

Towards a concept on poverty

Hacia una noción sobre la pobreza

Rumo a um conceito sobre pobreza

Julián Augusto Casas Herrera^{*}
Rodrigo Barichello^{**}

DOI: <http://dx.doi.org/10.19053/22565779.2784>

Date of reception: 29 July 2014

Concept of evaluation: 1 October 2014

Date of approval: 28 November 2014

* Economist. Specialist in Finance from Universidad Pedagógica y Tecnológica de Colombia (UPTC) and Master's in Economic Science from Universidad Nacional de Colombia (Bogotá). Professor in the School of Economics at the UPTC, Tunja, Colombia. Postal address: Calle 33 A # 17 A 59. Tunja. Colombia. E-mail address: julian.casas01@uptc.edu.co

** Business Administrator. Master's in Production Engineering and candidate for a Doctorate in Production Engineering from Universidad Federal de Santa Catarina (UFSC), Brazil. Professor at the Universidad Comunitaria de la Región de Chapecó (UNOCHAPECO), Brazil. Postal address: Rua Menna Barreto 210 E-Apartment 1001-1, São Cristóvão Neighborhood. Chapecó/SC Postal Code 89803-280, Brazil. E-mail address: rodrigo.b@unochapeco.edu.br
The authors appreciate the comments made by professors Manuel Muñoz and Guillermo Rivas, who are authoritative sources and referece points when approaching the theorization of poverty in Colombia.

Resumen

Este artículo analiza los antecedentes relacionados con la pobreza y hace una síntesis de los principales elementos del fenómeno que permiten abordar el estudio del mismo. Con este fin, se sitúa temporalmente el comienzo de la pobreza en el mundo, lo que conduce, por una parte, a distinguir entre pobreza y desigualdad y, por otra, a observar la forma como se ha intentado plantear el análisis del fenómeno de la pobreza, que aún sigue teniendo vigencia, puesto que el 40 % de la población mundial la sufre.

Palabras clave: pobreza, componentes, métodos de medición.

JEL: D31, D60, E20, H75, I31, I32

Abstract

This paper analyzes the background associated with poverty and makes a synthesis of the main elements of the phenomenon that allows us to undertake its study. To accomplish this, the beginning of poverty in the world is located temporally, which leads us, on the one hand, to distinguish between poverty and inequality and, on the other, to observe the way analysis of the phenomenon of poverty has been approached, given that it continues to be of relevance, since 40 % of the world population suffer from it.

Keywords: poverty, components, measuring methods.

Resumo

Este artigo analisa os antecedentes associados à pobreza e apresenta uma síntese dos principais elementos do fenômeno que permitem abordar o estudo do mesmo. Para o alcance dos objetivos, se situa temporalmente o início da pobreza no mundo, o que conduz, por um lado, a distinguir pobreza e desigualdade, e por outro lado, observar a forma como tem-se tentado abordar o estudo e a análise do fenômeno da pobreza, que ainda permanece válida, uma vez que 40 % da população mundial sofre com o mesmo.

Palavras chaves: pobreza, componentes, métodos de medição.

INTRODUCTION

This document is presented to clarify some of the main aspects in the analysis of poverty. It has 4 sections: the first section is the introduction. The second shows the origins of poverty and makes a distinction between poverty and inequality. The third makes an approximation of the concept of poverty, from the presentation of five components, focusing particular attention on the measurement of poverty. Finally, it shows the relevance and validity of the analysis of poverty, given that 40% of the world population suffers from this scourge, thus, a better understanding of the phenomenon is necessary to establish appropriate public policies that effectively favor those most affected by poverty.

THE ORIGINS OF POVERTY

Etymologically, the word “poverty” is derived from the noun “poor”, which comes from the Latin *pauper-pauperis*¹, the significance of which is infertile. One would expect, therefore, that richness, which is derived from “rich”, would express fertility. However, this word comes from the gothic *riks*, which means powerful. Nevertheless, the possible meaning of the word poor is related to little or no production, whereas, rich, apart from relating to power, is also linked to greater access to goods and services.

On the other hand, the *Diccionario de la Real Academia Española* (the Royal Academy of the Spanish Language Dictionary) defines poverty as lack and

¹ Comes from *paucus* (little) and *pariré* (engender/give birth), (dechile.net, n.d.).

scarcity. At the same time, it defines scarcity as poverty or the lack of what is necessary to survive (RAE, n.d.). Thus, the definition has a tautological and circular nature. Despite this, it can be affirmed that most authors, regardless of their line of thought, agree that *poverty is the lack or insufficiency of an attribute in relation to a threshold*; for example insufficiency of income in relation to a poverty line (PL), insufficiency of years of education compared to the average of the country, among others. If people are located below the set threshold, they will be considered to be poor in respect to the chosen attribute² (Coudouel, Hentschel & Wodon, 2002).

By tracing the origins of poverty, it is found that in the Koran, the word poor is mentioned 26 times, and the word poverty is mentioned four times. Equally, the Bible uses the word poor 76 times and the word poverty on 18 occasions. Note that even in books as ancient as these, the phenomenon of poverty is mentioned. But as to when it first appeared on the planet:

... 20,000 years ago, humans invented agriculture. Until then, we were hunter-gatherers, and almost all studies point out that these types of societies were (...) egalitarian. But when we invented agriculture, we invented surplus, people appeared who wanted to control that surplus and that is how hierarchy and (...) poverty arose (Punset, 2005, p. 100)

From the quote, two elements are deduced: the problem linked to the distribution of surplus and the relationship between poverty and inequality. The first element was analyzed by the authors of classic economic thought. These theorized about the problem of value and distribution. In fact, the main themes of analysis that occupied them are related to determining the causes of the increase of wealth, as well as the laws that regulate its distribution among different classes of the society. Therefore, for classical thinkers it was essential to value goods because that would allow them to know how much there was to distribute among the members of the society.

However, it is necessary to consider up until what point the phenomenon of poverty is related to the problems of the distribution of income, productive resources, land, and capital, among others. Pardo (2000) points out that for Adam Smith and David Ricardo, poverty is related to distributive and institutional matters of capitalist economies. For Smith, inequality is the principal cause of poverty. Nevertheless, he justified it, as it ensures stability in the capitalist social order; in contrast, for Ricardo, poverty depends on the dynamics of distributive conflict and population growth.

