

Relative Poverty – a Measure of Inequality, not Poverty

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Abstract: This paper looks at competing arguments for relative and absolute measures of poverty – arguing that an absolute measure is the only understanding of poverty coherent with an intuitive understanding of poverty. Section one of this paper begins by analysing how relative poverty fundamentally conflicts with our intuitive understanding of poverty, a result of relative poverty's account being one of inequality, not poverty. Section two of this paper looks at common arguments for relative poverty, and shows how they can be amalgamated into a nuanced account of absolute poverty. This paper argues for a different conception of societal expectations – one in which societal expectations are 'sticky' and linked to factors other than income, arguing that societal narratives play a larger role in defining poverty than a simple measure of income can capture. This paper then looks at the problem of 'positional goods', and how they might be amalgamated into an absolute account. The paper concludes with a brief discussion of the policy implications behind adopting an absolute conception of poverty.

This paper argues that all accounts of relative poverty fundamentally collapse into accounts of inequality, not poverty per-se, and as such we should prefer an absolute account. I begin by outlining an intuitive understanding of poverty; section one then shows how relative poverty conflicts with this intuitive understanding primarily because the account collapses into an account of inequality. Section two looks at the arguments for accounts of relative poverty; showing how they can be amalgamated into accounts of absolute poverty, and provide no additional moral weight than accounts of inequality. This paper concludes with a discussion of the policy implications of adopting an absolute measure of poverty.

Most people have intuitive conceptions of poverty even if they have not thought about poverty in detail. People can identify poverty when they see/experience it. (World Bank Institute 2005:9) This intuitive or layman's conception of poverty should be the foundations from which we build any formal account of poverty and we should reject accounts which conflict with this conceptualization: Firstly because impoverishment is partly a social condition defined by societal expectations; to be in poverty is to be below the "normal" standard of living – a normal defined by the majority expectations of society. Secondly, because poverty should entail a duty on society to prevent or rectify (if possible) and as such it is meaningless to define people as impoverished if society would not accept them as so.

What separates someone in poverty from someone simply below the median income in most people's intuitive conception of poverty is a level of destitution which results in a duty on society to aid them. (World Bank Institute 2005:9) Most lay-people, when pressed to describe what they would consider poverty, often list a series of goods and services that, if someone were regularly unable to afford, would correspond with being in poverty. These goods nearly always contain essentials such as food and shelter, but also contain other goods not strictly essential to survival – *untattered clothing* for example. If we look at the features underlying these goods we can distinguish two broad categories: either a good to meet *basic needs* or a good to *participate with dignity in society*.

These goods and the income necessary to afford them may differ depending on the society; as the things required for social acceptance and dignity differ by society, but it is a quantifiable amount. (Mbonda 2003:1) A television may be necessary to fully participate with dignity in British society, and someone forced to sell their TV to make ends meet would certainly be considered by most in Britain to be in some form of poverty, and feel some loss of dignity to have ended up in this position. Compare this to Afghanistan, where the per capita GDP is \$600 – here ownership of a TV may be a luxury, and one would not lose any dignity or ability to participate in society from being unable to afford one.

Moving forward, I will use the lack of these goods and correlating duty of aid discussed above to describe our “intuitive understanding of poverty”.

Section 1: Problems with Relative Poverty

Relative poverty measures define someone in poverty if they fail to reach a certain percentage of the society's median income (usually somewhere between 40-60% of the median income). At first glance the previous intuitive account of poverty seems to correspond well with a relative account; the goods required to avoid poverty being at least partially dependent on the expected income of the average person in the society. However, relative poverty accounts conflict with our intuitive conception of poverty in a number of ways:

Relative poverty fails to account for changes in wealth evenly distributed among the population, despite people becoming better or worse off. Societies can have sudden explosions of industry/development which change the quality of life for everyone in it: During the recent boom in US fracking, labour prices rose in states like North-Dakota so rapidly fast-food workers' wages reached \$15 dollars an hour. However, if a similar increase in everyone else's incomes occurs, relative poverty levels remain unchanged. Our intuitions clearly disagree; those fast-food workers, (whose income now provides a secure home and disposable income) are not at the same level of deprivation as when they earned \$7.50 just because the quality of life of their neighbour has also improved and the median income is higher. They now have the income to participate in society with dignity which they previously lacked. The income they needed to have dignity was an absolute measure, not one relative to societal income. (Sen 1983:155-156)

