

## POVERTY IN THE UNITED STATES AND EUROPE: A REVIEW

Papadimitriou, Dimitri B. and Edward N. Wolff (eds.), 1993, *Poverty and Prosperity in the USA in the Late Twentieth Century*, St. Martin's Press, New York. (PW).

Deleeck, Herman, Karel Van den Bosch, and Lieve De Lathouwer (eds.), 1992, *Poverty and the Adequacy of Social Security in the EC*, Avebury, Aldershot. (DBL).

Coenen, Harry and Peter Leisink (eds.), 1993, *Work and Citizenship in the New Europe*, Edward Elgar, Aldershot. (CL).

The books under review offer a number of alternative ways of conceptualizing and measuring poverty. One benefit of this diversity is that it may force the reader to think about what he really means by the concept of "poverty." In my view the most interesting and coherent ideas on how we should think about poverty and inequality have been developed over the past few decades by Amartya Sen. The idea of well-being and poverty as capability, as argued for instance in Sen (1992), can provide us with useful tools in understanding the nature of poverty.

Poverty measurement consists of two types of activities, namely (i) *identifying* the poor and (ii) *aggregating* the information into some usable format. In the process of identifying the poor, we need to choose the space(s) in which we define and analyze poverty. Typically poverty is studied in the space of income, expenditure or possession of certain material goods.

Sen's notion that in comparing the well-being of individuals, we should look not only on what they *have* (material goods, or income) but what they *do* and even more importantly, what they *can* do. Possession or control over material goods, services and income does not necessarily tell us what people do with these things. A car is useful because it enables certain types of *functionings*. We can, for instance, use the car for travel to work and we can also use it for vacationing, two quite different types of functionings. If we *choose* not to spend our vacation driving around the country, it would still be *possible* for us to do so, i.e. this particular functioning is within our *capabilities*. If, on the other hand, we have no vacation, having the car would make no difference. The functioning "vacation" would not be part of our capabilities. In this approach to the analysis of well-being what matters are our potential functionings. Social functionings are just as central as private ones, indeed, the distinction will be difficult to make. A person whose resources prevent him from participating in society on a minimally acceptable basis has, in this sense, a limited set of capabilities.

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The idea of functionings can shed some badly needed light on confusions that arise from the relative/absolute dichotomy that haunts many debates on the nature of poverty. The means to achieve some particular functioning will in all likelihood vary with many physical, and perhaps more interestingly, social circumstances. A well-known example, due to Adam Smith, is that the “ability to appear in public without shame,” a functioning many of us would think vitally important, required possession of very different material goods in the Roman Empire and in 18th century Britain. What in the space of functionings is absolute—to be without shame—is associated with things that depend on the social context and is in this particular sense, in the space of the required material goods, relative.

Our possibilities to achieve functionings depend on the goods and services we have access to, the society we live in and our inherent abilities. These abilities may change over time, and may depend on our resources and other functioning achievements. Literacy, for instance, is a valuable functioning and also a means to achieve other functionings. One possible adverse consequence of being poor is that it could diminish our capacity for functioning. Presumably, such problems become worse as the duration of poverty becomes longer. Long-term poverty would in this view be bad because poverty is by itself bad and being poor for a long time diminishes the self-confidence necessary to function well socially.

Poverty is in this view a state characterized by levels of capabilities that are, in the eyes of society, unacceptably low (Sen 1992). What unacceptably low means is not quite clear. That a person has a low income is not in itself necessarily a reason to think that the person is poor. Income is one type of economic means to achieve higher levels of capabilities and a very low income can be a reason for unacceptably low levels of capabilities. However, people with above average abilities may be able to function well at low levels of income while those with greater needs (e.g. for wheelchairs) may need higher incomes to achieve the same functionings. The analysis of income alone will tell us only part of the extent to which there are people whose capabilities are below acceptable levels. The analysis of well-being based on the private possession of certain material goods, such as automobiles, might also be misleading if no consideration is given to social context. For instance, possession of automobiles, might be on the increase with no corresponding increase in the number of persons having the functioning of travel to work, because increased possession of automobiles just substitutes for declining public transport. The same functionings can be achieved with different goods.

Papadimitriou and Wolff (PW) is a collection of essays that were first presented at a conference at the Jerome Levy Institute of Bard College in New York. It is divided into three parts; one on “Poverty: Trends, Composition and Sources,” the second on “Anatomy of Inequality,” and a third part entitled “Policy Forum” preceded by an introduction by Maury Gittleman and Edward Wolff. Most essays in part one are directly relevant to the questions addressed in this review, since they discuss the extent and trend in poverty in the U.S.A. Unfortunately, space does not permit consideration of the essays in the second part concerning inequality.