Smith envisaged the relationship between poverty and inequality as from the appearance of private property. In fact, Smith maintains that the objective of

² Note that the attribute or parameter for evaluation may be monetary or not.

government is to protect wealth and defend the rich from the poor. Thus, for Smith, the differences between the rich and poor are necessary, converting inequality into the result of a social contract between owners of private property and political leaders, in that the latter legitimate the interests of the former (Pardo, 2000). Likewise, Smith (1997) affirms that the poor are the only ones who can sustain themselves by their work. In fact, he indicates that:

The masters cannot reduce wages below a certain rate, namely: the livelihood of the laborer, plus a certain amount to sustain his family (...) There exists, however, a connection between the price of labor and that of provisions (Smith, 1997, p. 66-83)³

On the other hand, Ricardo points out, that poverty affects the working classes and reduces the wellbeing of the society. For that reason, work and wages are fundamental in understanding the reasons for which poverty persists. In fact, he gives three causes for its persistence: i) the dynamic relationship between demographic and economic forces do not favor the poor; ii) the process of accumulation perpetuates inequality; and iii) institutional reasons defend the interests of the rich⁴.

Lastly, Pardo (2000) indicates that Smith, like Ricardo, accepts three premises: i) inequity will continue, but the tendency of society towards economic and social progress, through the accumulation of capital, would mitigate poverty; ii) freedom is essential to reduce poverty; and iii) the state should only intervene to improve the level of education of the poor.

As regards the second element – the relationship between poverty and inequality– (Sen, 1992)⁵, it can be said that, in theory, if there were equality, there would be no poverty. Nevertheless, the relationship is more complex, given that when the problem of equality is approached, it should be specified, as does Sen (1979), equality in what. In that sense, this document focuses its attention on the variable of income, as poverty, from the beginning, has been related to it (Townsend, 2007). For this reason, income stands at the center of the discussion, along with the way it is distributed among the members of a society.

Fundamentally, the conceptual difference between inequality and poverty lies in the fact that: the latter is an absolute measure of wellbeing whereas the former is a relative measure of wellbeing.

³ Smith's postulate is related to the method of the absolute PL. Specifically with the basic basket or line of indigence, which can be reviewed in the second part of the article, in the measurement component.

⁴ Ricardo believed that poverty had made people lazy. Because of this, he was an opponent of subsidies, given that he believed that the process of accumulation and the free market would regulate population growth, as well as improve the poor population.

⁵ Sen points out that analyzing poverty as a problem of inequality or vice versa would not do justice to either of the two concepts. Both concepts are related but neither of the two replaces the other.

That is to say, inequality is a broader concept as it includes the whole population, together with the distribution of income among its members. In contrast, poverty only focuses on those who are located under the threshold that a poverty line establishes; those who are on the lower end of the distribution of income. In other words, one way of differentiating between inequality and poverty is that the first compares the situation of a household with that of others, whereas the second arises from the comparison of the situation of a household to a norm or a set of norms, which is reflected in the defined threshold (Boltvinik, 1999).

Accordingly, it is supposed that the relationship is based on the amount of income that an individual has as opposed to others; so it could be said, for example, that if there is a society with two individuals and one of them gets 90% of the total income of the society, and the other one the rest, the situation would be the following: i) as regards equality it could be said that there is a high degree of income concentration, as 50% of the society concentrates 90% of the income; ii) referring to poverty, the defined threshold in the society would have to be taken into account to determine if the

individual with 10% of the income is in a situation of poverty or not. Therefore, if the threshold of the poverty line was set below 10%, it would be said that that individual is in an unequal society, but he is not poor; hence, poverty is not a synonym for inequality.

From the above, value judgments such as the following are gathered: *this is unfair; it is an unacceptable situation*, among others. Putting the discussion in these terms, now it is not referring to inequality, but rather inequity. That is to say, the way income should be distributed among members of the society⁶. However, the reach of this document does not cover the themes related to inequality and inequity, given that the complexity of each one merits a detailed analysis: it only addresses poverty. In this respect, one of the first social views as regards poverty arose:

Towards the end of the High Middle Ages (...) in 1601, [with] the enactment of the Poor Laws, in England under the reign of Elizabeth I. From that point (...) this view was modified and amplified by the actions of the modern state after the French Revolution (Consiglio, 2007, p. 10).

⁶ A common point of confusion is thinking that equality is synonymous with equity, as well as inequality and inequity; an example could clarify both concepts. Imagine a society with just two people: A earns \$1000 and B earns \$5000. It would be said that in that society there is equality when both pay \$100 of tax, given that both would pay exactly the same amount. Nevertheless, in this society there is not equity, if it is considered that as B earns more, he should pay more. In synthesis, there is equity when normative criteria are included so that tax is distributed in a more *just* way among the members of the society: and there is equality if everyone pays the same. In the same way, Corrado Gini (creator of the Gini coefficient) in an interview answered the question: "*Why is it a mistake to use inequality and inequity as synonyms?*" with the following: "Because they refer to different fields. Equality and inequality are statistical concepts; equity and inequity are ethical or moral concepts. The first serve to describe a reality, the second to qualify it" (De Pablo, 2012).

With that in mind, Townsend (2007) points out that in:

England, before the time of Elizabeth I (...) diverse laws for regulating and maintaining the poor were issued, and the first registered group of “Commissioners for the Poor” began to work in 1630 (...). At the end of the 18th century, governments and dominant groups felt obliged to reluctantly define the needs of the poor in relation to their income. In Great Britain and a large part of Europe, those in charge of small areas, such as parishes, developed internal and external forms of poverty relief long before the industrial revolution. The economies recently based on the manufacturing industries and on a salary system brought new problems related to the calculation and regulation of the sums that the poor were to receive within and outside of the institutions for the poor. The principle of “less acceptable” played a crucial role in the thinking of the politicians as well as those in charge of scientific research (Townsend, 2007, p. 15).

Townsend (2007) indicated that the history of the poor had passed through distinct stages: bread giving, benefits in kind, cash and even a combination of cash and bread. Nevertheless, in these handouts there was a conclusive element: *determining who deserved those benefits*. To agree on this, governments began to define the minimum nutritional

necessities of the poor. This led German, British, and American nutritionists to carry out research on the nutritional requirements necessary to keep people alive.