Relative poverty has the problem of being essentially unsolvable (because it is not tied to any absolute set of requirements) if the top of society's wealth also increases: If the fast food worker and the rest of his community all used to all earn \$7.50 an hour before the oil boom, and now he earns \$15 an hour and the rest of his neighbours earn \$25 an hour working on the oil rigs, he has become relatively more impoverished. This clearly conflicts with any intuitive understanding of poverty: Someone whose wage has doubled while prices remain the same has not become more impoverished. Relative measures have the perverse implication that it would be better to level down wealth at the top rather than raising everyone's incomes if it was not possible to raise the income of those at the bottom faster. (Brighouse & Swift 2006:471-477) A clear break from any intuition on how best to tackle poverty.

The problem with this is clearly expressed in the reverse of the above scenario: During acute periods of economic depression, when every level of society sees their incomes fall, a new part of society may be unable to meet basic needs. But, assuming an equal/greater cut to incomes above the median, there may be no change or even improvement in the relative account of poverty; despite people now lacking income for the basic goods they bought previously. (Sen 1983:156) All these unintuitive outcomes are the result of relative poverty providing an account of inequality, rather than poverty.

Problems are also found in comparisons between societies, or one society at different times. Many developed states have levels of relative poverty greater than developing states, despite the fact the lowest income of the developed state may exceed the median income of the developing state.

(Shaw 1988:30) Clearly it conflicts with our intuitions to argue that there is greater poverty in the developed state than in the developing state simply because there is less difference between the rich and poor in a developing state where the majority lack access to goods commonplace in the developed state. (Sen 1979:289) Comparisons of relative poverty over the length of a state's economic development also produce the unintuitive result that poverty can rise with development, despite the poor having more of their needs met. Absolute poverty in China has plummeted since the 1960s, with millions lifted from starvation (arguably the greatest reduction in poverty in human history) but relative poverty by some measures has doubled. (Worstall 2012) These unintuitive problems are again a result of relative poverty accounting for inequality, not poverty.

This has an important moral dynamic. If poverty has special moral concern then the conclusion of relative poverty is that the comparatively well off poor of developed nations are of equal or greater moral concern than those in a developing nation who earn the median income, even if they have less access to resources, simply because their expectations of wealth are lower. This is an issue for both egalitarians and utilitarians who may preference those on lower absolute incomes. (Shaw 1988:27-32)

These unintuitive results show why relative poverty is not a defensible account of poverty. Accounts of relative poverty are simply quantifying those at the bottom end of an inequality scale. Relative poverty is clearly an account of something which correlates with poverty, and can be a useful tool in specific circumstances (when measuring poverty in single society operating in normal economic times). In this scenario it is unsurprising that being at the bottom of an inequality scale correlates with poverty; if a society has poverty, it is found among its citizens with the most limited resources. But when presented with a number of cases relative poverty conflicts with our intuitions about poverty and we see the account collapse into an account of inequality.

Section 2: Arguments for Relative Poverty Addressed.

Given these objections what arguments are there for the relative account? Firstly, as discussed earlier there clearly seems some relative aspect in our intuitive understanding of poverty. The goods required to participate with dignity in society are dependent on what is considered the norm and thus required for respectability. This next section analyses how these “status goods” can be properly amalgamated into a nuanced absolute account of poverty. Status goods are those goods which are not necessary for basic survival, but are necessary to avoid shame and participate with dignity in society. They are necessary for social inclusion (Wagle 2002:156-157). Examples of status goods have been recognised as early as Adam Smith – who provides the example of a linen shirt: A shirt is not technically necessary for survival, but lacking the capability to afford a shirt shows a level of destitution so shameful it bars a person from participating with dignity in society. Lacking this good signifying impoverishment fits with our intuitions; if we saw someone too poor to own a shirt, we would say they are in poverty, regardless of whether they could survive (Ravallion 2011). Status goods are defined by the prevalent expectations of society, and as such change with the wealth and culture of that society – A linen shirt would not be necessary for dignity in ancient Rome, instead a toga would replace this status good. In the 1940s, a television was considered a luxury, but with the increase in societal wealth and mass-production of technology, a family now unable to own a television would be considered in poverty.

