

# **Economics and Poverty: An Elaborate Discussion**

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## **Abstract**

Through this article, I will discuss about some natures of poverty. I am intend to explain my opinion to the measurement of poverty. There are some spheres of removing or eradicating the poverty. Poverty is defined in many ways according to many sources. There are some common characteristics of poverty. On the other hand, the nature of poverty varies in different countries. There are some proposals will be discussed to remove the poverty

**Keywords:** Poverty; Character; Causes; Reduce; Impact.

## 1. Introduction

Some researchers view it as a reaction to the stress of being poor, whereas others perceive it as a process of adapting to the condition of poverty. Historical definitions are numerous, but can be classified as relating to either lack of financial income or lower social status. Although poverty is one of the most familiar and enduring conditions known to humanity, it is an extremely complicated concept to understand. Numerous factors contribute to the concept of poverty, including political, economic, social, and cultural forces. The one that has consistently had the greatest effect on the evolving concept is the passage of time, which encompasses all these forces in a very intricate manner.

## 2. Ideas of Poverty

There are several definitions of poverty depending on the context of the situation it is placed in, and the views of the person giving the definition.

1. Poverty is usually measured as either absolute or relative (the latter being actually an index of income inequality).
2. Many arguments have been put forward to describe the poverty issue as well as to predict the future trends of poverty incidence. On the other hand, the poverty of definition has always been debated by different set of technical and theoretical assumptions.
3. Generally, poverty is defined as an inability to access resources in order to enjoy a minimal or acceptable living.
4. Poverty is concerned with case and generic theories of poverty.
5. Poverty is defined as an inability to afford an adequate standard of consumption.
6. According to case theories of poverty, individuals who are unable to support themselves and to afford the basic needs without the assistance are considered living in poverty. For instance, older people, handicapped people, drug addicts and mentally ill persons are included among case-poverty.
7. Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not having access to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and free
8. Poverty is explained by macro economy problems such as inadequate employment opportunities, low demand and low national income
9. United Nations' Definition of Poverty Fundamentally, poverty is a denial of choices and opportunities, a violation of human dignity. It means lack of basic capacity to participate

effectively in society. It means not having enough to feed and clothe a family, not having a school or clinic to go to, not having the land on which to grow one's food or a job to earn one's living, not having access to credit. It means insecurity, powerlessness and exclusion of individuals, households and communities. It means susceptibility to violence, and it often implies living on marginal or fragile environments, without access to clean water or sanitation

10. World Bank: Poverty is pronounced deprivation in well-being, and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity. Poverty also encompasses low levels of health and education, poor access to clean water and sanitation, inadequate physical security, lack of voice, and insufficient capacity and opportunity to better one's life.
11. Poverty is the scarcity or the lack of a certain (variant) amount of material possessions or money. Poverty is a multifaceted concept, which may include social, economic, and political elements.
12. In Malaysia, the definition of hard core poverty is whereby a household income is half of the poverty line or less.
13. The earliest definitions of poverty centered on the inability to obtain adequate
14. Food and other basic necessities.
15. Poverty can be defined objectively and applied consistently only in terms of the concept of relative deprivation.
16. Poverty is the scarcity or the lack of a certain (variant) amount of material possessions or money.
17. In the United Kingdom, the second Cameron ministry came under attack for their redefinition of poverty; poverty is no longer classified by a family's income, but as to whether a family is in work or not.

The poverty line is the chosen minimum level of income or consumption, which any household income fallen below the minimum level is considered as poor. In other words, the critical threshold point.

This represents the minimum “acceptable” income or consumption level at which individuals are able to achieve a minimum standard of living to maintain health and well-being

Income Poverty: a family's income fails to meet a federally established threshold that differs across countries.