Hence, from the beginning, poverty was related to income. But its composition is problematic because two elements need to be clarified in order to measure poverty: income and deprivation. The measurement of the first should include the value of the goods and income in kind that can be considered to be equivalent to the income. In contrast, the measurement of deprivation requires that the essential elements that should be included in human activity in a given society are decided upon.

Stemming from the above, Townsend (2007) notes that from 1880 up to now, three concepts of poverty have been developed: subsistence, basic needs, and relative deprivation. From the first concept, according to Rowntree (1901), the poor are those whose income is “insufficient to obtain the minimum necessities for the maintenance of merely physical efficiency.” Later, this concept was considered to be very narrow and, for that reason, it was broadened to establish that a family would be in a situation of poverty if their income minus rent was below a determined poverty line. It is important to highlight that in the calculation of income an allowance was taken into account for clothing, fuel, and other items. Even so, most of the income was destined for food. Thereby,

Rowntree`s contributions influenced scientific practices and national and international policies for the rest of the 20th century.

However, the concept of subsistence was criticized because it only included human needs as in physical needs (food, housing, and clothing) and didn`t consider social needs. For this reason, from 1970 the concept of basic needs gained strength for including two elements:

- i) certain minimum requirements of a family for private consumption: suitable food, shelter and clothing, as well as some furniture and house fittings;
- ii) essential services provided by and for the community without restrictions, such as safe drinking water, sanitary conditions, public transport and health, education and cultural infrastructure (Townsend, 2007, p. 18).

Nevertheless, the concept of needs also had objections because national needs are not the same compared with other countries in the world. For this reason, from the last two decades of the 20th century, the concept of relative deprivation arose, which relativizes the resources to the social and material conditions of each historical moment of the society, given that the:

People living in the present are not subject to the same laws and obligations as well as customs that

applied to a previous era (...) [There are therefore] major objections to merely updating any historical benchmark of poverty on the basis of some index of prices (Townsend, 2007, p. 20).

From the above, it can be deduced that poverty, due to its dynamic and changing nature, both in time and space, has been modified with the passing of different periods, due to the fact that it is a multifaceted social phenomenon. For this, it demands that in each moment of history, it is analyzed in a specific way from its distinct components. This will be dealt with in the following section.

COMPONENTS OF POVERTY

Poverty is an ancient phenomenon that is reflected in the lack or insufficiency of something with respect to a pre-established threshold. Regardless, poverty causes, inconvenience and pain. For this reason its analysis has been approached by historians, sociologists, and economists from five components that are explained below.

Approaches

Starting from the recognition that poverty exists in the lives of human beings, it is necessary to direct attention to it from a peculiar perspective, with the aim of observing, recognizing, and characterizing its main features in order to understand its dynamic and thus assume a perspective when approaching it, and

equally differentiate *who might fall into a condition of poverty based on some needs that should be satisfied*. Even so, each approach varies in its perspective of what it considers adequate for differentiating who might fall into a condition of poverty.

Following that line of thought, Marx (1967) expressed that the needs of individuals are the same in different societies, what varies are the ways of satisfying them, given that they depend on the societies' customs. From the above, the *relative* and *absolute* approaches emerged. The *relative*, according to Feres and Mancero (2000), suggests that the condition of poverty arises from the comparison of individuals, that is to say, it depends on the general level of wealth that exists in the society. In this way, if people do not reach an medium level standard of living according to the society they live in, they will find themselves in a condition of poverty.

The *absolute approach*⁷, according to Feres and Mancero (2007, p 11): "maintains that needs (...) [*are independent*] of the wealth of others, and not satisfying them reveals a condition of poverty in any

context." For that matter, if individuals do not satisfy their most basic needs, they will find themselves in conditions of poverty. However, for Sen (1992), the relative approach complements, but does not replace, the analysis of poverty in terms of the *absolute* approach⁸.

As well as the approaches mentioned, which are the most used in the world, authors such as Sen (1997), Rawls (1982), Boltvinik (2007a), Kapteyn, Kooreman and Willemse (1988), have proposed different approaches for tackling the analysis of poverty. Sen (1997) set out the *Capability approach*, where goods are not that which determine standard of living because having them does not indicate the activities that an individual can perform, given that they depend on the faculties and impediments each person has. For this, the power to perform actions is that which determines the standard of living, and not the possession of objects.

In Sens's analysis, a distinction is also made between functionings⁹, capabilities¹⁰, and goods and services. Thus, while functionings are achievements, capabilities are the ability to obtain those

⁷ This approach supposes that each person or household has the same utility function and that individuals are maximizers of utility. Personal income or that of the household serves as an indicator of well-being.

⁸ There has been a controversy between the absolute and relative approaches, due to the fact that the threshold or PL has two components: an absolutely universal core and one that is relative, specific to each society. Thus, the absolute refers strictly to subsistence, while the relative approach indicates that the households or individuals are more than food, the reason why other essential necessities should be adjusted for each society (Boltvinik, 1999).

⁹ Known as functionings, which according to Vargas (2004, p. 6) "represent parts of the state of a person: in particular, the things they achieve to do or be in life" that is to say "the diverse conditions of life (the diverse dimension of being and doing) can be reached or not."

¹⁰ Usually found as capabilities. These refer to the abilities that a person has for reaching certain life conditions. Vargas (2004, p. 6) indicates that "the capacity of a person reflects alternative combinations of the functionings that they can achieve." For this reason, quality of life should be evaluated in terms of the capacity to achieve functionings.

achievements (Vargas, 2004). Therefore, any good or service should be valued not in itself, but rather for the capabilities that it permits the individual to develop in order to realize functionings. For this reason, when Sen talks about poverty, he refers to a situation in which the individual is incapable of reaching the most basic, crucial, and important functionings for their life.

Rawls' (1982) egalitarian approach gives priority to freedom and equality. Also, it proposes the existence of primary goods, that is to say, those things that every rational person wants to have. Said goods are: "basic rights, freedom of movement, free choice of occupation against a background of diverse opportunities, the social basis of self-respect, power and prerogatives of office and positions of responsibility in political and economic institutions, freedom to have income and attain wealth. For this approach, poverty is manifested in those people who have less primary goods, which makes them the most vulnerable people in society" (Rawls, 1982). For this reason, people who see their freedom and equality in attaining primary goods restricted will be mired in poverty.

