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## **Poor, Relative to What?**

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## **Poor, Relative to What?**

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### **Abstract**

This paper will compare and contrast the perspectives of leading scholars in the literature on poverty. The major question addressed by this paper is whether poverty should be considered as absolute or relative in nature. The article takes the view that while the relative approach is more persuasive, an over-emphasis on context could lead to inadequate consideration for a general measure of poverty. Consequently, poverty might become more ignored in the real world. Implications for the policy analyst are noted.

### **Keywords**

Poverty, poverty line, living standards, needs, social security, consumption

### **Introduction**

The search for a universally accepted approach to the definition and measurement of poverty is elusive. One area of contention lies in the arguments of whether poverty should be considered as absolute or relative in nature. Should poverty be estimated with a cut-off line that reflects a level below which people are impoverished, or a level that reflects standards of living common to that country in particular? (Sen, 1985). Mollie Orshansky developed the first official government poverty line for the United States in 1963 while she was employed at the Social Security Administration. Orshansky's computation was based on the minimum requirements of a family in order to meet their basic needs. She based these requirements on a Department of Agriculture study that determined the average family income after they had spent one-third of the total family income on food. Orshansky calculated how much both a "low-cost" and "economy" food plan would cost, based on the Recommended Daily Allowances (RDA) parameters set by the National Academy of Sciences, National Research Council. The "low-cost" plan was determined to provide a family with the RDA of nutrients on a regular basis, where the "economy" plan was determined to provide

only the bare minimum requirements needed to avoid nutritional deficiencies. The costs of both the “low-cost” and “economy” food plans were then multiplied by three to determine the poverty level (Orshansky, 1966).

In this paper we will discuss the perspectives of Michael Harrington as well as those of Michael Cox and Richard Alm. Harrington’s viewpoint is consistent with a relative approach to poverty while Cox and Alm’s perspective is more consistent with an absolute approach. This article will take the position that poverty is a relative concept, which must be set in a particular social and economic context. In doing so, I will draw on the perspectives of Amartya Sen for two reasons. Firstly, Sen provides a compelling case for the adoption of a relative approach to poverty. Furthermore, while Sen is an advocate of relative poverty, he provides a unique perspective on relative poverty that differs in some respects from the approach adopted by Michael Harrington.

### **The relative position of ‘the poor’?**

It has been argued that the poor today are better off today than they were at any time in the past (Cox and Alm, 1999). Being “poor” does not entail the same degree of scarceness of resources as it has in the past. In comparison to 1971 standards, many of today’s poor families might be considered members of the middle class (Cox and Alm, 1999). In constructing their argument, Cox and Alm state that real wages, which have declined over the last couple of decades, are not an appropriate measure of how well people are doing. Rather, in determining the living standards of individuals, it is important to consider patterns of consumption over time, such as what people own, what they buy, and their current standard of living compared to past generations. In terms of consumption the entire nation can be considered better off than at any time in history. For example, in comparison to a quarter of a century ago, the poor have higher levels of home ownership, they own more appliances (such as dryers and microwaves) and own more motor vehicles. Due to this accumulation of resources, it can be argued that the poor are not getting poorer as a group. Therefore, the evidence that Cox and Alm provide to illustrate a decline in poverty is based on an absolute measure of consumption. Consequently, their approach conceptualises and measures poverty absolutely and is divorced from the social and cultural context (Brady, 2003).

Michael Harrington argues differently, that poverty should be gauged according to the living standards of contemporary society. Poverty can therefore be framed as a relative, social phenomenon. Harrington states that “poverty should be defined in terms of those denied the minimum levels of health, housing, food and education that our present stage of scientific knowledge specifies as necessary for life as it is now lived in the United States” (Harrington, 1962). He therefore argues against the viewpoint of Cox and Alm, stating that poverty cannot just be measured by how much a person can consume, but instead must be considered in relation to others around you. A true proponent of relative poverty

measures, Harrington argued that the more an individual's standard of living deviates (downwards) from the standard of living of the average citizen, the poorer they are, regardless of how much money they have in absolute terms.

Consistent with Harrington, Sen argues that in order to understand inequality, we cannot just focus solely on elements of income and wealth (or consumption). Rather, we have to consider our ability to achieve the good life, which means being active members of society and realizing our full potential as human beings. According to Sen, "relevant functioning's can vary from such elementary things as being adequately nourished, being in good health, avoiding escapable morbidity, and premature mortality, etc., to more complex achievements such as being happy, having self-respect, taking part in the life of the community and so on" (cited in Dreier, Mollenkopf and Swanstrom, 2004). In contrast to Harrington, however, Sen introduces a new concept to define poverty: the "capability to function" in which poverty should in this view be absolute in terms of the capability of functioning with respect, for example, to nourishment, participation in society, and transport (Sen, 1983). However, because different societies require different levels at which an individual can adequately function, absolute poverty still requires some relativity in terms of the resources or commodities needed to achieve or meet this level (Hagenaars, 1991).