Poverty hampers the development of any country where a section of the population is being economically marginalized. This poverty issue has been giving impact on people, who are bearing with the living condition that does not meet the minimum level of standard or acceptable conditional measurement. Additionally, different definition creates obstacles to the insight for the understanding of poverty issues and finding the best

possible solution. As a result, theoretical and practical aspects of poverty eradication-related activities seem unpractical and theoretically unsound in many circumstances. Moreover, the incidence of poverty at individual and community level has increased despite of the technology advancement in the modern society. That is, the poverty issue is unexpected in the midst of technology advancement whereby

Food production is four times as compared to the need of world's population.

Those assumptions are made for various socio-political reasons whereby rational and logical explanations are intermingled together to adapt the requirement and needs of various stakeholders. As such, different definition should be accepted accordingly by considering the local context, political, demographic and economical the needs of the poor. The next section argues the importance to understand the concept of poverty and different perspectives in the context of this research.

Absolute poverty, extreme poverty, or *destitution* refers to the complete lack of the means necessary to meet basic personal needs such as food, clothing and shelter.

"Poverty", as defined by the SDC, is not confined to a lack of economic resources, but also to an absence of the wider means to live in dignity. Being poor is thus multidimensional (see capability dimensions above), encompassing vulnerability and discrimination, and is as relevant in situations of humanitarian crisis and economic transition as it is in more general development discourse.

### **3. Poor**

The poor are seen as people who have a limited herd size and composition, inadequate for self-sufficiency. This depends on the number of bod owned, i.e., yaks, cows and horses, due to their productivity in dairy products. Sheep are given lesser productive value, although goats providing cashmere are valuable. Such households are extremely vulnerable to risk, e.g., dzud, and hence rapid decline into poverty. They need support from others to survive and lack cash income to acquire basic needs, such as flour, clothes, etc. They may also lack sufficient labor, e.g., in a female-headed household. Their security depends largely on the type of support system they are part of. For example, a female-headed household with 50 sheep and 5 milking cows was considered poor by others (in wealth ranking exercise) because of the lack of labor. Although the woman part of a supportive kin khot ail who shared labor tasks, she also categorized herself as poor because she felt that her animals were insufficient for subsistence. Lack of labor, however, was not felt to be a major problem since it could be provided through khot ail relations.

#### **4. Causes behind Poverty**

- a) Lack of knowledge and good skills in herding was widely given as a main cause of poverty. This was often mentioned in conjunction with laziness, although not always. Lack of good skills was often a cause related to life-cycle stage of a household, and a problem particularly associated with young herders beginning their herding career, and those who had not been herders during the negdel period. These were not necessarily seen to be lazy people.
- b) Another reason given as a cause of poverty was the distribution of animals at privatization and the receipt of only a small number; insufficient for effective, self-sufficient herding. This was mostly experienced by those in government service, who were not herders within the negdel and had limited eligibility for animals. Another significant factor related to number of animals held after transitions is the general wealth of the household during the negdel period. Some animals were privately owned by negdel workers and so these households began with larger herds after the privatization process, and thus were in a better starting position. Some households also found themselves in debt to the negdel at the time of privatization and lost their share of privatized animals in repayment, and this they identified as a cause of their poverty. An historical profile of the poor in bag II supports the explanation that those beginning the transition period with few animals have largely been unable to build up the herds since. Their livestock numbers have continued to deplete primarily due to the need to sell or exchange animals (usually sheep) for necessary items, such as flour, rice, clothing, cash, etc. The lack of available cash to purchase these things and the reliance on traders who give poor rates, was identified as a main problem by many herders. Herders with no supplementary skills, e.g., carpentry, saddle making, boot making, etc., were seen as particularly vulnerable to herd depletion.
- c) The most notable cause of intractable poverty identified by the majority, both in interviews and the training, was 'laziness'. This is characterized as having low interest in a good life, passivity, lack of motivation and initiative, low intellect, dependency thinking, reliance on assistance from others, and lack of life skills (to plan and organize their life), bad training and care of children by parents. It was felt by some participants in the workshop that laziness should be dealt with through education. The overall feeling was that these types of people are 'no hoppers' and in need of some form of assistance to survive; they do not have the ability and life skills to manage alone. The wealth ranking exercise also identified drunkards who squandered their animals within the category of lazy and poor.
- d) Another cause of poverty related to life-cycle stage was identified as the traditional inheritance practice of providing animals to sons (and also daughters) at marriage, thus reducing the stock of the parents.

