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What is it and Why do we care?

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Abstract

We discuss the instrumental and intrinsic reasons for concern about poverty, its definition – absolute/relative, unidimensional/multidimensional – and the visual communication of what poverty really means.

Keywords: poverty, income, consumption, multidimensional poverty, communication
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Photos by Stefen Chow and Huiyi Lin grace the cover of *Measuring Poverty Around the World* written by the late, great economist Tony Atkinson, published posthumously in 2019 and edited by us at his request.[3] We think he would have approved of this choice. At one point, Atkinson asked, "What does the International Poverty Line of $1.90 per person per day [calculated by the World Bank] allow a household to buy?" and he went on to argue that relating the poverty threshold to actual household budgets sheds important light on the implications of that threshold for people's living standards in practice. He gave a famous British example of an inquiry into dockworkers' pay in the 1920s, when "the union leader appeared in court with a plate bearing a few scraps of bacon, fish and bread and asked the statistician (Sir Arthur Bowley) whether this was sufficient breakfast."[4] Tony Atkinson understood well the power of communicating poverty lines by mapping through to the level of nutritional intake that they permit, this providing one basis for engaging the wider public in a consultative process.

Why does poverty matter? The answer might seem obvious. Poor people cannot get all manner of things to which the well-off and even those on more modest incomes have access. Consider a poor household in a low-income developing country, unable to afford a visit to the doctor for a sick elderly member, unable to afford school fees for the children, unable to get sufficient food for everyone in the household. The position of poor children has been a particular concern, the poverty in childhood threatening life chances and perpetuating poverty across the generations. Evidence for rich developed countries shows that children in poor households are less likely to get through school and to go to a university, are more likely to become teenage parents, to go to prison, and to have less success in the labour market. All these are what can be termed the "instrumental" reasons for concern about poverty: reducing poverty is an instrument for reducing all these negative outcomes. Note that such an instrumental concern does not necessarily imply any sympathy for the poor children: it might be motivated simply by a selfish worry over the cost that society must bear for these negative outcomes.

However, although poverty is clearly associated with a range of such outcomes—and the evidence for this is indeed strong—it is less clear that poverty really is always the underlying cause of what we observe. The debate here is perhaps easiest to understand in the context of rich countries, where public schooling is both free and obligatory and access to health care is also free or highly subsidized (with the partial yet notable exception of the United

[3] Anthony B. Atkinson, *Measuring Poverty Around the World* (Princeton: Princeton University Press, 2019).
[4] Ibid., p43.

States). To what extent, for example, are poor parenting skills actually the cause of what happens to the children in poor households rather than the low parental income? The evidence for the apparent impact of poverty is weakest when it merely compares countries' national levels of some outcome, for example the extent of obesity, with their levels of income poverty (or income inequality): there may be many factors that determine the national level of obesity other than poverty. The instrumental reasons for our concern about poverty depend on verifying whether causal relationships do in fact hold in the statistical associations in question and on verifying the strength of these relationships, both of which is often far from straightforward or even impossible.

This leads to the second set of reasons for why poverty matters. The "intrinsic" justification for concern may be summarized as the view, quite simply, that poverty is a moral affront to any society, irrespective of its impact on other things—the view that we cannot tolerate a situation where some people's level of living is so low that it does not meet a basic minimum standard or so low that these people are excluded from the norms of life enjoyed by the rest of us. This view may be embedded within a broader theory of economic justice or sustained by a human-rights perspective—the right to be free from poverty. Like Tony Atkinson in his work both on poverty and on inequality, we recognize the power of the instrumental arguments to engage the concern of the general public and policy-makers, but like him we are drawn most to the intrinsic, to the moral, arguments.[5]

These twin perspectives, instrumental and intrinsic, on why poverty matters are relevant not only to a single country considering the position of those at the bottom of the national income distribution but also to differences in living standards between countries and for concern about global poverty. People in rich countries may worry about the poor in the developing world as they fear the consequences of that poverty on outward migration and hence the pressure on their countries' borders, or even for the level of societal unrest and the potential impact on global terrorism. These are among the instrumental reasons for the concern about the global poor held by the global rich. But intrinsic justifications for that concern again apply, too, a view that destitution is immoral wherever it is found, and this is undoubtedly one important reason, if not the only one, for the flow of aid from rich countries to poor countries: both governmental aid and charitable donations.