On the other hand, Boltvinik (2007a) proposed the human flourishing approach, which suggests a radical change in international political and economic institutions, due to the fact that they have a very limited idea of human needs and

poverty. For this approach, the condition of poverty appears in the existence of a human being when they are made vulnerable by the society, particularly, when the *conditions of production* and *social relations* exclude them and show indifference to their situation, which causes the reinforcement of their state of poverty. From this perspective, the majority of people do not have *free time* to recreate the transformation of the social order, that is to say, they give up the *utopia* and, for that matter, the possibility of living in a better world. In this environment, human flourishing is not possible.

Finally, De Vos & Garner (1991), Kapteyn, Kooreman & Willemse (1988), Pradhan & Ravallion (1998), among other authors, have suggested, in recent years, an analysis of poverty from the subjective perspective of people. This is called the subjective approach, which aims to capture the perception the poor have of their situation. That is to say, it looks not only to focus on the perspective of the income/consumption variable¹¹ of households or people, but also, the way they have of evaluating their living conditions. However, the use of the subjective approach has been scant.

Definitions

Stemming from the approaches there appear the countless *definitions of poverty* which attempt to characterize their main

¹¹ On occasions, "rent" is not said, but "income." and instead of "consumption," "expense" is said.

generic and differential features from the perspective of each author. The definitions can be grouped into two categories, *one-dimensional and multidimensional*. The first type is characterized by relating poverty to a situation of insufficiency or

lack of a single attribute with relation to a threshold (usually income). The second is based on giving a broader explanation in terms of the inclusion of more attributes (Boltvinik, 2007b). Some definitions are shown in Table 1.

Table 1. Definitions of the concept of poverty

ONE DIMENSIONAL	MULTIDIMENSIONAL
For Fields (2001) poverty is the inability of an individual or family to provide sufficient resources to satisfy their basic needs.	Boltvinik, quoted by Dieterlen (2007), points out that poverty is a complex situation, expressed by a collection of shortages that can threaten the dignity of those who suffer them
For Hagenaars (1986), poverty is a situation in which the well-being of a household, derived from its provision of resources, falls below a certain minimum level of well-being, called the poverty threshold.	Sen (1992) indicates that poverty should not be measured according to access to material and social goods, but rather that it is fundamental that people have the capacity to use them adequately, so that they are permitted to provide themselves with the freedom to seek out their own wellbeing.
The ECLAC (2000) maintains that “poverty signifies the lack of sufficient income with respect to the absolute income threshold, or poverty line, which corresponds to the cost of a basket of basic consumption.”	Narayan (2000) notes that poverty is linked to “four systems of social integration: democratic and legal, the labor market, social protection, and family and the community.”
Ravallion (1992) argues that poverty exists in a society when one or more people do not have a level of economic well-being that allows them to have a reasonable minimum with regard to the standards of the society.	Max-Neef et al. (1986) distinguish between needs and satisfiers. Needs are absolute, given that they are the same in all cultures and historical periods, but satisfiers of needs are determined culturally and because of that, they tend to be different in each society.
The World Bank (Eumed.net,n.d.)” calculates poverty lines (...) of US\$1 and US\$2 in terms of the purchasing power parity (PPP) of 1993, this measures the relative purchasing power of currencies (...) they consider to be in absolute poverty (...) those people who live on less than US\$1 per day and in relative poverty, those who live on less than US\$2 per day.” ¹²	Spicker (2000) registers eleven possible ways of identifying the word poverty as necessity, standard of living, resource insufficiency, lack of basic security, lack of ownership, multiple deprivation, exclusion, inequality, class, dependency, and unacceptable suffering.

Source: elaborated by the authors

¹² The line of indigence was readjusted in 2008 to US\$1.25 a day in PPP of 2005.

More definitions could be cited, which demonstrates that the conceptualization of poverty has not concluded. For this reason, analyzing the phenomenon remains valid, in the sense that it becomes necessary to characterize and identify the principal elements that make up the concept of poverty, with the aim of increasing our knowledge of it, as a better definition represents a significant step towards understanding it. This would imply knowledge of its determinants or causes, which would put the discussion in the arena of finding alternative solutions to eradicate or reduce the effects of poverty on the lives of human beings.

Determinants

The determinants have been contextualized into three levels: individual, local, and regional. In the first, it is indicated that if there is an individual suffering from poverty, it is possible that all the inhabitants of the household suffer from it (Mathus, 2008). On this level, three sub-determinants stand out: demographic, economic, and social. In the *demographic*, the size of the household, the dependency ratio, and the sex of the head of the family stand out. Thus a greater number of children (family planning programs would be necessary), coupled with there being only one person in the household working (given the difficulty of entering into the labor market), the satisfaction of essential aspects could be compromised. Regarding the *economic* sub-determinant, the loss of income as a result of unemployment or other factors, plays an important role in establishing the

individual's purchasing capacity of goods and services. Finally, in the *social* landscape aspects such as health, nutrition, and education, among others are considered. Note that there is an interrelation among the three sub determinants, which means that poverty is a multidimensional phenomenon that does not follow the absence of only one attribute, but rather of many. From such insight leads the importance of adequately identifying the determinants of poverty.

On the local level, the existing infrastructure in a certain territory stands out as the main determinant. This is due to the fact that poverty is also related to the geographical location people live in (Mathus, 2008), because this gives people the opportunity to satisfy needs other than those that are food related, such as electricity, water, schools, universities, hospitals, among others. Even so, there are needs that may be relevant in certain societies, but not in others. For example, Karelis (2007) points out that on the islands of the state of Chuuk, in Micronesia, there are no cars, phones, clinics, nor running water, and they do not have a regular supply of electricity for domestic use. However, the inhabitants of Chuuk do not consider themselves to be poor. Hence, Orshansky (1969) points out that "poverty, like beauty, is in the eye of the beholder." Nevertheless:

If the concept of poverty is of any use, we should restrict it to expressing the dissatisfaction of human needs, the satisfaction of which depend

on economic conditions. On the contrary, poverty could be confused with other dimensions of human suffering. Therefore the ability to differentiate the concept (the ability to distinguish the poor from the not poor) would be lost and it would be useless as a policy tool (Boltvinik, 1999, p. 37).