- e) The lack of employment elsewhere and immigration of people without assets into the sum was also seen as a cause of poverty in the area.
- f) The risk of natural disasters, such as dzud, was seen to be a threat to all herders and could cause people to become poor.
- g) The lack of a livestock insurance system was also regarded as a cause of poverty by some people.

## **5. Natures**

- a) Impact on health and mortality
- b) Efforts to end hunger and undernutrition
- c) Hunger
- d) Education
- e) Participation
- f) Violence
- g) Discrimination

## **6. Characteristics of Poverty**

- a) suffering relationships
- b) always having to seek out others, or to work for somebody else
- c) being alone, unsupported, uninvolved and "never consulted"
- d) having nothing to eat, lacking the means to meet clothing and financial needs and having nothing to sell
- e) restricted rights and freedoms
- f) incapacity to make decisions, to feed or clothe oneself, or to act on one's own initiative

## **7. Reducing poverty**

To reduce poverty, policies could include:

1. Means-tested welfare benefits
2. Minimum wages.
3. Free market policies to promote economic growth Direct provision of goods/services Other Ways

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1. Education – greater spending on education and training can enable higher skilled workforce.
2. Foreign Aid – aid from developed countries can be used to invest in better health care and education. However, some argue aid can encourage dependency.
3. Diversification of economy away from agriculture to manufacturing. This enables greater economic development but may be difficult to do without the right skills and infrastructure.
4. Policies for economic development
5. Sustained economic growth: The argument is that promoting economic growth increases total income in society, creating more jobs and income which could be redistributed. In the past 100 years, economic growth has been a major factor in reducing the levels of poverty which were seen in pre-war Britain and the US. However, it is not necessarily the case that income and wealth will trickle down to the poorest. There is a concern that economic growth could widen relative poverty because it benefits the highly skilled and wealthy classes more than those at the bottom. See: Inequality and economic growth.
6. Reduce Unemployment: Unemployment is a major cause of poverty because the unemployed have little income, relying on state benefits. Unemployment can be reduced through both supply-side policies, such as free training schemes for those who are structurally unemployed.
7. Progressive Taxes: Increasing progressive taxes, such as the higher rate of income tax from 40% to 50%, will take more income from those on high-income levels. This enables cuts in regressive taxes (e.g. VAT/Sales tax) and increased welfare benefits which help increase the income of the poor. This can be an effective way for reducing relative poverty.
  - i. However, critics argue higher income taxes create a disincentive to work. Leading to less output. This is because higher tax makes work less attractive and reduces the opportunity cost of leisure. Therefore people work less and enjoy more leisure. This is known as the substitution effect. Similarly higher corporation tax may discourage investment in the UK
  - ii. However, this is disputed by other economists, who point out that higher tax reduces incomes and this may encourage people to work more, to maintain their income. (This is known as the income effect)
  - iii. Evidence suggests that higher income tax has little incentive on the supply of labor, suggesting labor supply is relatively inelastic. However, it also depends at what level income tax is set. There is certainly a level where higher income tax will reduce incentives to work.
  - iv. Other problems with increasing income tax, include tax evasion and the fact firms may adjust wages to compensate for the higher taxes.

## **8. Benefits for the Poor**

Means tested benefits involve increasing welfare benefits to those on low incomes. For example, universal tax credit, food stamps or child benefit.

