



Relative Poverty Line besides Absolute Poverty Line

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Abstract: Poverty Line is the level of income to meet the minimum living condition. Poverty Line varies from country to country. In advanced countries poverty line is high to include greater consumption requirements. This might be defined as absolute poverty line. However shouldn't there be another relative poverty line which is connected to average income of the nation. This relative poverty line may be a fractional multiple of average income. And as the income level changes this relative poverty line changes. Of course absolute poverty line is necessary, but there is also a need for relative poverty line.

Received 14 Mar., 2023; Revised 27 Mar., 2023; Accepted 29 Mar., 2023 © The author(s) 2023.
Published with open access at www.questjournals.org

I. Introduction

Poverty Line is the level of income to meet the minimum living conditions. Poverty line is the amount of money needed for a person to meet his basic needs. It is defined as the money value of the goods and services needed to provide basic welfare to an individual.

Poverty line differs from one country to another depending upon the idea of poverty. Poverty line changes from one country to another. In developed countries, where there is advanced standard of living and welfare concepts, poverty line is high as basic standard to include higher consumption requirements and accessibility to many goods and services.

On the other hand, in many less developed countries, the basic requirements will be low and contains essential consumption items needed to sustain life. This means that poverty line is set by the welfare standard in a particular society. Poverty is relative and what is poverty in the US or in an advanced western European country may not be poverty in Bangladesh or India.

This paper proposes that there be another poverty line defined not just for minimum requirements but also adequate requirements. Also when the per capita income of nation increases shouldn't there be a change in increase in what is defined as minimum or adequate?

Nothing Absolute about Absolute

When India got independence in 1947 life expectancy in India was just 32 years, literacy rate was 17%. Today in 2020 life expectancy in India is 72 years and literacy rate in India is 75%. In 1977 India produced just 30,000 cars a year and in 2020 India produces almost 3 million cars or 100 times as much. In 1950, India had 2500 engineering college seats, and now in 2020 India has 10,00,000 engineering college seats, which even after adjusting for quadrupling of population is 100 times as much. In 1950 India has less than 100,000 telephones and in 2020 India has more than 1 billion telephones or almost 10,000 times as much. Almost 70% of houses in India have television. Of course India has developed.

But the poverty line is still defined as per definition of poverty line 80 years ago. That is absurd. Shouldn't what constitutes minimum requirements change when standard of living has changed. Of course this is not argue that the absolute poverty line must be dismissed altogether. But even the absolute poverty line must include greater basket of goods and services. After if poverty line is defined differently in different nations, is it unreasonable to expect the absolute poverty line in a nation to be defined differently as nation develops.

This is of course besides the relative poverty line. Say in a decade the per capita income of a nation change from 1000 dollars to 2000 dollars in real terms at constant prices after adjusting for deflation of dollar. Now shouldn't there be a relative poverty line that is defined as a fraction of per capita income in real terms.

Say we define the relative poverty line as 1/3 of per capita income(gdp) in real terms and this is nominal not on PPP basis. In the base year then the relative poverty line would be 333.33 USD and 10 years later relative poverty line would be 666.66 USD in constant prices.

It is important to define relative poverty line. Now how this relative poverty line should be defined has to be arrived at by discussion at political, social and economic level. But there needs to be a relative poverty line besides an absolute poverty line.

And the absolute poverty line itself must undergo change as the nation develops. If the way absolute poverty line is defined is different between United States and India and Somalia, then is it unreasonable to argue that absolute poverty line as defined in India has to change from 1950 to 2020.

II. Conclusion

Politicians and Bureaucrats are happy when they show that percentage of people below poverty line has decreased in India. But this ignores the fact that when the education levels, life expectancy, ownership of goods and industrialisation levels have changed so drastically, it would be absurd to define poverty line in the same way it was defined 80 years ago. Hence absolute poverty line must be defined differently every decade.

In addition to poverty there is need to measure inequality and hence there is need to define relative poverty line that is a function of average per capita income, perhaps a fractional multiple of average per capita income. This relative poverty line is in addition to and besides absolute poverty line whose definition needs to change with development.

That the government needs to minimize the percentage of population below absolute poverty line is obvious, but it equally true that government needs to reduce the percentage of population below relative poverty line.

References

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