

# The Many Dimensions of Poverty

*Also by Nanak Kakwani and Jacques Silber:*

Nanak Kakwani and Jacques Silber (*editors*)

QUANTITATIVE APPROACHES TO MULTIDIMENSIONAL POVERTY MEASUREMENT

*Also by Nanak Kakwani:*

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THE MEASUREMENT OF SEGREGATION IN THE LABOR FORCE

# The Many Dimensions of Poverty

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UNDP financial support to the International Poverty Centre for holding the International Conference on 'The Many Dimensions of Poverty' and the preparation of the papers in this volume is gratefully acknowledged.



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Softcover reprint of the hardcover 1st edition 2013 978-0-230-00490-0

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First published 2007 by  
PALGRAVE MACMILLAN  
Houndmills, Basingstoke, Hampshire RG21 6XS and  
175 Fifth Avenue, New York, N.Y. 10010  
Companies and representatives throughout the world

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ISBN 978-1-349-28167-1 ISBN 978-0-230-59240-7 (eBook)  
DOI 10.1057/9780230592407

This book is printed on paper suitable for recycling and made from fully managed and sustained forest sources. Logging, pulping and manufacturing processes are expected to conform to the environmental regulations of the country of origin.

A catalogue record for this book is available from the British Library.

Library of Congress Cataloging-in-Publication Data

The many dimensions of poverty / edited by Nanak Kakwani and Jacques

Silber.

p. cm.

Papers originally presented at an international conference in  
Brasilia on August 29–31, 2005.

Includes bibliographical references and index.

1. Poverty – Congresses. 2. Public welfare – Congresses. I. Kakwani,  
Nanak. II. Silber, Jacques.

HC79.P6M355 2007

339.4'6 — dc22

2007022328

10 9 8 7 6 5 4 3 2 1  
16 15 14 13 12 11 10 09 08 07

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# Foreword

The International Poverty Centre (IPC) is one of the three global thematic facilities established by the United Nations Development Program (UNDP) to bring knowledge-based development services closer to country partners around the world. The IPC has been built on a partnership between UNDP and the Government of Brazil's Institute of Applied Economic Research (IPEA). Its main goals are to expand the knowledge and capacity of developing countries to design and implement effective human development policies, to facilitate knowledge sharing through South – South cooperation for the reduction of poverty and to promote global debates to improve our understanding of development and the achievements of the Millennium Development Goals.

The IPC, which is almost three years old, is fully immersed in a global agenda aiming at reducing poverty. It took a major initiative in organizing an international conference on 'The Many Dimensions of Poverty', which took place in Brasilia on 29–31 August 2005. More than forty papers were presented by participants from all parts of the world. Although the majority of papers were of very high quality and often reported on very original research, the IPC could only publish 26 selected papers in two books. The present book, entitled *Many Dimensions of Poverty*, is mainly focused on conceptual issues relating to the multidimensional nature of poverty, while the second book, which is more applied, presents various quantitative approaches to the measurement of multidimensional poverty. The topics covered in the two books are not entirely mutually exclusive and, as expected, some overlap of issues could not be avoided.

The last three decades have indeed witnessed a blossoming of research on poverty. The serious and also rigorous research on poverty began to take place in the 1970s following Amartya Sen's 1976 seminal paper on poverty measurement. Most of this research has been focusing on income or consumption-based poverty measures. With the publication of the UNDP's Human Development Index in 1990, there has, however, been a clear shift towards a multidimensional approach to poverty analysis. Poverty is now viewed as multifaceted, reflecting deprivation suffered by people in many aspects of life such as unemployment, ill-health, malnutrition, inadequate shelter, lack of education, vulnerability, powerlessness, social exclusion and so on.

Yet again Amartya Sen's (1985, 1992) seminal work on functionings and capabilities has been the most influential in defining poverty in a multidimensional framework. The capability approach provides the most logical and comprehensive framework to understand multidimensional poverty. A functioning is an achievement, and a capability is the ability to achieve. Thus, functionings are directly related to what life people actually lead, whereas capabilities are connected with the freedom people have in choice of life or functionings. According to this approach, poverty is viewed in terms of capability deprivation. An individual is defined as

poor if he or she lacks basic capabilities. To reduce poverty, the capability approach advocates the expansion of people's basic capabilities. The income approach on the other hand advocates increasing the incomes of those who are below the poverty line. Thus, policies aimed at reducing multidimensional poverty have to be holistic, looking at several kinds of deprivations simultaneously.