The third level indicates that poverty tends to be greater in those geographic areas which lack or present insufficiencies of natural resources, rain, economic opportunities, security, freedom of speech, equality, household provisions, among others (Mathus, 2008). It is also worth mentioning that people's attitudes can be a determinant that contributes to an individual being in poverty. As an example of this, begging can be mentioned, as some people prefer to beg than to look for work.

However, the above cannot be generalized given that, it is also true, that in some societies¹³ there are structural and circumstantial conditions that confine human beings to live a reality that they repudiate, but they cannot change because the variables that put them there are out of their control, such as an economic crisis, a natural disaster, institutional aspects,

hegemonic blocs, among others. Lastly, as a consequence of poverty, there are other situations that are derived from it. Thus, if all or some determinants aggregate to affect some individuals or households in a situation of poverty, it is worth wondering about the *consequences* that this brings to their lives.

Consequences and types

Narayan (2000) and Narayan & Petesch (2008) highlight that poverty tends to manifest in: hunger, impotence, suicide, lack of a political voice, social isolation, sickness, high mortality rates, deprivation, corruption, affronts to human dignity, sadness, humiliation, dependency, begging, shame, illiteracy, delinquency, household breakdown¹⁴, and breach of social norms, which generates disorder and violence on a household level as well as on the regional and national level.

Equally, it is worth pointing out that the consequences of poverty are expressed, differently, in the cities and the countryside. This leads to the differentiation between the *types of poverty*: urban and rural¹⁵. They are distinguished, initially, by the place in which they develop. Also, by the measures that need to be applied

¹³ Beluche (1996, p. 20) indicates that "capitalist society generates poverty in two ways, distinct but related: on the one hand, the ever-present tendency to pay the workforce with a salary equal or slightly inferior to the reproduction cost; on the other hand, the existence of a permanent unemployed "reserve army" that, at the same time, serves to push down salaries to the lowest possible level, thus increasing corporate profits."

¹⁴ This happens when women become the breadwinner for the family, which implies a redistribution of power within the household.

¹⁵ Max Neef et al. (1986) criticize the traditional concept of poverty, because it's nature is totally economic. These authors propose speaking about poverties. In fact, any fundamental human need that is not satisfied, reveals human poverty. One can speak, therefore, of subsistence poverty, protection poverty, among others.

for the eradication of poverty, given that, for example, the inhabitants of the countryside face different characteristics with respect to those of the city (Boltvinik & Hernández, 2000). Therefore, the geographic location in which individuals or households are found would offer certain advantages and disadvantages. For example, people from the countryside benefit from subsistence agriculture from which they obtain cheaper food; in contrast, the inhabitants of cities have more services and opportunities (World Bank, 2005).

At the same time, it is important to mention that structural and circumstantial poverty can be spoken of in each of the areas referred to (urban and rural). The first refers to permanent conditions that households/individuals of a society experience that make it difficult to satisfy basic needs on the short term; in contrast, the second type can occur when the households/individuals fall into a situation of poverty at short notice due to circumstances such as a crisis, loss of work of the head of the household, among others. One can attempt to capture these types of poverty using different methods of poverty measurement, such as those of unsatisfied basic needs (UBN), absolute poverty line, relative poverty line, etc.

Measurement

In principle, it could be said that if what poverty means has not yet been defined with precision, it is reasonable to doubt as to its forms of measurement. If this is

true, it should be asked why they exist. Haughton & Khandker (2009) suggest four reasons in answering this question: i) to maintain the poor in the agenda; ii) to identify the poor and conduct the appropriate interventions; iii) to supervise and evaluate the projects and the political interventions geared towards the poor; and iv) to evaluate the efficiency of the institutions whose objective it is to help the poor. Indeed, according to Ravallion (1998), it is easy to ignore the poor if they are statistically invisible. In other words, if keeping track of the poor did not continue, the state could possibly forget about them. In fact:

The main purpose pursued with the measurement of poverty is to have a basis that contributes to determining the number of people who require assistance and subsidized social security through public policy (Núñez, 2011, p. 6).

In this way, the measurement of poverty can opt for two paths, *calculate the resources* or *compare the observed conditions* of an individual/household with regard to a threshold, which establishes the limit of minimum necessities that should be satisfied. Nevertheless, there is no consensus as to what should be considered to be needs, as that enters into the territory of establishing what should be *sufficient* or *decent*, and this varies from one society to another and from one period to another. From this, it is possible to see the difficulty in defining the concept of poverty. Nonetheless,

needs have been classified as material and non-material. The satisfaction of the first type depends on economic conditions, while the second type on non-economic conditions (Boltvinik, 1999).

This distinction made, the measurement of poverty requires operationalization, that is to say, the way of quantifying a determined concept of poverty. Any poverty measurement exercise requires three elements: i) to choose the attribute (monetary or not) of wellbeing to evaluate; ii) establish a threshold that allows the classification of a given household/individual as poor if situated below it; and iii) select an indicator that gives information about the population or specific group (Coudouel, Hentschel & Wodon, 2002).

Furthermore, the measurement of poverty implies an exercise of *identification* and *aggregation*. Identification should answer the question: *who are the poor?* To answer it, definitions of *threshold* and *attribute(s)* are required, which serve as references for differentiating between the poor and non-poor. On the other hand, aggregation should resolve the problem of *how to generate a global measurement of poverty through an indicator or set of indicators?* (Sen, 1992).

It is important to point out that indicators should have some desirable properties that they satisfy. Muñoz (1999) suggests six: i) monotonicity (poverty increases if a poor person's income diminishes); ii) transference (poverty increases if a transference of income occurs from a poor person to a person with a higher income); iii) focus (poverty is unchanged if the incomes of the non-poor are unaltered); iv) replication invariance (if the distribution of income remains the same, poverty will not vary when the total population changes); v) social welfare (the indicator should give more importance to people with lower income); and vi) decomposability (the measurement of poverty should separate the components of poverty into groups, with the aim that total poverty will be the result of adding up poverty by groups) (Muñoz, González, Arcos, Corredor & Becerra, 2000).

Various poverty indicators exist, but the most common are: incidence¹⁶, depth¹⁷, and gravity¹⁸. However, some poverty measurement methods present a difficulty in estimating a Sen Indicator, which takes into consideration a set of incidences, the depth, and gravity through a Gini index (Serrano, 2002). With respect to this, it should be said that the methods most

¹⁶ Known as the percentage of poor people.; it divides the population that is below the PL by the total population.

