

What is Poverty?

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Reducing poverty has become a major concern of development policy. To inform policy, research on poverty has focused on income or consumption based poverty measures. Yet it is now increasingly realized that poverty is multidimensional, encompassing all important human requirements. Poverty is now widely viewed in terms of capability deprivation.

The income approach views poverty simply as lack of income (or consumption). Poverty exists when some persons in the society have so little income that they cannot satisfy socially defined basic needs. But lack of income is not the only kind of deprivation people may suffer. Indeed, people can suffer acute deprivation in many aspects of life, beyond those defined as basic needs, even if they possess adequate command over commodities (for example, ill health or lack of education and so on). The conceptual distinction between deprivation of this kind and that primarily resulting from inadequacy of income is of fundamental importance.

The higher a person's income the greater is his or her command over commodities. The possession and consumption of commodities (including services) provides people with the means to lead a better life. However, possession of commodities is only a means to an end. As Sen (1985) points out "ultimately, the focus has to be on what we can or cannot do, can or cannot be". Thus, the standard of living enjoyed by people must be seen in terms of individual achievements that are feasible and not in terms of the means individuals possess to achieve them. This line of reasoning led Sen to develop the ideas of functionings and capabilities. A functioning is an achievement, and a capability is the ability to achieve. Thus, the functionings are directly related to the kind of life people actually lead, whereas capabilities are the opportunities people have to lead lives of their choosing.

According to the capability approach, an individual is defined as poor if he or she lacks basic capabilities. What ought these basic capabilities to be? An answer to this question requires value judgments, which must reflect appropriately assessed social priorities. While, there is no universal agreement on what these basic capabilities are, it may still be possible to agree on some basic capabilities. For example, if a person is not able to be well-nourished, adequately clothed and sheltered, and not able to avoid preventable morbidity, then he or she can be classified as deprived of basic capabilities. Those capabilities that relate to health, education, shelter, clothing, nutrition and clean water can reasonably be regarded as capabilities that we can agree are basic.

Can one describe poverty purely in terms of capability deprivation? Take a millionaire with an incurable disease, which prevents the achievement of some basic functionings. This would surely be a case of serious capability deprivation, in spite of access to the best medical facilities. Yet, it would be odd to call this millionaire "poor". From a capability perspective, poverty arises when basic capability failure is caused by inadequate command over resources, whether through markets, public provision or other non-market channels. By examining capability deprivation alone, we cannot always identify persons who are poor.

One needs to make a distinction between poverty and capability deprivation in general. Whereas broad capability deprivation may be caused by a host of factors, poverty is concerned only with the inadequacy of command over resources needed to generate socially determined basic capabilities. Among these, income or entitlement to resources may not be the most important. Thus, a person may suffer capability deprivation but still may not always be poor.

Defining poverty from the capability perspective cannot be done independently of income. The capability to function with which one should be concerned is that derivable from income and wealth. Command over resources and capability cannot be separated, but at the same time it must be recognized that the link between them is far from simple. Individuals have different needs and, therefore, differ with respect to their ability to convert their incomes and resources into capabilities to function. Thus different individuals will require different resources to achieve basic capabilities.

It is best that any proposed income measure of poverty be constructed from capabilities. The choice of a poverty line should reflect the cost of achieving basic human needs. However, the most frequent measure used internationally, the \$1 a day per person (or \$2 a day), is not in accordance with the capability approach to poverty, that is, it does not reflect the inadequacy of command over the resources to achieve basic capabilities. A person can have an income sufficient to count as non-poor according to the \$1 a day yardstick but not to attain income-dependent basic capabilities. If the reduction of poverty, as properly understood, is to be achieved, then new measures of its extent and distribution in the world will be required.

Reference:

Sen, A. K (1985), *Commodities and Capabilities*, Amsterdam: North-Holland.