It must be emphasized that implementing a multidimensional approach to poverty is a complex undertaking. In this volume, Thorbecke has argued that 'most of the remaining unresolved issues in poverty analysis are related directly or indirectly to the multidimensional nature and dynamics of poverty'. In order to achieve Millennium Development Goals, it is necessary to better identify and understand the various dimensions of poverty, which interact over time and space. This book is the first one to provide the reader with the most updated research on multidimensional poverty.

The shift of emphasis from a unidimensional to a multidimensional approach to poverty offered also the opportunity to conceptualize poverty from different perspectives. Poverty is now increasingly viewed as multidisciplinary. Part I of the book, 'Different Disciplines, Diverse Perspectives', presents five perspectives on the many dimensions of poverty, giving the viewpoint of five disciplines – namely, economics, sociology, anthropology, psychology and institutional economics. Part II 'On Poverty and Freedom', brings out the linkage between poverty and the concept of freedom, as articulated by Amartya Sen, in terms of capabilities that are valuable to people. Part III of the book, 'Extending the Concept of Multidimensional Poverty', looks at two topics on which important work has appeared in recent years: chronic poverty and vulnerability. Finally Part IV, 'Critical Policy Issues', examines several critical issues which policy makers dealing with poverty have been facing: the political economy of poverty alleviation and the pro-pooriness of government programs.

In my view, this book on 'The Many Dimensions of Poverty' provides one of the most comprehensive reviews of current thinking on multidimensional poverty. It is a joint contribution of many scholars with international reputation. It should have an impact on how we view poverty and will certainly encourage additional multidisciplinary research on poverty.

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# Preface

In recent decades, Poverty reduction has become an overriding goal of development policy. To inform policy, research on poverty has focused on income- or consumption-based poverty measures. But the most important development of poverty research in recent years is certainly the shift of emphasis from a uni- to a multidimensional approach to poverty. Poverty is now defined as a human condition that reflects failures in many dimensions of human life such as hunger, ill health, malnutrition, unemployment, inadequate shelter, lack of education, vulnerability, powerlessness, social exclusion and so on. Poverty is not only multidimensional but also multidisciplinary.

Recognising the importance of multidimensional and multidisciplinary nature of poverty, the International Poverty Centre took a major initiative in organizing an international conference on 'The Many Dimensions of Poverty', which took place in Brasilia on 29–31 August 2005. The initial idea of holding such a conference came from Professor Jacques Silber and I, as the Director of the International Poverty Centre, implemented the idea.

I wish to express my gratitude to Jacques, who put enormous efforts in bringing together a group of about fifty internationally renowned scholars in the field. More than forty papers were presented by participants from all parts of the world. Although the majority of papers were of very high quality and often reported on very original research, we could only publish 26 selected papers in two books. The present book, entitled 'The Many Dimensions of Poverty', is focused mainly on conceptual issues relating to the multidimensional nature of poverty, while the second book, which is more applied, presents various quantitative approaches to the measurement of multidimensional poverty.

The UNDP requires that all its publications be peer reviewed. I am grateful to Professor Stephan Klasen for providing an excellent overall review of this book. He made very thoughtful comments on every paper. The earlier versions of the papers presented at the conference have been revised in the light of comments made by the reviewer.

In his review, Professor Klasen writes that the strength of the book is that it can really become one of the central reference works on poverty research in developing countries from a multidisciplinary but always policy-oriented perspective. So he warmly welcomed this book and supported its publication.

The organization of an international conference is a major undertaking. I am indeed grateful to many people, who put wholehearted efforts in the organization of the conference on 'Many Dimensions of Poverty'. I owe particular thanks to Eduardo Zepeda, Sandra Viergever, Marcelo Medeiros, Hyun Son, Fabiane Florencio, Fabio Veras, Rafael Osorio, Andre Lyra, Francisco Filho, Joana Costa, Alexandre Chaves and Dimitri Silva. I am particularly grateful to Roberto Astorino

who provided excellent expert assistance in taking care of the technical aspects of the book.

