

“Poverties” and “Wealth”: Competing Definitions And Alternative Approaches to Measurement¹

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Final work on this chapter occurred just as the *World Economic Forum 2002* (WEF) and the *World Social Forum 2002* (WSF) were concluding in New York and Porto Alegre, respectively. Both meetings were held in the aftermath of the destruction of the World Trade Center in New York City and the bombing of the Pentagon in suburban Washington—two of the most potent symbols of the West’s global economic and military superiority. Both meetings succeeded in attracting thousands of participants from around the world albeit the high level of personal wealth, political power and economic prowess associated with those attending the WEF differed dramatically from those attending the WSF. Predictably, the substance of the two forums also differed, i.e., representatives attending the WEF extolled the benefits of economic globalization in redressing the social and economic problems confronting rich and poor countries² and participants at the WSF blamed globalization for increasing global poverty, social injustice, political instability and environmental degradation.³ Although held in the same hemisphere and at the same time, the two groups met in cities separated by thousands of miles and, thereby, averted the militant confrontations that

had plagued other recent economic summits--Seattle, Quebec City, Washington and Genoa. But the issues driving globalization and its challenges were not averted.⁴ But neither meeting succeeded in producing a workable plan of action for ameliorating the most egregious forms of social inequality associated with the shift toward a global economy and, with it, the establishment of interlocking cultural, political and military institutions.⁵

Whatever one’s view of the legitimacy of the claims made by either the WEF or the WSF, the content of both meetings dramatized the profound ideological differences associated with the globalization movement. On no issue, though, were the differences that distinguish the two groups from one another clearer than their competing formulations of the role of globalization in contributing to the wealth and poverty of nations and individuals.

This chapter is divided into three parts. Part I briefly discusses national and international efforts at developing systems of national accounts, i.e., systems on which contemporary approaches to “wealth” and “poverty” assessment are based. Part II identifies the major concepts associated with comparative poverty and wealth assessment in the context of national accounting systems. Part II also focuses on the application of selected “poverty” and “wealth” concepts to various population groups and identifies some of the causal explanations associated with the application of each concept. Part III discusses recent efforts at constructing more comprehensive

¹ Reprinted with permission from: Glatzer, Wolfgang (Editor). 2002. *Rich and Poor: Disparities, Perceptions, Concomitants* (Dordrecht: Kluwer Academic Publishers), pp. 9-32.

² Selected papers presented at the WEF may be downloaded from the following URL:
<http://www.weforum.org/>

³ Selected papers presented at the WSF may be downloaded from the following URL:
<http://www.forumsocialmundial.org.br/eng/index.asp>

⁴ For purposes of this chapter, “globalization” refers to “a process (or set of processes) which embodies a transformation in the spatial organization of social relations and transactions—assessed in terms of their *extensity, intensity, velocity* and *impact*—generating transcontinental or interregional flows and networks of activity, interaction and the exercise of power” (Held et al., 1999). Globalization affects not only the transfer of economic resources between and within nations and world regions, but also their social, political and cultural relationships.

⁵ For a comprehensive overview of the issues surrounding the globalization debate see Held et al. (1999).

measures of poverty and wealth assessment. The composite indexes summarized in Part III suggest the need for more multidimensional approaches to understanding the concepts of "rich" and "poor" if we are to succeed in better understand their origins and social functions. The chapter also draws on selected international data to illustrate a number of concepts associated with comparative poverty and wealth research. These data offer unique insights into both the meaning of the concepts and the methodologies associated with their use.

PART I THE SEARCH FOR NATIONAL ACCOUNTING MEASURES

The search for reliable national accounting measures of has been on-going for at least two hundred years. England and Harris (1998) credit the 17th century British statesman Sir William Petty as having devised one of the first operational systems of national income estimates. Today, of course, national accounting statistics--including *gross national product* (GNP) and *gross domestic product* (GDP)--are used in all areas of economic policy, especially by governments in shaping fiscal and monetary policies and by private corporations in choosing between competing investment alternatives. National accounting statistics also have been used to guide the economic reforms of developing countries--particularly those that depend on the World Bank and the International Monetary Fund for large-scale loans and technical assistance (World Bank, 1990, 2001). National accounting statistics also are used in arriving at estimates of national wealth and poverty and in establishing baselines against which the effectiveness of poverty alleviation efforts can be assessed.

