Unit 1 Paper: Absolute Poverty Measures

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Absolute poverty metrics are valuable in measuring progress over time and across countries, in identifying poverty at both international and local granularity, and in serving as an inspiring goal for donors. With modifications and in combination with other measures, the dollar-a-day poverty standard is a powerful tool for evaluating poverty.

An absolute poverty line is useful for comparing progress over time and among nations[1]. Policymakers and aid workers must keep their finger on the pulse of various changes in poverty over time. With inflation adjustments and occasional re-evaluation of consumption needs, an absolute metric helps determine the number of people who meet the baseline. Because policy is implemented nationally and regionally, we can study how different policies affect poverty in different areas of the world. Purchasing power parity adjustments, while tedious to track, allow us to quantitatively measure which policies are correlated with progress against poverty. While we lose accuracy in translating consumption needs, the value gained from comparisons over time and by location is crucial.

Absolute metrics provide versatility in informing macroeconomic decisions and in identifying individuals to help. When organizations search for regions to aid, displaying the dollar-a-day metric on a map quickly identifies where to focus attention. Once a region is identified, workers can locate the villages and people to assist by translating the dollar-a-day metric to a per-country or per-region consumption metric—essentially reversing the consumption metric into local terms.

Many poverty-fighting efforts depend on benefactors for funding, and these donors require metrics that are simple, meaningful, and measurable. Relative poverty measures might identify social constructs inhibiting growth, but they tend to be complex to understand, they are poor at gauging progress over time, and they are difficult to translate into an internationally recognizable concept: baseline consumption goals to eradicate poverty. An absolute metric is a simple messenger of these goals, which helps engage donors.

We would be remiss to claim that a dollar-a-day metric is acceptable as the only tool for measuring poverty. Over time, the baseline standard of consumption ages and should be updated[2]. Updating the standard every decade, for example, would more accurately measure poverty, and would force decade-level goals—long enough to measure the effect of some policies, but short enough to avoid an outdated metric. Lastly, maintaining multiple measures of poverty helps verify imperfect data. The Millenium Development Goals, which list target number one as cutting the fraction of people living under a dollar per day, mention three indicators for success, but only one is absolute[3]. Once an absolute metric has identified a group of people in need, a set of detailed measures including nutrition, education, health, gender equality, economic development, and access to information can help assess how to help locally.

With proper modifications, an absolute metric such as the dollar-a-day measure can be combined with other measures of poverty to provide an effective tool in reducing poverty.

References

[1] In-class discussion on September 14, 2009.

[2] Citro and Michael, eds., Measuring Poverty: A New Approach (National Academy Press, 1995), Chapter 1.

[3] Goal: Eradicate Extreme Poverty and Hunger. http://www.mdgmonitor.org/goal1.cfm, retrieved on September 23, 2009.