Finally, I express my gratitude to Nora Lustig and Terry McKinley for supporting the publication of this book.

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# Introduction

*Nanak Kakwani and Jacques Silber*

On 29–31 August 2005 an international Conference on *The Many Dimensions of Poverty* took place in Brasilia. This conference was organized by the International Poverty Centre (IPC), one of the three global thematic facilities created by the United Nations Development Programme (UNDP) to bring knowledge-based development services closer to country partners around the world. The present book brings together updated versions of 13 of the papers that were presented at this conference.

Although there had been studies of poverty for more than 100 years, starting eventually with the work of Charles Booth on *Life and Labour of the People in London*, which appeared in 1889 and that of Seebohm Rowntree on *Poverty, A Study of Town Life*, published in 1901, the systematic analysis of poverty, and especially of the ways to measure it, became an important topic of research among economists only in the late 1970s, following the publication of Amartya Sen's (1976) famous article. In this study Sen stressed that poverty analysis requires two stages – that of identifying the poor and that of aggregating the information into a unique measure of poverty. Most of the numerous works that followed Sen's path-breaking study took a unidimensional approach to poverty measurement, whether based on income or consumption data.

Identifying the poor requires determining a poverty line so that those individuals or households who are below the poverty line are 'labelled' as poor. But as is well-known, there is no unique way of defining a poverty line. One can take an 'absolute approach' where the poverty line implies mainly defining a basket of goods and services assumed to fulfil the basic needs of people in terms of food, clothing, shelter, etc... Such an approach is evidently relevant in poor countries where basic needs are not met by many people. One can, however, also take a 'relative approach' to poverty measurement by deciding that the poverty line will be some fraction of the mean or median income and such a point of view is clearly more adapted to developed countries because it assumes that poverty exists when one is far from being able to have the standard of living of the average citizen in the population. Some economists have even suggested defining the poverty line on the basis of subjective questions on the level of satisfaction of individuals or households with their income or standard of living, and techniques have been proposed to translate such questions into an actual poverty line. There is thus no unique way of determining a poverty line and the choice of the poverty line depends on the objective that one wants to achieve.

The second stage of unidimensional poverty analysis implies, as mentioned before, aggregating the information on each household or individual into an overall measure of poverty. But actually this is a very difficult task because aggregate measures can look at different aspects of poverty. Economists Stephen Jenkins and

Peter Lambert have in fact launched the expression ‘The Three I’s of Poverty’ that refer to three different aspects of unidimensional poverty measurement:

- the ‘Incidence’ of poverty which is really the proportion of poor in the population and is measured by what is called the headcount ratio
- the ‘Intensity’ of poverty, a concept which asks the question ‘how far on average is the income of the poor from the poverty line?’ and this intensity is generally measured by what is known as the income-gap ratio
- the ‘Inequality’ (or ‘Severity’) of poverty, a notion that concerns the degree of the inequality of a truncated distribution of income (expenditures) that is limited to those considered as poor and hence whose income (or expenditures) is below the poverty line.

Proposals have been made to combine these three aspects of poverty into a unique indicator and this is really the idea that lies behind Sen’s famous poverty index or the well-known FGT poverty index (FGT referring to its inventors, Foster, Greer and Thorbecke). It should, however, be clear that by ending up with a unique measure one loses information.

Identifying the poor and aggregating information on them is, however, not the end of the story. In recent years attention has been drawn to other important aspects of unidimensional poverty analysis, as will be mentioned later. But the most important development of poverty research in recent years is certainly the shift of emphasis from a uni- to a multidimensional approach to poverty. Conceptualizing the multiple facets of poverty is however not an easy task.