These goods are used as a justification for the relative account of poverty. (Townsend 1979: 43-59) However, it is not necessary to describe the problem of status goods as a relative problem. Status goods are better described in absolute terms through Sen’s capability approach. The capability approach eschews looking at resources, instead focusing on the capability to do/have certain necessities. Lacking essential capabilities defines someone as impoverished (e.g. the capability to access adequate shelter/food/healthcare, the capability to live securely). The problem of status goods is simply a manifestation of the lack of the ‘*capability to have dignity within one’s society*’. This is a better account of the problem of status goods because dignity is an absolute, not relative concept. Someone earning £200,000 does not live a life with “more” dignity than someone earning £75,000 – Your life does not increase or decrease in small degrees of dignity for each pound one falls below or reaches above the poverty line. (Sen 1983:159) The important measure is if you earn sufficient income to allow yourself to operate in society without shame, which while it may differ by

societal context or even by individual, is a definite amount. 'Access to dignity' is similar to other measures we consider absolute. The cost or even type of shelter which would be adequate to meet one's needs may differ depending on your society, but the problem of shelter is an absolute one, either you have adequate housing, or do not. (Sen 1983:161-165) Even if we want to define differing degrees of dignity loss from different levels of poverty (it seems intuitive that starvation or homelessness is different from lacking access to a TV, even if both are markers of poverty) this simply posits different distinct absolute poverty lines (Perhaps a poverty line for "moderate" poverty and "extreme" poverty), a relative account is not necessary.

Making status goods a relative problem gives a misleading account of people's conception of status goods. While the makeup of the goods necessary to not feel shame has some relation to the average income of society, in that it will not normally exceed what the average person can afford, it does not change perfectly with shifts in societal income. Societal expectations are semi-static or sticky. The goods considered necessary to live a good life are far more dependent on societal context and narratives constructed within that society than relative income. Just as people's future expectations of prices are somewhat sticky, so too are their future expectations of quality of life. The image of the American dream is largely a conceptualization of the status goods necessary in American society to participate with dignity. Its makeup: A comfortable family home, car, leisure activities and some measure of disposable income represents largely the same set of goods as they did in 1950, (with some exceptions accounting for changing technology) despite the fact that the real median income in America has increased by 50% (adjusted for inflation). This is because media and the historical expectations of past generations along with a host of other factors play a far larger role in determining the goods necessary for dignity in a society than the comparative wealth of those in it. Even in the case of falling incomes, expectations remain sticky. The American Great-Depression, which lasted nearly two decades, saw a significant drop in all levels of societal income and quality of life, but did little to affect people's expectations of what being in poverty was. Expectations were set by the earlier period of prosperity people still remembered, not if they met the current reduced median income of society.

A relative measure fails to capture the semi-static nature of status goods, and we get the problem described in section 1, where no increase in the wealth of society will provide a sufficient standard of living for those at the bottom using a relative measure; as the standard is constantly increasing.

When the wealth of *all* of society increases or decreases, this does not *necessitate* a change in the goods required to have dignity. However it will result in people's circumstances changing such that they may be able to afford these goods when they previously could not (or vice-versa). If all of society's wealth increases, some previously in poverty will now reach the level to fulfil this capability. (Sen 1983:161-165). In 1950, a select (quite small) group of the populace could actually achieve the American Dream; this group is now significantly greater despite measures of relative poverty increasing. The example of the American Dream shows how expectations of "the good life" can be relatively static for significant periods of time, allowing for economic development to raise significant portions of the population to this threshold over a long period. The relative account's focus on comparative wealth rather than on the goods necessary to fulfil the capability which removes oneself from poverty shows that the relative account is fundamentally an account of inequality, not poverty.

Secondly, defenders of relative measures of poverty often use the existence of "positional goods" (particularly those which provide relative advantage) to argue there is a harm to being at the bottom of a spectrum of inequality regardless of wealth, and thus this position is worthy of the special moral concern we attribute to poverty. (Barry 2005:169-175). A positional good is a good whose absolute value is dependent on your relative position in an inequality spectrum (Brighouse & Swift 2006:471-477). We can divide these into three categories: goods which become less valuable the more people gain access to them, goods which become less valuable for those at the bottom the more unequally they are distributed, and those goods which specifically give relative advantage in competition with others.