Whether we are moved by intrinsic or instrumental concerns, there is little doubt that the consequences of the Coronavirus pandemic that hit the world in 2020 have been far worse

[5] On inequality, see Anthony B. Atkinson, *Inequality: What can be done?* (Cambridge, MA: Harvard University Press, 2015).

for those in poverty. The poor were less able to protect themselves from income losses as well as from contagion. Many low-paid precarious workers lost their jobs and earnings, while those employed in essential activities risked infection. Poor housing made living conditions much harder to bear during lockdowns. Children in poor households had to cope with inadequate space to study and insufficient, or missing, tools for distance learning. Even in rich countries, infection often spread in poor communities more widely than in rich neighbourhoods. The pandemic has exposed on a scale rarely seen in recent decades the multiple disadvantages and cumulative effects of living in poverty. Its scars will last for many years to come.

To this point we have not defined what we mean by "poverty" beyond the intuitive but vague, implied definition of insufficient financial resources. However, an operational definition of poverty is necessary both for its measurement and for the design of policies to combat it. Here we first need to mention the well-known distinction between an absolute measure and a relative one. An absolute poverty line is one where an assessment is made of a household's basic needs, where food and housing are the most important elements, and then costed. The poverty lines in many of the countries considered by Chow and Lin are of this type, as is the $1.90 a day line used by the World Bank, which is derived from the national lines in the poorest countries. The line is then typically moved up over the years with changes in prices until it is revised upon a fresh consideration of what constitutes basic needs in the country in question. In the case of the United States, unusual for a rich country in employing an absolute definition, there has been no such revision since the poverty line was established in the mid-1960s, when President Lyndon Johnson launched the War on Poverty (the line is adjusted annually for price changes). A relative line, on the other hand, is defined in relation to the typical living standard and is usually constructed as a given percentage of average income; it moves up (or down) in line with the movement of that average. For example, 60 percent of the median national income is the standard adopted by the European Union (EU).

The next fundamental issue to consider is whether to broaden the definition from a focus on just household income (or consumption). Income is certainly a crucial means to achieving what matters in life and as such is a formidable proxy, but it is not an end in itself. There has been increasing recognition in recent years, all around the world, of the need for a broadening of the definition. National governments and international organizations have engaged with the advances made by academic research on the subject—we point the reader to the extensive summary in Tony Atkinson's book, where he noted that "poverty is also deprivation in a wider sense, encompassing many dimensions of a household's

circumstances."[6] The targets under the first of the United Nations Sustainable Development Goals ("no poverty") refer to the reduction of poverty "in all its dimensions." The annual Human Development Report from the United Nations Development Programme has published figures for many countries since 2010 on "multidimensional" poverty (based on the work of the Oxford Poverty and Human Development Initiative, methods also adopted by many national governments), using a set of indicators in three dimensions: education, health and (broadly speaking) housing and living conditions. And the World Bank, in the 2018 edition of its flagship biennial publication, *Poverty and Shared Prosperity*, began to do the same (based on a different methodology), following recommendations in the report by the Commission on Global Poverty, which Tony Atkinson led.[7] Alongside income poverty, the EU emphasizes the reduction of "material and social deprivation," which is based on a range of indicators. The Coronavirus pandemic made the case for a multidimensional view of poverty even stronger than before.

These developments can be seen as a welcome step in bringing measurement closer to the perception that people have of their own living conditions. This brings us back to our starting point—the striking photos by Stefen Chow and Huiyi Lin of poverty-line diets and the importance of communication. How can these new developments in the measurement of poverty be communicated to a wider public? Atkinson recounts how twenty years ago a major World Bank study, *Voices of the Poor*, was important in revealing the dimensions of their lives with which poor people were most concerned. An image may often be more effective than a detailed text in capturing the various dimensions of human well-being – health, education, housing and the ability to take part in the life of the community. Photography can only help a wider understanding of the new measures explored by experts and policy-makers.

[6] Atkinson, *Measuring Poverty Around the World*, p80.
[7] *Monitoring Global Poverty: Report of the Commission on Global Poverty* (Washington, DC: The World Bank, 2017).