The first part of the present book presents five different perspectives on the many dimensions of poverty, taken by five different disciplines. Thorbecke’s contribution (Chapter 1) gives the point of view of economists. For the author, implementing a multidimensional approach to poverty is a complex undertaking because, among other reasons, one has to define a list of relevant attributes to be taken into account and decide how much weight to give to each of these dimensions. For Thorbecke, the most comprehensive starting point in an attempt to capture the concept of multidimensional poverty is Sen’s ‘capabilities and functionings’ framework. In order to function, an individual requires a minimum level of well-being contributed by a set of attributes and the standard way to determine whether an individual is above or below the poverty threshold is income. The drawback of the income approach is that some (non-monetary) attributes cannot be purchased because markets do not exist or operate imperfectly so that prices do not reflect the utility weights households assign to these attributes. Using Income as the sole indicator of well-being is limited as it does not incorporate such key dimensions of poverty as life expectancy (longevity), literacy, the provision of public goods, freedom and security.

The multidimensional approach also suffers from several difficulties, among which the most serious is the estimation of the interactions between attributes. Attributes can be either substitutes or complements. If the dimensions of poverty are substitutes it implies that an individual can trade off one attribute for another (say

more food for less shelter) and remain at the same level of well-being. In contrast, if attributes are complements, an increase in the amount of one raises the marginal utility of the other (more education increases the present discounted value of the future stream of income).

This difficult combination of attributes into the utility space explains, says Thorbecke, why the empirical applications attempting to measure multidimensional poverty have limited themselves until now to dealing with usually two dimensions. He stressed also the fact that dimensions of well-being can be substitutes in the short run while being complementary and re-enforcing in the long run because of a path-dependence between the form poverty takes today and future poverty outcomes.

The author concludes by stating his belief that although the economic literature on multidimensional poverty measures has made considerable progress in clarifying the concept of functioning and in identifying many of the related theoretical issues there are still too many unresolved questions left to consider seriously using multidimensional measures in any truly operational sense.

Chapter 2 takes a different approach. Written by sociologists David Grusky and Kim Weeden, it argues that recent years have seen some convergence between economists and sociologists working in the field of inequality and poverty. On the one hand economists have come to doubt the traditional 'income paradigm' that equates inequality and poverty with income inequality and poverty whereas, on the other, sociologists have grown more and more sceptical of the usefulness of the so-called 'class paradigm' to study inequality and poverty. The authors suggest that progress in the field depends on converting such disciplinary priors into testable hypotheses about the structure and form of poverty. They contend that such tests are best conducted within the multidimensional poverty space, but such an approach still lacks a compelling methodological platform. Latent class modelling, which has now been generalized to accommodate mixed-mode data, provides precisely the platform needed to test disciplinary assumptions about the structure of poverty and to monitor changes in the shape and form of poverty. Although much is known about trends in the degree of poverty, knowledge is scarcer about trends in its form; and the form of poverty may be just as consequential as the amount in understanding how it is experienced and how it may develop. For Grusky and Weeden, it is necessary to move beyond simplistic measurements of headcounts and treat distributional issues of inequality and poverty with the same seriousness that is accorded measurements of total economic activity and output.

Sara Berry, an anthropologist, is the author of the third chapter of this book. She argues that anthropologists have contributed to the study of poverty in a variety of ways, although usually as a corollary of ethnographic research, rather than a primary focus of inquiry. Ethnographic inquiry is in fact relevant both for questions of method – what to count, what (and what not) to measure and how – and for professional and popular debates about how poverty occurs, whom it affects, and what ought to be done about it. For Berry, quantitative measurement and ethnographic observation are both complementary and conflicting modes of representing social reality and, together, they provide insights into multidimensional aspects of poverty that neither method yields alone. To illustrate, the chapter emphasizes a

few themes like time and temporality, institutions, and social relationships, using examples from ethnographic writings on Africa. It thus suggests ways in which ethnographic inquiry can qualify or expand understandings of poverty based on quantitative analysis.