The classic example of the positional good which falls into the first category is a secluded beach. When only I have access to the knowledge of a small secluded beach free from tourists, I benefit greatly; but as more and more individuals learn of its location and fill the beach, the beach becomes less valuable both to me and for each other person. This example is one where a resource is limited, the more people accessing it the less valuable the good becomes. We can imagine a variety of other scenarios where this is the case – the more people on a golf course, the less enjoyable the game becomes for each player. The more crowded a restaurant, the more difficult it is to get the waiters attention. Those in favour of relative poverty measures argue that the very nature of these goods

mean that some people will have to be excluded from them, regardless of absolute income, and as such relative measures will always be important.

But positional goods need not necessarily be about exclusion. They may simply be a good which, as inequality grows; the absolute value for those with goods at the bottom decreases. Barry (2005) highlights a cogent example of this second type of positional good. If everyone is driving a small, inexpensive car (a situation close to equality), the vehicles are all *relatively* safe for drivers in the event of a collision; the damage each car can cause to the other is limited by its size. However, many large off-road vehicles have become popular for more affluent motorists, because their large high frames are safer for the driver in a crash. When one of these vehicles collides with a smaller car, they often cause immense damage to it, the added weight and height of the vehicle crushing the smaller one underneath. In this case the relative advantage in safety sought by one person has lessened the absolute safety of everyone else on the road (Barry 2005:169-175). Nothing has changed about the vehicle the poorer motorist is driving, but the absolute utility it provides has been decreased by the introduction of inequality into the system. Those in favour of relative poverty measures argue that these examples illustrate how increases in inequality can result in individuals falling into poverty without their situations changing; the goods they have access to have become less valuable by the introduction of other, better goods which directly interact with theirs. As such, they argue that as goods do not function in a vacuum the only meaningful understanding of their utility and thus poverty must be a relative one.

The third type of positional goods, are those which give relative advantage. For example; when competing for a single job against many candidates, an undergraduate degree is very useful if only I have a degree. If everyone has a degree, I lose my relative advantage over other candidates. The advantage I gain from the good is thus partially gained from others being excluded access to it. More importantly in this scenario, those without a degree fall further and further behind as more people gain access to it, a degree becoming an expectation rather than a benefit in a candidate. Thus many proponents of relative poverty argue a relative measure is important because the existence of this kind of positional good places those who suffer inequality at an unfair competitive disadvantage (Brighouse & Swift 2006:474-477). These positional goods often act as gateways to accessing other things in society like jobs, positions or respect and other goods necessary to live a good life. As such

there is both a fairness/justice and utilitarian argument for caring about these positional goods, and amalgamating a lack of access to them into our account of poverty.

The first type of positional good outlined above provides little challenge to an absolute conception of poverty. In the case of goods which are so limited they require the exclusion of some from access, (the secluded beach example), the lack of these goods plainly cannot contribute to a conception of poverty. To be in poverty is to fall below the perceived expectations of society for what is “normal life”. As such, any good which is limited to a select portion of the population cannot form part of the perceived expectations of what is normal. What is considered normal must already be readily accessible to all or nearly all the population.

The existence of the second type of positional good also fails to necessitate a relative account of poverty. Firstly, there are serious empirical objections to the example laid out above by Barry (2005) and other authors. Representing individuals as owning fixed bundles of goods which increase or decrease in value depending on their interaction with other’s goods radically diverges from the way people live. In actuality, most people replace their goods on a short time-frame funded by a regular source of income. Goods which provide less utility as inequality increases also tend to reduce in price as demand for the product falls relative to other alternative goods, in the long run balancing out the utility loss people encounter from changes in inequality. These developments may even allow people access to a good they previously could not afford (small cars may become cheaper to offset the markets preference for larger vehicles) – At the very least, the relationship between the decreasing value of positional goods, inequality and increases in poverty are not as straightforward as literature suggests.