### **8.1 Advantages of means tested benefits**

- a) They allow money to be targeted to those who need it most. E.g. family tax credit or pension credit.
- b) It is cheaper than universal benefits and reduces the burden on the taxpayer.
- c) However, the problem with using benefits to reduce poverty include.
- d) Means tested benefits are often unpopular because people are stigmatized as being poor.
- e) Also, it may create a disincentive to earn a higher wage because if you do get a higher paid job you will lose at least some of your benefits and pay more tax. This is known as “the benefit trap” or the “poverty trap”. The poverty trap occurs where people on low incomes are discouraged from working extra hours or getting a higher paid job because any extra income they earn will be taken away in lost benefits and higher taxes. To avoid the poverty trap the government can grade benefits so that there isn’t an immediate cut off point.
- f) Some relatively poor may fall just outside the qualifying limit.
- g) Also, not everyone entitled to means-tested benefit will collect them because of ignorance or difficulties in applying.
- h) The government used to prefer universal benefits because it avoided the above problem, and people feel if they contribute towards taxes they deserve their benefits regardless of their wealth.
- i) However, in recent years, the welfare state has faced increased demands due to demographic factors leading to more calls for means-tested benefits.
- j) National Minimum Wage The government could increase the national minimum wage. This is an effective way of increasing the incomes of the low paid and therefore reducing wage inequality. A related concept is the Voluntary Living Wage – an attempt to encourage firms to pay higher wages. However, the problem is that it may cause unemployment because firms may not be able to afford the workers. If it does cause unemployment, poverty could worsen. However, if firms have monopsony power, then they will be able to afford higher wages.
- k) Benefits in kind. These are important public services which are provided free at the point of use (or subsidized). They mainly involve education and health care. Free education enables those from low-income families to gain skills and qualifications which can help lead to better jobs and higher incomes in the future.

- l) Universal basic income (UBI) a universal basic income or citizen's income involves giving every citizen a weekly benefit – regardless of circumstances and income. The idea is to ensure everyone has a minimum income guarantee, but without any disincentives of losing means tested benefits from working more. See more at: Universal basic income (UBI) Martin Ravalli on, in his book, emphasized
- m) Thoroughly synthesizes the economics at play in poverty
- n) Explains poverty in a way that is interesting to people with or without a background in economics
- o) Provides a history of the study of poverty as well as a frank assessment of poverty in today's world
- p) Explains the effects inequality may have on the future of poverty in the Americas, Europe, and beyond

## **9. Eliminating Extreme Poverty**

There are two distinct paths going forward. The low-case, 'pessimistic' trajectory entails that the developing world outside China regresses back to the relatively slow progress of the 1980s and 1990s. On this path, it would take another 50 years or more to lift one billion people out of poverty. This would surely be judged a poor performance. By contrast, an 'optimistic path' would be to maintain the higher growth rate for the developing world as a whole seen since 2000 without a rise in overall inequality. If that could be achieved then we can be reasonably confident of lifting that one billion people out of extreme poverty by sometime around 2030 (Ravalli on 2013).

What are the principle challenges in assuring that the second path is followed? Among the list of threats one can identify to attaining that goal, inequality stands out as a major concern today. Rising inequality can mean that growth largely by-passes poor people. This has been happening in some countries of the rich world, including the US. Experience among developing countries has been varied. Inequality falls about as often as it rises in growing developing countries, although absolute poverty measures tend to fall with growth. High-inequality countries have a harder time reducing poverty in that they typically need higher growth rates than low-inequality countries to attain the same pace of progress against poverty, and their high inequality often makes that growth even harder to attain.

## **10. Moral Dimensions of Poverty**

In the view of many commentators and pundits, all citizens have an entitlement to be relieved of their poverty, which, they believe, would best be accomplished by throwing other people's money at the poor. This article makes the case that not only do the impoverished not have any such right, but the attempt to furnish them with wealth earned by others constitutes theft and does not help them in any case. Given, however, that such entitlements exist, what is the proper moral response? To approach an answer to this question, this article

defines and then applies “libertarian class analysis” to the question and derives from this perspective some counter-intuitive conclusions regarding welfare recipients and reparations for past invasions of person and property.

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