The author of Chapter 4, Alice Sindzingre, analyses multidimensional poverty through the prism of the new institutional economics and evolutionary perspectives. She argues that institutions and norms are constitutive of the various dimensions of poverty and of the relationship between them. First, institutions may determine achievements and access to income, health and other dimensions. Secondly, institutions and norms are cognitive mechanisms. They both determine individual perceptions and result from them. They therefore determine mental models and behaviour regarding the capacity to escape poverty. Sindzingre stresses that poverty is maintained by mental representations that perpetuate poverty because these perpetuate powerlessness. The poor may not even consider institutions that could help them to escape poverty. The poor lack incentives to claim their rights because of lack of bargaining power and asymmetries of information. They lack incentives to participate in the market institutions and in the political institutions that could help them escape poverty, and they also lack the incentive to save, which in turn generates poverty traps and polarized societies. These mechanisms work intergenerationally because the poor not only lack incentives to escape poverty but also transmit this lack of incentives to their children (their main assets), who will themselves lack the incentives, education or health that could incite them to participate in institutions or claim their rights. One should not forget that trust is based on expectations that the others are worthy of trust or are altruistic: trust in institutions is a condition for the functioning of institutions, while in an endogenous way well-functioning institutions create trust in others and reinforce other-regarding behaviour. In her chapter Sindzingre borrowed concepts from development economics, evolutionary institutionalism and psychology. She justly contends that the bridging of these disciplines is an increasingly promising field of research and that such a cross-conceptualization should contribute to a better understanding of the multidimensionality of poverty.

In Chapter 5 Joaquina Palomar Lever adopts a psychological viewpoint. For her the psychological dimension cannot be ignored when considering the multidimensional nature of poverty. Psychological research has thus shown that stress derived from economic hardship affects marital relations, making it less likely that couples will express love, warmth, support and respect to each other. As a consequence they are less able to solve their problems in common and this increases the level of hostility and stress between them. They then tend to less socialize with their children and often to show hostility toward their children's needs, leading to a decline in parent-child relationships. Poverty has also been associated with numerous psychological variables such as depression, anxiety, self-esteem, strategies for coping with stress, achievement motivation, perception of social support, and locus of control, among others. For Palomar Lever, it is therefore imperative that psychosocial elements be considered in the designing of public policies oriented toward providing support to the most vulnerable groups in the population.

The second part of the book is devoted mainly to the link between poverty and the concept of freedom. This connection in fact underlies Sen's capability theory. The capability approach proposes that social arrangements should be primarily evaluated according to the extent of freedom people have to promote or achieve 'functionings' they value. Whereas resources refer to the material goods and services which confer capability on individuals – that is, provide them with the capacity to do things – the concept of 'functionings' captures the notion of how well individuals are functioning as human beings. Economists have traditionally identified well-being with market command over goods, thus, confounding the 'state' of a person – well-being – with the extent of his or her possessions – being well off. A functioning, on the contrary, is an achievement of a person – what she manages to do or to be – and reflects a part of the 'state' of that person. In other words, according to Sen, the mere command over commodities cannot determine the valuation of the goodness of the life that one can lead for 'the need of commodities for any specified achievement of living conditions may vary greatly with various physiological, social, cultural and other contingent features'. Commodity command is simply a means to the end of well-being.

It should be stressed that the capability approach does not assume that one set of domains of poverty is relevant for all evaluative exercises. Sen himself has refused to give a list of such domains but others, such as Martha Nussbaum, have done so. One should also emphasize that the capability approach does not focus only on 'functionings' and stresses also the idea of process freedom or agency. It may not be necessary to measure freedoms, but it is necessary to consider them.

Sen's capability approach is not, however, the only possible framework for analysing the dimensions of poverty. In a recent survey, Sabina Alkire, the author of Chapter 6, reviewed many other approaches. This chapter is devoted, however, to the capability approach. Alkire first locates the topic of multidimensional poverty with respect to the capability approach and then addresses two central issues. First, if multidimensional poverty measures are used to represent capability poverty directly, how can one identify the relevant domains for a particular exercise? Further, how can direct multidimensional poverty measures give adequate consideration to people's freedoms, which form a constitutive component of the capability approach? In examining these questions, the chapter draws upon some multidimensional studies which have advanced the measurement of capability.