But, even assuming the existence of positional goods functioning as outlined by Barry and others, this would not represent an argument in favour of relative poverty. It is important not to conflate inequality causing a reduction in personal utility and defining this reduction as poverty. To return to the beginning of this paper, the two conditions outlined as necessary to avoid poverty were: having all *basic needs met* and being able to *participate in society with dignity*. As such, the mere existence of positional goods in no way necessitates any change in how we conceive of poverty, the salient question is if a change in the situation affecting any positional good would result in either of these two conditions no longer being met. The measure is still an absolute threshold which must be met.

Harms from an unequal distribution of positional goods may affect whether one falls below this absolute threshold, just as any other reduction in income or quality of life may; but the threshold is absolute, and not all harms generated by this unequal distribution may result in one falling below the poverty line. (Other economic benefits to all parties from this unequal distribution may even result in a net positive effect on poverty.) To argue that positional goods necessitate a relative measure of poverty is simply to redefine poverty as inequality.

Leaving aside questions of if we want to attribute the same moral weight to unfairness as poverty. (Both are clearly harmful, and as such the moral question is simply one of degrees). The final type of positional goods fall under the same objections found against the relative account of status goods. Positional goods which provide a relative advantage are also best represented as a capability problem: “the capability of fair competition”. This is a better account of these positional goods because it does not include the problems outlined in section 1, while advocating better policy solutions to the problem of unfair competition. A relative account is not necessary to ensure fair distribution; instead, these specific goods might be considered public goods to be distributed equally by the state, with strict regulations ensuring fair access to them. The existence of relative advantage positional goods is an argument for the state to fairly distribute these goods, not for a relative account of poverty. There is an intuitive egalitarian argument for those concerned about equality of opportunity for equal access to goods like education, as unfair competition in these fields bars you from social mobility for no fault of your own, which is unjust (Dworkin 1981:292-304). This argument does not extend to non-essential, non-positional goods. An account of relative poverty encompassing all goods is a different kind of egalitarian account concerned with inequality; not just the provision of necessary goods and equality of opportunity (Anderson 1999:287-308). Arguing for a relative account of poverty conflates these specific goods with all goods. This also leads to the unintuitive position if our primary concern is one of fair competition/opportunity that lack of access to these goods might theoretically be offset by a suitable amount of another kind of good.

All accounts of relative poverty are fundamentally accounts of inequality, and as a result often diverge from our intuitive understanding of poverty. The most forceful arguments for relative poverty, namely status goods and positional goods, are both better accounted for in a more nuanced understanding of absolute poverty, and do not necessitate to concept of relative poverty.

Policy Implications

In conclusion, this paper discusses the policy implications of abandoning a relative account of poverty. At least in the West, arguments over relative or absolute conceptions of poverty tend to split along strongly partisan lines. Those in favour of an absolute conception of poverty in public discourse also tend to be those sceptical of government poverty relief in general, and absolute poverty is seen as a tool with which to justify reducing poverty relief closer to survival levels. Equally, egalitarians tend to support relative measures because it raises inequality to a moral concern equal with poverty, a link strongly in their interest to make. While this paper advocates an absolute conception of poverty, it is important to highlight that this conception does not imply the state should be austere when it comes to poverty relief. Any nuanced understanding of absolute poverty understands that the “poverty line” in a developed state exists well above simply subsistence levels. The second requirement: *the ability to participate in society with dignity* is the all-important one for poverty relief in a developed economy context. This may include goods and services such as transportation, education, access to the internet, access to culture and a plethora of other goods and services above the basics of food, shelter and safety. What goods are necessary to avoid poverty will be dependent on the societal context under discussion. How these services should be delivered to those below the poverty line is beyond the scope of this paper, but it is important to highlight that neither a relative nor absolute conception of poverty inherently implies a more or less generous scheme of poverty relief (or even a more or less equal society). Societal expectations will play the largest role in determining the extent of poverty relief in any nation.

An absolute conception of poverty also highlights the need for international aid efforts. While there may be reasons to prefer poverty relief domestically (again, questions of this nature are beyond the scope of this paper). It is undeniable that a sizeable percentage of the world’s population fails to reach even a basic absolute poverty line, and that our duty of easy rescue extends to these people as well. As such, effective international aid should be seen as part of states and citizens duties to the poor.

Bibliography**Word Count Excluding Bibliography: 4661****Word Count Including Bibliography: 4918**

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