¹⁷ The poverty gap divides the deficit in income/average global consumption with respect to the PL of the whole population, by the total income/consumption of the population. The indicator points to the amount that has to be transferred to the poor to take them out of poverty.

¹⁸ Also called the poverty gap squared, this indicator, apart from taking into account the distance that separates the poor from the PL, also considers the inequality among them. Hence, it assigns more weight to the household/individuals who are further away from the PL. This indicator along with the poverty gap has its limitations when applying non-monetary parameters.

used to keep track of poverty are PL and the UBN, but they are not exempt from criticism.

Thus, the UBN *directly and effectively evaluates* if households suffer from five types of insufficiencies: i) households that occupy inadequate housing; ii) households that live in housing without basic services (drinking water and excreta disposal); iii) households with critical overcrowding (evaluates if there are more than three people per room); iv) households with school non-attendance (includes households with at least one child between 7 and 11 years of age, who does not attend school); and v) households with high economic dependence (evaluates if there are more than three people per employed person, and where the head of the household has passed a maximum of two years of primary education). For the UBN, a household and its inhabitants are poor if they have at least one UBN, but if they have more than one UBN, they are considered to be in a situation of indigence.

The criticisms that have been made of the UBN¹⁹ include that: i) it relates to few goods and services; ii) the levels demanded of the variables that form them are low; iii) it does not differentiate between levels of poverty, given that all people with shortages are the same; iv) it only identifies incidence and does not

allow the measurement of the gap nor the gravity among the poor; v) it grants one same consideration for each of its components; vi) it only captures the structurally poor, not the circumstantially so; vii) as time passes, it is observed that some variables that form the UBN no longer capture poverty; viii) it may underestimate urban poverty (Muñoz, 1999; Muñoz et al., 2000).

As regards the PL method, there are three modifications that tend to be frequently used: subjective PL, relative PL and absolute PL. The first carries out a survey to measure people's perception of what the minimum budget necessary should be and thus define the PL value. Note that the threshold between poor and non-poor is determined by the perception of people of their own welfare. The subjective PL can be used in monetary as well as non-monetary attributes.

In relative PL, information about resource distribution is used, and the PL is defined as the proportion of some notion of standard of living, such as the average, the median or some other quantile²⁰. Note that the concept of poverty is evaluated with respect to the standard of living of a particular society; hence, for this approach, poverty would represent the inability to participate in the normal life of that society, given the lack of resources. Anyway, it has to be pointed out that

¹⁹ Muñoz et al. (2000) point out that UBN is not a utilitarian index, because it looks at needs instead of concentrating on preferences and tastes.

²⁰ The most stable measure is the median, because it avoids the extreme values of the distribution of income. For this reason, the median is the most used for establishing the poverty threshold in the countries of the European Union.

this method is used more in developed countries, except for the United States.

Lastly, the method most used in developing countries is the absolute PL²¹. With his approach, the PL is composed of two lines: the food PL (FPL) or indigence line (IL), and the non-food PL (NFPL). The FPL includes one of the most basic human needs: nutrition. But not any type of nutrition, it has to be healthy. Its construction is classified into two groups: normative FPL and semi-normative FPL.

The first establishes a basket that provides healthy and adequate nutrition, but its main purpose is not to measure poverty and it is even possible that it may not represent the habits of the consumers. The second, the most used for measuring poverty in the world, represents the cost of a family basket subject to certain nutritional guidelines, simultaneously respecting the habits observed in the consumer. The semi-normative FPL is based on three steps: i) determination of the minimum caloric requirement necessary²² to keep an individual at rest alive for one day; ii) selection of

a population reference group, with the purpose of defining the composition of the basic food basket and calculating Engels coefficient (EC)²³; and iii) specification of the content and cost of the food basket.

As regards the NFPL, in contrast to the FPL, there are no objective criteria regarding a minimum reference value, due to the difficulty in deciding what basic needs are and measuring their level of satisfaction. Nevertheless, it is conducted in this way due to the difficulties in reaching a general consensus as to what should be considered. From this, the NFPL seeks to include other types of needs, such as housing, transport, and clothing, among others. The method that is most used to establish the NFPL is based on EC. Thus, the PL arises from dividing the FPL by the EC²⁴. In synthesis, for the PL there may be two types of poor, those who are below the IL or FPL are considered to be extremely poor whereas, those who are above the IL and below the PL are poor²⁵.

Finally, and despite that it is possible to estimate the Sen index using the PL

²¹ Note that developed countries use the relative PL method, given that they want to ensure their inhabitants a relatively high well-being; while undeveloped countries use the absolute PL method, since they tend to reach basic standards of living.

²² Generally the criteria for the evaluation of human energy and protein needs have come from the recommendations of the Food and Agriculture Organization (FAO) and the World Health Organization (WHO).

²³ It is the result of the division of food expenses and total expenses observed for the reference population. It should be pointed out that there are three variants for the calculation of EC. The first uses the EC observed among the poor. The second uses the average EC of the whole population. The third uses the EC of a target population which has to satisfy nutritional requirements.

²⁴ Under this approach, the PL can also be calculated by multiplying the FPL by the inversion of Engels coefficient, better known as Orshanskys coefficient. This comes from the work of Mollie Orshansky (1963 and 1965) in establishing the PL of the United States.

²⁵ According to the UNDP, in the *Human development report* (2013, p. 96), of the approximately 6.8 billion inhabitants of the world as of 2010, 1.2 billion of the world's inhabitants (17.8%) live on less than US\$1.25 a day in terms of purchasing power parity and 2.8 billion (40%) live on less than US\$2.

(that is to say, the incidence, depth and gravity of poverty), seven criticisms are also made: i) the stability of the relation of the EC²⁶; ii) it evaluates the potential satisfaction of basic needs and not the effective satisfaction; iii) it supposes that if the household/individual has an income above the PL, they have all the UBN covered; iv) it considers that the satisfaction of needs depends only on income and not on other dimensions; for this reason, it tends to underestimate poverty; v) the PL estimation from the IL supposes that the structure of consumption does not change with time; vi) the selection of the reference population to construct the normative food basket; vii) given the difficulties in collecting accurate information about income, the approach requires various assumptions which weaken its results (Muñoz, 1999; Muñoz et al., 2000).