The importance in the field of development of the idea of freedom is examined in more details in Chapter 7, which is devoted to the concept of empowerment. For Ruth Alsup, the author of this chapter, empowerment is to be considered as both a goal and driver of development. But what is empowerment? For Alsup empowerment is 'enhancing an individual's or group's capacity to make purposive choice and transform that choice into desired actions and outcomes'. Using the concepts of asset-based agency and institution-based opportunity structure, she suggests that investments in both can increase people's capacity to make effective choices and contribute to poverty reduction. This chapter draws on evidence of

the relationship between empowerment and poverty outcomes from five country case studies. Thus in Brazil participatory budgeting increased the flow of information about municipal governance and seemed to lead to a reduction of extreme poverty. In Ethiopia, participation to the Women's Development Initiatives Project (WDIP) improved economic outcomes and power for women to make decisions in their household and break restrictive norms. Similar results were obtained in Nepal in so far as a greater empowerment of women reduced domestic violence and improved, for example, health seeking behaviour. In fact, increases in agency through the accumulation of assets such as education, information, psychological assets and income or consumption assets, are often (but not always) associated with changes in gender-based inequalities as well as with influencing other traditional norms such as 'untouchability' in India and Nepal.

Related to this concept of empowerment is the need to pay more attention to incorporating poor people's views about poverty when formulating public policies. This is in fact the topic of Chapter 8 which is devoted to the ideas of participation, pluralism and perceptions of poverty. The author, Robert Chambers, starts by stressing how in the past decade and a half we have come a long way in the invention, evolution and spread of participatory approaches and methods and their contributions to understanding poverty. He then argues that participation goes with changing power relations and behaviours, and sharing, while pluralism goes with openness, mutual learning, eclectic improvisation and creativity. Perceptions of poverty are both those of professionals and of people living in poverty. The primary role of professionals is hence to convene, facilitate, learn and later communicate. The chapter ends by noting that it is only then that the diversity of deprivations becomes more evident as well as the many forms that multidimensional poverty can take. The potentials for combining these to enhance the well-being of those who suffer multiple deprivations have thus scarcely begun to be tapped. As stressed by Caroline Robb (2002) in her review of participatory poverty assessments 'the moral imperative of giving the poor a voice in the poverty debate is self-evident. The bonus is that engaging with the poor also leads to better technical diagnosis of problems and implementation of solutions... The poor deepen our understanding of poverty and can influence policymaking...'

Another aspect of the link between poverty and freedom is the emerging emphasis on human rights. As stressed by Peter Townsend in the keynote lecture he gave at the conference which is at the origin of the present book, the idea is that

rights that free individuals from multiple forms of deprivation and meet their needs for basic social services can be distinguished from fundamental rights to income... Methods of measuring human rights are still in their infancy. The operational definition of rights demands imaginative and sustained quantitative, but also qualitative, methods of investigation. The violations are not those only that end life, or involve extreme abuse, the scales of which have to be assembled in statistical handbooks, but those that represent affronts to human dignity and identity...

A similar point of view was stressed by UNICEF in its 2000 report *Poverty Reduction Begins with Children*:

Poverty is a denial of human rights and human dignity. It means not having a good primary school or health centre to go to and not having access to safe drinking and adequate sanitation. It means insecurity, powerlessness, exposure to violence and discrimination and exclusion from the mainstream of society. It also means not having a voice to influence decision-making, living at the margin of society and being stigmatized. Obviously poverty reduction involves more than crossing an income threshold.

This notion of human rights is precisely the topic of Chapter 9, authored by Linda Jansen van Rensburg. She starts from the idea that poverty constitutes a denial of human rights and human dignity. Such a human rights-based approach implies therefore protection by law of the fundamental freedoms and entitlements needed for a decent standard of living. In other words, when the fundamental rights relating to poverty are infringed, the persons concerned need social protection. Van Rensburg then explains the importance of the rights-based approach followed by the South African Constitutional Court in the protection of the rights of the poor. Thus, for example, the Court concluded that the real question in terms of the South African Constitution is whether the measures taken by the state to realize social rights are reasonable. It also stated that those whose needs are the most urgent and whose ability to enjoy all rights therefore is most in peril must not be ignored by the measures aimed at achieving realization of the right. There is thus a concept of 'progressive realization' that admits that rights cannot be realized immediately but emphasizes that the Courts must keep in mind that the material needs of those persons who are most vulnerable ought to enjoy priority.

