, deprivation—could be measured twice in the same index.

Reformulating capability poverty, the 1997 *HDR* produced the 'human poverty index', which was explicitly aligned with the three dimensions of the human development index. This led, however, to re-incorporating indicators for the lack of 'overall economic provisioning'. Instead of using income, as the HDI does, this new index used indicators for malnutrition and lack of access to health services and safe water. This was meant to incorporate measures of the lack of both private income (leading to hunger) and public income (leading to lack of public health services and water supply).

The income approach to poverty has difficulty in accounting for public income (e.g., public revenue that finances the provision of health and education). And income has little direct correlation with some basic capabilities, such as political freedom. So this approach cannot capture the full range of human deprivation.

The human poverty approach has difficulty in clearly defining some human capabilities. For example, is 'the command over material resources' a human capability? And if so, is the level of a person's income (including access to public income) an adequate proxy for this capability? But income is supposed to be a means to developing human capabilities, not an end in itself. This is a troubling ambiguity that underlies major recent problems.

'Capability-Based' Income Measures

In this regard, some poverty experts have recently concentrated their attention on developing a generalized income measure of capability poverty. One prominent example is Kakwani 2006 (IPC *One Pager* #22). This represents a well-intentioned effort to anchor income measures of poverty more firmly on a capability base. But its operationalization could reduce human poverty to income poverty and muddle the conceptual distinction between the two.

Note Kakwani's argument that "poverty is concerned only with the inadequacy of command over resources needed to generate socially determined basic capabilities". In other words, while people could be deprived of capabilities in various respects, they are poor only when they *lack adequate income* to support basic capabilities. Part of the debate relates to confusions (mostly unnecessary) about *basic* capabilities.

Kakwani's example of a millionaire (who obviously is not poor) having an incurable disease (being 'capability deprived') is not helpful since society is incapable, by definition, of guaranteeing freedom from such a disease. By contrast, society should ensure freedom from such *preventable* diseases as malaria, tuberculosis and HIV/AIDS—a major reason that such freedom should be regarded as a basic health capability. The same could be argued for freedom from hunger, for example.

But trying to formulate a 'capability-based' measure of income poverty has more serious flaws. Its main difference from traditional poverty measures appears to be its 'costing' of capabilities instead of basic food and non-food needs. But many capabilities are difficult to cost; and it is pointless to cost others, e.g., political freedom. Thus, this approach will most likely revert to the traditional method of costing the more easily defined commodity inputs into human needs, e.g., food, clothing and shelter. Thus, we will have come full circle back to traditional income-based poverty measures—an unfortunate legacy of underlying confusion in basic concepts.

Hopefully, this *One Pager*, along with IPC's December 2006 issue of *Poverty in Focus*, will stimulate a broader debate on this critical issue and lead to greater conceptual and operational clarity on 'what is poverty?'

References:

Kakwani, Nanak, 'What Is Poverty?', *One Pager* #22, September 2006, International Poverty Centre, Brasilia.
UNDP, *Human Development Report*, 1990, 1996 & 1997, New York: UNDP.