For example, the need to be educated can be viewed as a universal absolute need. However, there are varying commodity requirements for meeting this need. An American child may not be able to follow his or her school program, unless the child has access to a television. If this is the case, then a child that cannot afford to have a television would be clearly worse off – have a lower standard of living – in this respect than say a child in Tasmania without a television. It is not that the American child has a different need, but rather the same need, the need to be educated, however, the American child must have more commodities in order to fulfil this need (Sen, 1983). As previously noted, this perspective is different from the approach of Cox and Alm in defining poverty; it is not concerned with the comparison of consumption patterns over time. Rather, it is important to assess whether, within a particular context, and at a particular time, an individual has the necessary commodity or resource requirements to meet his or her absolute needs. Consequently, it is possible to be better off on a consumption basis in historical terms, but still lack the necessary commodity or resource requirements to meet one's current absolute needs.

### **A focus on Sen**

Sen postulated that there are various factors that influence the conversion of income into the kinds of lives that people can live:

1. Personal Heterogeneities – This relates to the fact that people with varying physical characteristics would require varying income levels to achieve the same things.
2. Diversities in the Physical Environment – Environmental conditions such as climate or flooding, may influence how incomes and resources are converted into functioning's and quality of life.
3. Variations in Social Climate – Factors such as crime or public educational arrangements can also influence the conversion into functioning's and quality of life.
4. Differences in Relational Perspectives – The conversion of income and resources into functioning's may be influenced by established patterns of behavior in a given community. This would include, for example, the resources required to respectfully participate in the daily life of a given community (Sen, 2009).

Therefore, poverty within the context of capability deprivation can be more severe than what can be deduced purely from an income and resources perspective.

This approach is also somewhat different from a strictly relative interpretation, such as that adopted by Michael Harrington. Harrington argues that the test is not whether the person has more ill-health than others, meets fewer friends than others, and so on, but whether the levels fall below the absolute standards accepted in that society (Harrington, 1962). A general increase in ill-health due to widespread expansion of economic hardship, which leaves a person's relative position unchanged, must still be seen as intensifying that person's poverty (Sen, 1985). It is preferable to judge a person's deprivation in absolute terms (in the case of poverty study, in terms of certain specified minimum absolute levels), rather than in purely relative terms *vis-à-vis* the levels enjoyed by others in the society (Sen, 1985).

How far one falls behind others does matter in a democracy. If some individuals have more resources than others, they will be in a stronger position to control the political process. If the level of functioning is crucial in a competitive pluralist democracy, then ultimately inequality does matter from this perspective as well.

While Sen advances a unique perspective on poverty, it is important to note that an over-emphasis on context could lead to an inadequate concern for a general measure of poverty. Consequently, poverty might become more frequently ignored in the real world. As Stone demonstrates, issues that are measured are given more attention (Stone, 2001). This measurement produces real effects on individuals and families. For example, shortly following the publication of Orshansky's results in 1963, the Federal Government began applying her findings to current and newly created programs. In 1965 the Office of Economic Opportunities (OEO) set the eligibility standards for programs such as Head Start, and other community action programs based on the lower "economy" plan level,

thus making the families that fell between the “economy” and “low-cost” plan ineligible for these benefits. Following the lead of the OEO, the Bureau of the Budget used the same “economy” plan level to set the official government poverty level just four years later. Arguably, to further suppress the official number of persons in poverty, the US government used the Consumer Price Index (CPI) as a means of adjusting the poverty level instead of calculating the change in the *per capita* cost of the actual items on the “economy” food plan.

It has been argued that the techniques used to determine the poverty line are deeply politically based (Schram, 1995). By setting a suppressed poverty level the number of “poor” families is underestimated thus theoretically reducing the problem of poverty in society. This perceived reduction gives the illusion that the current administration has not only reduced the number of poor families, but also has improved the economy by providing more jobs, improved buying power, etc. This perception also has numerous cost savings for the government. Tax dollars are now available to fund other initiatives.

### **Conclusion**

While Harrington’s approach is more persuasive than that of Cox and Alm, there are nevertheless some difficulties associated with the strictly relative approach. Technological advancement has major implications for the manner in which we define poverty, because it affects the commodities and resources that are required to fulfil our absolute needs, not merely because it allows us to be better off than we were in the past, or because it improves our situation comparatively to others in purely relative terms. In determining the necessary resource or commodity levels, it is essential to consider the social and economic context, both at the national and community levels.

It is to be hoped that the policy analyst will recognise the relative nature of the poverty problem and apply these insights in order to provide the less fortunate with the opportunity to become active members of our society and to realise their full potential as human beings.

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