In light of the criticisms made of the UBN and the PL, Beccaria and Minujin (1987) carried out an experiment that attempted to check if both methods identified the same households/individuals as poor. To this purpose, they combined them, and from this arose, the integrated poverty measure method (IPM)²⁷, from which four groups are derived: chronic poor, inertial poor, recent poor, and socially integrated. The method classifies the chronic poor as those households/

individuals who have, at least, one UBN and that, at the same time, exhibit income/consumption below the PL. The inertial poor are those who have, at least, one UBN, but that report income/consumption above the PL. The recent poor are those who do not have even one UBN, but have income/consumption below the PL. The socially integrated are those who do not have even one UBN and their income/consumption is above the PL (Muñoz, 1999). Nonetheless, the limitations of this method lie in that only incidence can be estimated, and not the depth nor the gravity of poverty.

Notwithstanding, it should be taken into account that there is not one method of measurement which is exempt from criticism due to the diverse ideas that every author has as regards poverty. In synthesis, Boltvinik (1999) notes that there are two dividing lines in the measurement of poverty. On the one hand, if a single attribute of welfare is opted for, a one-dimensional perspective is assumed, but if various attributes are used a multidimensional vision is adopted. And, on the other hand, there is the direct or indirect method of verification of the satisfaction of needs on the part of the household/individual.

The direct methods *compare the observed condition* of the household/individual

²⁶ Muñoz (2000) points out that there are four disadvantages: i) it undermines the essence of Engels curve; ii) it does not grasp the impact of the variations of relative prices, so, it does not perceive the effects of substitution which means that all the goods have an elasticity of income equal to one; iii) the PL is not very sensitive to economic cycles; iv) the PL and the IL grow at the same rate.

²⁷ This method unites the principle characteristics of the UNB and the PL. See the improved versions in Boltvinik (1999).

with the defined normative threshold, to verify the *effective satisfaction* of basic needs; in contrast, the indirect methods *calculate the resources* that a household/individual has with the aim of comparing them with the semi-normative threshold to decide if this *has the possibility or not* of satisfying their basic needs (Boltvinik, 1999).

It should be specified that any method can opt for three positions: i) non-normative; ii) normative; and iii) semi-normative. The first does not follow any norm and is limited to including relative criteria or *ad hoc* for defining the threshold. The second, according to Boltvinik (1999), defines threshold(s) “based on a notion of an acceptable minimum standard of living that later is compared to the situation observed in the household.” In contrast, the third “defines a threshold based on a disconnected notion of a minimally acceptable standard of living or does not define an *ex ante* threshold.”

Even so, there is a typology of the operationalization of the measurement of poverty stemming from the three positions that can be assumed in each method. In the non-normative procedures, the relative methods are found. In the normative and semi-normative procedures, three methods can be differentiated: i) direct multidimensional; ii) indirect one-dimensional; and iii) combined multidimensional.

Hence, for example, the UBN²⁸ adopts a multidimensional view and uses a normative procedure. In contrast, the PL assumes a direct one-dimensional view and uses a semi-normative procedure, because it combines the normative in food needs with the non-normative in non-food needs. And the IPM integrates the direct and indirect methods (combined multidimensional).

Finally, it is clear that none of the methods of poverty measurement escape criticism, as it depends on the perspective of who analyzes it. So it is and it will be difficult for any method to capture all the dimensions of poverty. One or another aspect will necessarily be favored and, in consequence, will leave behind other essential aspects of human nature, such as justice, love, uncertainty, among others.

CONCLUSION

Previously, it was shown that poverty cannot be seen as something normal; for this, it is pertinent, in this moment, to expand the debate around it, and even more when, by 2010, according to the World Bank, there were over 1.21 billion extremely poor people and 2.8 billion poor. This information indicates that 40% of the world population suffers from poverty, which shows the relevance and validity of the analysis of the situation, as what is at stake is the suffering of those who find themselves engulfed

²⁸ Boltvinik (1999) points out that there are at least eight variations of this method, among the best-known are the UBN and the human poverty index.

by it, who beyond being identified, require assistance through public policies oriented towards improving their well-being. This is the real challenge of governments: to alleviate the suffering and improve the conditions and abilities of the human beings that are found to be in poverty.

For this, it is necessary that those most affected by poverty are heard and taken into consideration in the elaboration and

design of economic policies, as they will be the victims if the policies fail. In this regard, it is convenient to have a better understanding of the phenomenon, and even though this alone does not resolve poverty in the world, at least, on this basis it would be possible to put forward policies that are conducive to the reduction of poverty. Research on poverty cannot be ignored, and the solution should not only be given in texts, but rather in the lives of those who suffer from it.

REFERENCES

- Banco Mundial (2005). *Examen anual de la eficacia en términos de desarrollo 2004*. Washington, D.C.: Infoshop del Banco Mundial.
- Beluche, O. (1996). *Pobreza y neoliberalismo en Panamá*. Recuperado de <http://bdigital.binal.ac.pa/bdp/pobrezayneoliberalismo.pdf>.
- Beccaria, L. & Minujin, A. (1987). *Métodos alternativos para medir la evolución del tamaño de la pobreza*. Buenos Aires: INDEC.
- Boltvinik, J. (1999). Métodos de medición de la pobreza. Conceptos y tipología. *Revista latinoamericana de política social*, (1), 35-67.
- Boltvinik, J. & Hernández, E. (2000). Conceptos de medidas y pobreza. En *Pobreza y distribución del ingreso en México* (pp. 30-49). México: Siglo XXI.
- Boltvinik, J. (2007^a). De la pobreza al florecimiento humano: ¿teoría crítica o utopía? *Desacatos*, (23), 13-52.
- Boltvinik, J. (2007^b). Elementos para la crítica de la economía política de la pobreza. *Desacatos*, (23), 53-86.
- Cepal (2000). *Equidad, desarrollo y ciudadanía: una visión global*. México, DF.: Cepal.
- Consiglio, E. (2007). Pobreza, salud y educación. *Economía, gestión y desarrollo*, (5), 159-175.
- Coudouel, A., Hentschel, J. & Wodon, Q. (2002). Medición y análisis de la pobreza. En Banco Mundial. *Técnicas básicas y problemas interrelacionados, Volumen 1* (pp. 3-58). Washington, D.C.: Infoshop del Banco Mundial.
- Cuevas, H. (1993). *Introducción a la economía*. Bogotá: Universidad Externado de Colombia.
- Dechile.net (s.f.). *Etimología de pobre*. Recuperado de <http://etimologias.dechile.net/?pobre>
- De Pablo, J.C. (2012). *Inequidad y desigualdad no significan lo mismo*. Recuperado de <http://www.lanacion.com.ar/1464956-inequidad-y-desigualdad-no-significan-lo-mismo>
- De Vos, K. & Garner, T. (1991). An evaluation of subjective poverty definitions: comparing results from the US and the Netherland. *Review of Income and Wealth*, (373), 217-285.
- Dieterlen, P. (2007). Cuatro enfoques sobre la idea del florecimiento humano. *Desacatos*, (23), 147-158.
- Eumed.net. (s.f.). *Definición y medición de la pobreza*. Recuperado de <http://www.eumed.net/tesis/amc/11.htm>