In the main, GNP, GDP and their associated concepts appear to have served the measurement needs of economists reasonably well. However, in recent years these concepts have come under sharp criticism, especially for their under-accounting of the "true costs" of economic production, i.e., pollution (Hardoy et al.,

1995; Repetto et al., 1989), resource depletion (Cobb & Cobb, 1994; Editors, 1998; El Serapy, 1993), and what Leipert (1989) refers to as "defensive expenditures" (i.e., environmental damages, the social costs of road accidents and extended travel). Nor do these concepts account for the value of the non-marketed goods and services produced by women, children, and others in the household economy (Henderson, 1996; U.S. Census Bureau, 1995). Nor do they account for the economic costs associated with diversity-related social conflict and civil unrest (Boucher, 1987), human rights violations (Amnesty International, 2001), war (Dupuy, 1993; Sayish, 1998), or the broader societal implications of inequality (Brady, 2001; Cohen, 1998).

Among others, economist Robert Eisner has called for a the creation of "better measures of economic activity...which capture as fully and distinctly as possible both the flow of current consumption and the accumulation of capital contributing to future welfare (1989:2,7). Even Simon Kuznets, one of the chief architects of the system of national accounts, recognized the essentially normative nature of these systems and called for their continuous updating so as to better reflect changing societal norms regarding various forms of production (Kuznets, 1941:3-4).

PART II NATIONAL ACCOUNTING SYSTEMS AND POVERTY

Part II of the paper is divided into seven sections each of which introduces the reader to a different dimension of comparative poverty and wealth research. Part II contains many charts which, in addition to identifying the major economic concepts used in comparative economic research, also provide operational definitions for these concepts.

a. The Economic Building Blocks

Table 1 contains operational definitions of the two most widely used concepts in national income accounting, i.e., *Gross National Product*

(GNP) and *Gross Domestic Product* (GDP). The table also contains a third concept, *Purchasing Power Parity* (PPP), developed by Summers and Heston (1991) for the United Nations International Comparison Programme. In effect, PPP measures the purchasing power of local currencies in securing a pre-determined basket of goods and services relative to an internationally

determined norm. In doing so, PPP "smoothes out" the distortions in income measurement that result when using unadjusted GNP or GDP statistics alone. The three concepts form the conceptual building blocks upon which much of comparative research on poverty and wealth rests.

Table 1
The Building-Blocks of National Economic Accounting

| Concept | Definition and Uses |
|---|--|
| <i>Gross National Product (GNP) & Per Capita GNP</i> | GNP comprises GDP plus net factor income from abroad, which is the income residents receive from abroad for factor services (labor and capital), <i>less similar payment made to non-residents who contribute to the domestic economy</i> . <i>Per capita GNP</i> , in turn, reflects GNP divided by the number of people in that economy. As a measure of poverty, <i>per capita GNP</i> reflects <i>access</i> on the part of individuals or other economic units (usually families or households) to resources below average per capita product or income level (usually referred to as the poverty "threshold"). |
| <i>Gross Domestic Product (GDP) & Per Capita GDP</i> | GDP is the total output of goods and services for final use produced by an economy, <i>regardless of the allocation to domestic and foreign claims</i> . GDP does not include deductions for depreciation of physical capital or depletion and degradation of natural resources. <i>Per capita GDP</i> is derived by dividing GDP by the number of persons participating in the national economy (usually based on mid-year population estimates). |
| <i>Purchasing Power Parity (PPP)</i> | A concept developed at Penn for the United Nations International Comparison Programme (Summers & Heston, 1991), PPP represents "the purchasing power of a country's currency, i.e., the number of units of that currency required to purchase the same representative basket of goods and services (or a similar basket of goods and services) that a US dollar (the reference currency) would buy in the United States." PPP is widely used throughout the UN system to correct for income distortions that results when using unadjusted GNP and GDP statistics alone. |

b. Income Poverty

Table 2 identifies the major concepts associated with *income poverty* used by comparative re-

searchers. These concepts reflect variations of GNP, GDP, or PPP but, in addition, specify *income thresholds* below which a designated portion of the population is judged to be *poor*.