Deleek, Van den Bosch and De Lathouwer (DBL) is the outcome of a large European Community (EC) project on the extent of poverty in a number of

countries or regions in the EC. The book strives to be truly comparative in the sense that much effort has been invested in making the empirical data that are used in each country as similar as possible. The same definitions are used in each country and each substantive question is asked in each of the countries. The result is that what we know about one country, we know of all. Unfortunately, the book is fairly heavy reading, since the mass of particular questions and results makes it very difficult to find an emerging “big picture” or a single story. The book becomes more a useful catalog of commented tables a researcher can later return to than one that sets the agenda for European social policy.

Coenen and Leisink (CL) again is the outcome of both a conference and the more or less coordinated work at the Department of General Social Sciences at the Utrecht University in the Netherlands. The book is divided into parts entitled “The Erosion of the Welfare State and Social Citizenship Rights,” “Work and Citizenship in Central and Eastern Europe,” “The Transformation of Work and Industrial Citizenship” and “Work, Rights, and Obligations.” While all sections contain material which are of interest to social scientists working with poverty problems, I shall concentrate on poverty as incomplete social citizenship.

Interesting things are said in e.g. the essays by van der Veen, Vilroks and Adriaansens and Dercksen about the concept of work and its role in social citizenship. The connection between work as a part of what it means to be a citizen and poverty as incomplete citizenship makes for an interesting extension of the study of poverty.

What is meant by poverty and how is it measured in these books? Not only are there many answers within each book, in one case (DBL) several competing answers are provided and the preferred answer is never specified. Further, PW contains papers arguing in favor of several competing ways to think of poverty with little indication of how poverty *should* be thought of.

The authors differ primarily with respect to the *space* in which poverty is assessed and how they draw a line in that space between the poor and the non-poor. DBL study poverty in the space of household’s equivalent disposable income and use different ways of drawing the line between the poor and the non-poor. Many different spaces are used in PW—e.g. Blank uses the standard poverty line drawn in family income space, while Haveman and Buron set the poverty line in the space of the aggregate earnings capacity of the household so that the proportion of the poor is the same as that obtained using the conventional method. Mayer and Jencks again emphasize the possession of specific consumer goods. In the essays in CL, the way in which the poor are identified is rarely clearly spelled out. It would appear, though, that when the authors talk about the poor, they are talking about people whose social functioning is limited for economic (and other) reasons, being thus quite close to the view of poverty as capability failure.

An essay by Godfried Engbertsen, “Modern Poverty and Second-Class Citizenship” in CL in my view gives the best account in these books of how poverty should be thought of. Engbertsen does not explicitly discuss the capability approach, but the criteria that are mentioned are by and large in conformity with that. First, social inequality as such does not necessarily mean there is much poverty. E.g. unequal access to certain luxury goods would not in itself mean that

those who are excluded would be poor. Neither is it sufficient or necessary to *feel* poor to *be* poor. Poverty is intimately connected with a lack of resources. People are poor because they cannot afford to live differently. To be poor is also to be excluded from dominant societal institutions. It more or less follows that the poor lack many types of resources, in other words are multiply deprived; both of resources, such as money income, education or employment and of access to the dominant institutions where the means to attain such resources are typically created.

The author goes on to discuss the nature of poverty in the Netherlands. Although the discussion is not conducted in terms of capabilities, it is clear that lack of full social functionings are one of the main characteristics of the Dutch poor discussed in that chapter. The author does not, however, discuss what is the focus of this review, namely how the poor in question were identified as being poor.

I think it is not very helpful to state that poverty is an ambiguous notion (DBL, p. 2). While one can of course have sympathy for this view, it is not entirely clear what to do next. The authors fail to distinguish between alternative conceptualizations of poverty—what poverty is—and alternative operationalizations—how poverty is measured. For instance, the authors explicitly note that poverty is multidimensional and that income is one (important) dimension (p. 3). After this, they immediately talk about difficulties in drawing poverty lines, taking for granted that drawing the line in the space of income is appropriate.

My dictionary gives two definitions of ambiguous: (1) doubtful or uncertain esp. from obscurity or indistinctness; (2) capable of being understood in two or more possible senses or ways. Is poverty obscure and indistinct or can poverty be understood in many different ways? DBL first claim poverty is ambiguous and then consistently use four different ways of drawing the poverty line. This suggests that the operationalization of poverty is what there is much doubt about, rather than about the concept itself.