- Feres, J. & Mancero, X. (2000). Enfoques para la medición. Breve revisión de la literatura. *Publicación de las Naciones Unidas*, (4), 5-45.
- Fields, G. (2001). Poverty: concepts and dimensions. In *International symposium on poverty: concepts and methodologies*. México D. F., Mexico.
- Goedhart, T., Halberstadt, V., Kapteyn, A. & Van Praag, B. (1977). The poverty line: concept and measurement. *The journal of human resources*, (12), 503-520.
- Grupo de Río (2007). *Compendio de mejores prácticas en la medición de la pobreza*. Santiago de Chile: Cepal.
- Hagenaars, M. (1986). *The perception of poverty*. Amsterdam: North-Holland.
- Haughton, J. & Khandker, S. (2009). *Handbook on poverty and inequality*, Washington, DC: The World Bank.
- Kapteyn, A., Kooreman, P. & Willemsse, R. (1988). Some methodological issues in the implementation of subjective poverty definitions. *The Journal of Human Resources*, (23), 222-242.
- Karelis, C. (2007). *The persistence of poverty. Why the economics of the well-off can't help the poor*. New Haven and London: Yale University Press.
- Mathus, M. (2008, julio). Principales aportaciones teóricas sobre la pobreza. *Contribuciones a las Ciencias Sociales*. Recuperado de www.eumed.net/rev/ccss.
- Marx, K. (1967). *El Capital, Tomo I*. Bogotá: Fondo de Cultura Económica.
- Max-Neef, M., Elizalde, A. & Hopenhayn, M. (1986). *Desarrollo a escala humana. Una opción para el futuro*. Santiago de Chile: Biblioteca CF+S.
- Muñoz, M., González, J., Arcos, O., Corredor, C. & Becerra, E. (2000). Dos acercamientos a la pobreza desde las capacidades y desde el ingreso. En CINEP. *Inserción precaria, desigualdad y elección social*. Bogotá: CINEP.
- Muñoz, M. (1999). Los indicadores de pobreza utilizados en Colombia: una crítica. En C. Corredor. *Pobreza y desigualdad, reflexiones conceptuales y de medición*. Bogotá: UNAL, COLCIENCIAS, CINEP, GTZ.
- Narayan, D. (2000). *La voz de los pobres ¿hay alguien que nos escuche?* Barcelona: Mundi-Prensa.
- Narayan, D. & Petesch, P. (2008). *Salir de la pobreza. Perspectivas interdisciplinarias sobre la movilidad social*. Washington, DC: Banco Mundial.

- Núñez, J. (2011). La nueva línea de pobreza. *Tendencia Económica. Informe Mensual de Fedesarrollo*, (112), 6-12.
- Orshansky, M (1963). "Children of the poor", *Social Security Bulletin*, Vol. 26, No. 7, pp. 3-13.
- Orshansky, M. (1965). Counting the poor: another look at the poverty profile, *Social Security Bulletin*, 28(1), 3-29.
- Orshansky, M. (1969). How poverty is measured. *Monthly Labor Review*, 92 (2), 37-41.
- Pardo, E. (2000). La pobreza en Smith y Ricardo. *Revista de Economía Institucional*, 2 (2), 111-130.
- Pradham, M. & Ravallion, M. (1998). Measuring poverty using qualitative perceptions of welfare. *Review of Economics and Statistics*, 1-42.
- Programa de las Naciones Unidas para el Desarrollo (PNUD). (2013). *Informe sobre desarrollo humano 2013. El ascenso del Sur: progreso humano en un mundo diverso*. Washington DC: PNUD.
- Punset, E. (2005). *El viaje a la felicidad. Las nuevas claves científicas*. Barcelona: Destino.
- Ravallion, M. (1992). *Poverty comparisons: a guide to concepts and methods* Washington DC: Harwood Academic Press.
- Ravallion, M. (1998). Poverty lines in theory and practice. *Living Standards Measurement Surveys*, (133), 1-35.
- Rawls, J. (1982). Social unity and primary goods. In A. Sen & B. Williams. (Eds.). *Utilitarianism and Beyond* (pp. 159-186). Cambridge: Cambridge University Press.
- Real Academia Española. (s.f.). *Diccionario de la Real Academia Española*. Recuperado de <http://lema.rae.es/drae/>
- Rowntree, B. (1901). *Poverty: a study of town life*. London: MacMillan.
- Sen, A. (1979). Equality of What? In *The Tanner Lecture on Human Values*, (pp. 195- 220). Cambridge: Cambridge University Press.
- Sen, A. (1992). Sobre conceptos y medidas de pobreza. *Revista de comercio exterior*, 42 (4), 1-13.
- Sen, A. (1997). *Values, Resources and Development*. Cambridge: Harvard University Press.
- Serrano, M. (2002). El concepto de pobreza, su medición y la relación con los problemas del medio ambiente. *Revista Luna Azul*, (14), 1-16.

- Smith, A. (1997). *Investigación sobre la naturaleza y causas de la riqueza de las naciones*. México: Fondo de Cultura Económica.
- Spicker, P. (2000). Defining poverty. *Document Inter-American Development Bank*, 12-36.
- Townsend, P. (2007). Introducción. En Grupo de Río. *Compendio de mejores prácticas en la medición de la pobreza* (pp. 13-28). Santiago de Chile: CEPAL.
- Vargas, M. (2004). Pobreza, mercado y ciudadanía. *Revista Iztapalapa*, (57), 169-188.