Table 2
Measures of Income Poverty

| Concept | Definition and Uses |
|----------------------------|---|
| <i>Income Share</i> | The distribution of income or expenditure (or share of expenditure) accruing to percentile groups of households ranked by total household income, per capita income or by expenditure. Shares of population quintiles and the top decile in total income or consumption expenditure are used in calculating income shares. The concept is especially valuable for assessing the degree of income inequality between clusters of income earners in developing countries and for analysis of poverty trends within economically advanced countries (Atkinson et al., 1995; Smeeding & Rainwater, 2001). |
| <i>Income</i> | The amount of money below which individuals are unable to purchase the goods and |

| Concept | Definition and Uses |
|--|---|
| Poverty | services needed to sustain life with dignity. <i>Income poverty</i> often is expressed as a percentage of the average or median income earned by a country's population (usually set at 40% to 60% of median income). Income poverty takes into account <i>only money that flows directly to individuals or other economic units</i> but not money obtained by individuals from informal work (i.e., so-called "gray" economy), from other legal sources (e.g., lottery winnings, interest on hidden savings) or from illegal sources (e.g., the so-called "black" economy). |
| Poverty Line/ Poverty Threshold | The Poverty Line (or <i>poverty threshold</i>) refers to the amount of income below which an individual, family, or other social units is judged to be poor. Owing to differences in overall levels of socioeconomic development, poverty thresholds vary from country to country and from subregion to subregion. The World Bank has assigned the following poverty thresholds to individuals living in the following country groupings (World Bank, 2000): <i>Developing Asia and Africa:</i> \$1 or less per day (\$365 per year) <i>Developing Latin America:</i> \$2 or less per day (\$730 per year) <i>Central and Eastern Europe and the Commonwealth of Independent States (CIS):</i> \$4 or less per day (\$1460 per year) <i>Organization for Economic Cooperation and Development countries (OECD):</i> \$15 or less per day (\$5475 per year) |
| Poverty Gap | Calculated as the average difference between the poverty line (or threshold) and actual income (or consumption) for all poor households (World Bank, 2001), <i>poverty gap</i> is expressed as a percent of the poverty line. The concept also distinguishes between gradations of poverty, i.e., from the "poor" to the "poorest of the poor" and reflects the depth of poverty in a given economy. |
| Absolute Poverty | Absolute poverty refers to the income level below which a minimum diet and essential non-food requirements are not affordable. <i>Absolute poverty</i> is usually measured as some percentage of the basic standard (often 80%) and reflects the inability of people to satisfy the basic needs required to live life with dignity. |
| Extreme Poverty | Extreme poverty refers to failure of human survival arising from an inability to satisfy basic needs. <i>Extreme poverty</i> is associated with recurrent, often long-term, incapacity of people (and societies) to meet the requirements for life itself, i.e., poverty associated with protracted famines, natural disasters, recurrent civil or military conflict, exposure to life threatening communicable and infectious diseases (HIV), among other causes. |
| Consumption Poverty | <i>Consumption poverty</i> measures poverty on the basis of goods and services that are actually consumed by individuals--e.g., of food, shelter, clothing, health care, education--rather than income alone. The concepts also takes into account all cash and non-cash subsidies for food, housing, health care, education, etc. (Rainwater, 1990; U.S. Bureau of the Census, 1995; Wolfe & Moffitt, 1991). Obviously, the number of people assessed to be "poor" is considerably lower using consumption rather than income approaches to poverty determination. |

Chart 1 illustrates the use of the *poverty line* and *income threshold* concepts when applied to analysis of global income poverty. The data summarized in the chart are based on a 1998 survey conducted by the World Bank of the total number of people estimated to be surviving on US\$1 or less per day (World Bank,

2000). The chart also reports the percentage of the population for world regions that live under the income threshold. The two concepts provide dramatic evidence of the uneven distribution of income poverty for the world's major geographic regions, i.e., the highest numerical concentration of the world's income poor are lo-

cated in South Asia (522 million people), *but* a higher proportion of the population of Sub-Saharan Africa are poor than those living in Asia (i.e., 46% vs. 40%). The two concepts are valu-

able tools for establishing baselines against which both income distribution patterns can be determined and national efforts at reducing income inequalities can be assessed.

People Living on Less than \$1 Per Day by Major Regions, 1998 (N=1,199 Million)