This distinction is important. It is plausible to hypothesize that *at some level*, different people mean the same thing when they use the word poverty. Often different “conceptualizations” of poverty are, in fact, different operationalizations of the same underlying concept. If there is a sense, a level or a “space” in which the concept of poverty is not ambiguous, the problem that faces the social scientist looks different. We should then perhaps think of systematic ways in which we can seek agreement in spite of different views.

In so far as differences among views of poverty are due to technical issues, these can be addressed. There are methods for seeking agreement to a number of disagreements on technical choices, such as the precise level of the poverty line in the chosen space, or the cardinalization of the equivalence scale. Such approaches are productive in that they provide an alternative to simply throwing up one’s hands in face of a disagreement and allowing us to proceed to say what we can despite certain types of disagreement. It is also possible that fairly high-level differences in views on poverty can be unimportant. For instance, if the same ordering of two populations is reached under alternative views of poverty, the differences in views are not important for that particular problem. I would like to see more effort put into the understanding of different operationalizations of

poverty and attempts to seek agreement on the questions at hand under several views.

It is especially important from a public-policy perspective that there be more structure on the disagreements among analysts. Unresolved methodological problems pointing at radically different answers will mainly serve the interest of non-action. It must be quite tempting to do nothing, especially if doing something will cost money and/or votes. Inaction becomes more difficult when faced with honest accounts of what can be said despite different views.

Haveman and Buron in PW use a procedure for defining earnings capacity poverty that defines poverty to be 13.3 percent in both 1973 and 1988, the end points of their analysis. They motivate this choice by the fact that this is the proportion of households with non-aged heads who are poor in 1988. They then proceed to see what the earnings capacity poverty rates are for various groups within the population. This precludes questions about the extent of aggregate poverty and merely re-shuffles various groups. We have no way of knowing, at least from this paper, if earnings capacity poverty increased, decreased, or stayed the same. What we do know, however, is that while poverty based on current money income increased for many groups, earnings capacity poverty decreased for most of the groups that Haveman and Buron analyze.

The perception of poverty as a lack of capacity for functioning can be contrasted with two other perspectives. Mayer and Jencks compare the inequality of money income, of expenditures and consumption as well as material living conditions. Although they do not directly and exclusively discuss poverty but focus for the most part on inequality, their discussion is quite relevant for assessments of the extent of poverty. Although they are in their concluding comments fairly modest, they seem to be saying that the increase in inequality and poverty that has received so much attention did not, in fact, happen. This is a startling assertion but it is backed up with an impressive number of tables and graphs from various sources using various methods. The structure of their argument seems to be that (1) the trend in economic well-being depends on what data (income, expenditure or consumption), which index of inequality, which unit of analysis and what adjustments for household size you use, but (2) that measured in many ways, low-income households' access to various material and goods and services has improved over time. Therefore we cannot conclude that poverty has increased and, moreover, the evidence is that things have improved.

There are, in view of the capabilities approach, at least two flaws in this argument. For Mayer and Jencks the appropriate choices of unit of analysis, equivalence scale, income or expenditure as well as the index inequality are practical, in their words methodological choices. These problems, however, are also and perhaps primarily, ethical. The researcher's ethical position is likely to affect the results. It is important that the ethical position be clearly spelled out.

It is also important to note the possession of goods does not necessarily tell us very much about the evolution of the capabilities of the poor. What matters in view of the capability approach is, among other things, whether or not the capacity of the poor for social functionings has increased. Increased possession of certain material goods need not necessarily make them more able to participate in society. Consider, again, automobiles. Increased possession alone tells us little

of the well-being of the owners. Indeed, it is possible that increased ownership is associated with a deterioration of their well-being, e.g. if automobiles are required for commuting to work because jobs have been relocated.

These criticisms notwithstanding, Mayer and Jencks's results should make analysts of economic well-being in the United States stop and think. If we take the line that, as long as one can by some particular configuration of the choices of methods find a different trend than by some other configuration, we can conclude little and we will indeed be able to say little of interest to anyone. If, on the other hand, we were to be more precise about our ethical choices and how these are translated into method choices, we will at least know what, based on our ethical views, we can say of the distribution of economic well-being.