The third part of this book is entitled 'Extending the Concept of Multidimensional Poverty'. This part covers two important issues, that of chronic poverty and that of vulnerability. In Chapter 10, David Hulme and Andy McKay attempt to identify and understand the concept of chronic poverty. They argue that the duration aspect of time merits particular attention because priority should be given to individuals having, *ceteris paribus*, experienced longer spells of poverty. There is a distinction in eighteenth-century France between the 'pauvres' and the 'indigents', the former experiencing seasonal poverty (because, for example, of bad crops), the latter being permanently poor because, say, of illness. There have in fact been many studies in recent years of what is now called 'chronic poverty', but most of them looked at developed rather than developing countries. Moreover this research on chronic poverty remains focused excessively on narrow monetary measures of poverty and on panel datasets. The latter issue should be a particular concern given the weaknesses of income/consumption measures for tracking poverty duration. In this chapter the authors examine, in particular, asset-based and needs/human development measures and comment on their suitability for identifying and measuring chronic poverty.

Chapter 11, written by Cesar Calvo and Stefan Dercon, is devoted to the concept of vulnerability, which is another aspect of poverty that has been ignored until very recently. For Calvo and Dercon vulnerability refers to the fact that people are exposed to risk, and in particular, to the threat of failing to meet minimum standards in any particular dimension of well-being. The authors argue that such a threat causes a form of distress which is a kind of hardship on its own right. More specifically, they define vulnerability as an assessment of the magnitude of the threat of poverty, measured *ex-ante*, before uncertainty is resolved. They show how this difficult concept can be made operational and propose families of vulnerability measures both at the individual and aggregate level.

The final part of the book deals with 'Critical Policy Issues'. Chapter 12, written by Marcelo Côrtes Neri and Marcelo Casal Xerez, is an original examination of the political economy of poverty alleviation. The authors discuss the economic rationality and practical problems related to a system of social targets and credit, such as those defined by the Millennium Development Goals (MDGs), as a way for some federal government to increase efficiency in the use of the social budget it transfers to local governments (states, municipalities, etc...). As the fight against poverty transcends mandates and boundaries, the first proposal made by the authors is that specific locations, in particular those at the sub-national level, announce a commitment with the global targets specified. In practice, this would involve that states and municipalities, other than nations, challenge their respective population to reach the proposed targets. Since the deadline for the global goals outlasts the time frame of a single government, it inhibits discontinuity of actions between political mandates. In other words, international MDGs enjoy the attributes of being exogenously given, which allows not only time consistency in decisions, but also a better integration of social efforts across different government levels. The second proposal studied is that the distribution of resources transferred from higher to lower government levels be linked to social performance indicators through a social credit contract.

Neri and Xerez present, in fact, an extension of the standard principal-agent model and demonstrate that the use of the focalization criteria, whereby the poorest municipalities get more resources, may lead to adverse incentives to poverty eradication. Unconditional transfers from the federal government are also shown to crowd out social expenditures. The authors argue, on the contrary, in favour of the use of contracts where the greater the improvement in relevant social indicators, the more resources each municipality would receive. With the establishment of social targets it thus becomes possible to generate proper incentives so that social spending is distributed more equitably between groups.

The book ends with an attempt by Nanak Kakwani and Hyun H. Son to assess the pro-poorness of government programmes. In this chapter the authors propose a new 'Pro-Poor Policy (PPP)' index, which measures the pro-poorness of government programmes, as well as basic service delivery in education, health and infrastructure. The index provides a means to assess the targeting efficiency of government programmes compared to perfect targeting. The chapter also deals with the policy issue of how the targeting efficiency of government programmes varies across socioeconomic groups. To this effect, Kakwani and Son develop two

types of PPP indices by socioeconomic groups – within-group and total-group PPP indices. The within-group PPP index captures how well targeted a programme is within a group. If, however, the objective is to maximize poverty reduction at the national level, the targeting efficiency of particular groups should be judged on the basis of the total-group PPP index. Using micro unit-record data from household surveys from Thailand, Russia and Vietnam, and 15 African countries, the chapter evaluates a wide range of government programmes and basic services.

To conclude, this book on *The Many Dimensions of Poverty* attempts to present a panorama, hopefully as wide as possible, of the many facets of poverty. In inviting contributions representatives from various disciplines, stressing the central importance of freedom in analysing poverty and emphasizing some important policy issues we hope that the broad view of poverty that this book has attempted to offer will not only orient the research on poverty in directions that may have been neglected hitherto, but will also eventually help those whose daily task it is to implement poverty reduction policies.