On the other hand, DBL favor so-called subjective methods of defining the poverty line. These methods take as their point of departure information obtained through questionnaires from households of whether or not they are able to subsist on their income. They use two different variants of this approach, which are both claimed to be socially realistic (p. 4). While the authors imply that these methods are the best for studying poverty, it remains unclear to me if both methods are equally good or if one of the two is better than the other. If the subjective method is supposed to produce the true nature of poverty, it is unclear to me how there can be two such things. If there are not, then the authors should tell us which is better and which is worse. For instance, the two subjective methods reveal that 37 or 31 percent of households are poor in Catalonia, depending on which subjective method is used, while by the EC standard, using 50 percent of adjusted disposable income, only 15 percent of Catalonian households are poor. These are large differences, suggesting very different magnitudes to the poverty problem and it would be very important to know which of these is supposed to be correct and why. The sustained use of four different definitions of poverty is to me the largest drawback of DBL.

Unfortunately, the authors in no way summarize the state of poverty research in the countries that are studied prior to this research effort. We do not know what was known before this report was written and can not judge in what respects our knowledge of poverty in the countries included in this study has expanded. Issues that arise from the nature of the data, i.e. that they are sample data, are not addressed at all. Little or no information is given on the extent of sampling error, population coverage, specific problems related to the details of the survey such as the language of the survey and coverage of immigrants, measurement problems etc. The fact that income is measured before taxes in Lorraine (the region from France that is included) is only briefly mentioned. Indeed, we are not told why some EC countries (Denmark, Germany, Portugal and the United Kingdom) are not included or why only certain regions of France and Spain are included instead of the whole country.

Despite these very critical comments, there is much useful information in the book. The information on the distribution of income and the various aspects of poverty (all four of them) are a useful addition to our (informal) bank of social data. There is the embryo of a comparative panel study of poverty, which I think does not yet tell us very much about the duration of poverty but that would be quite useful if the households were re-interviewed. Even so, the authors do draw

an interesting conclusion from the panel analysis, which is that despite the fact that poverty diminishes as the accounting period is lengthened, the same types of households face high poverty risks when measured in two consecutive surveys as when measured in a single year. Thus, it is possible that the same type of factors that are related to entry into the poverty population are related to non-exit or risk of long-term poverty.

All three books under review seem to share the view that to be really poor, you need to be poor for long periods of time. However, understanding poverty as capability failure might also shed some additional light on the role of time in poverty analysis. I believe poverty receives much attention from all social scientists not necessarily because our theories have “predicted” that such a phenomenon exists, but because we know that it exists from just being members of the societies we study. We know poverty exists, because there is some kind of understanding of what the word means. I am claiming, in other words, that we study poverty because we know certain things about it. Some of the things we know about poverty get translated into research agendas. For instance, many economists claim that the well-being of a person should be evaluated in the long-run, as many of those who are poor in a given year and/or at a certain state in their life will, in an evaluation of their economic position over a longer time period, not be disadvantaged at all. This view is widely held to be a central criticism against measures of single-year well-being.

Short-term poverty can be extremely distressing, even if it only lasts for a few days or weeks. While it is true that a person who experiences such a shortage will quite often in life-time terms be non-poor, I am not convinced that the experience of a few weeks of acute need for money is unimportant or uninteresting in the study of well-being. Is not the fact that some persons fall into poverty repeatedly in itself an indication that they lack resources? Only a handful of studies claim that this is an interesting question and an increasing number of studies claim the opposite. We should perhaps study the frequency of individuals’ poverty spells. It is quite likely that the less resources they have, the more frequently they fall into poverty.

Indeed, the emphasis on life-time income rests on many highly questionable implicit assumptions. For instance, saying that the average of income over several years is a better measure of individual well-being implicitly assumes a kind of symmetry in well-being and implies a form of risk-neutrality in well-being. Measuring poverty by average income implies that a loss of 10 percent compared to life-time average income in one year can be compensated with an equally large gain in the next, or that being very poor for five years and non-poor for five years is just the same as being poor and non-poor in alternate years during a ten year period. It is possible that this is the case. However, if well-being is concave in money income, then the average of income over a period will overestimate actual well-being if those incomes vary from year to year.

The three books discussed in this review constitute useful contributions to the literature on poverty in modern societies. Apart from providing quantitative and to some extent qualitative information on poverty, they keep questions about poverty on the agenda and should be widely read by analysts and policy-makers. However, many different ways of understanding of poverty are represented in

these three books and not unexpectedly, assessments about the extent of poverty are fairly sensitive to these differences. The extent to which there are people in modern industrialized societies with low levels of economic resources is a question of widespread academic and public concern. I think the quality of debates about the extent of poverty would gain from efforts to handle, formally or informally, disagreements on the concept of poverty and how it is operationalized. I believe the capabilities view of poverty and economic well-being offers promising possibilities for such a consolidation in providing a framework for locating our disagreements.

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#### REFERENCES

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