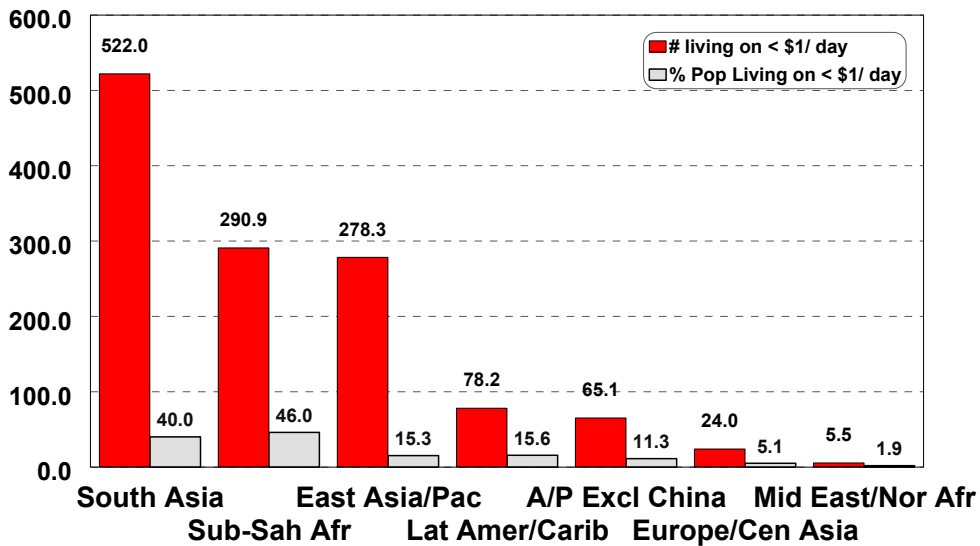


Chart 2 illustrates use of the *consumption poverty* concept in distinguishing between poverty levels of children in selected rich countries *prior to* and *after* public transfers have taken place (e.g., cash assistance, housing subventions, purchase of service arrangements, etc.). As confirmed by *consumption* rather than income data alone, the poverty alleviation efforts of Sweden (-84%), France (-72%), United Kingdom (-67%), and Ireland (-60%) are more effective in reducing child poverty than those of the United States (-15%) or Italy (-17%).

c. Wealth and Its Measurement

Like the concept of “poverty,” the concept of “wealth” also is difficult both to define and

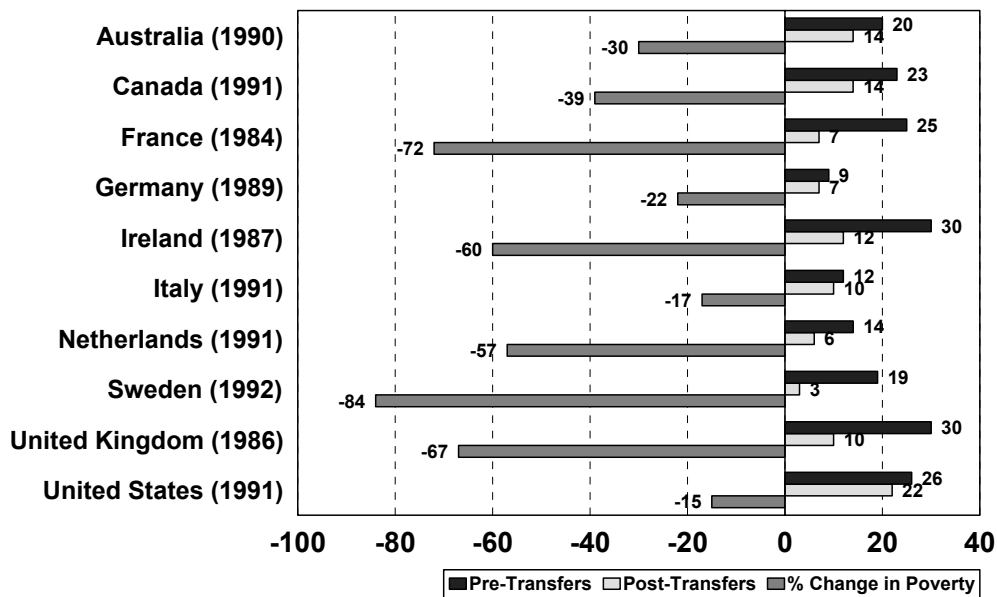
All three concepts—*poverty line*, *income threshold*, and *consumption poverty*—are especially useful tools. Each concept reveals a different dimension of poverty (and wealth) and, in turn, functions as an empirical measure against which the effectiveness (or ineffectiveness) of poverty alleviation and wealth generation efforts.

measure (Cohen, 1998; Landes, 1998). The reasons for this are several: 1) wealth includes both *earned* and *unearned* assets, i.e., financial and other resources that are acquired through personal effort and those that are acquired through

the efforts of others; 2) wealth consists of both money (e.g., cash, savings, investments) and other resources for which a cash or monetary value must be inferred (e.g., land, real estate, automobiles, machinery); 3) assets owned by wealthy individuals often are not denominated in their names but rather in those of larger entities over which wealthy individuals exercise control (e.g., businesses, corporations, foundations); and 4) many national taxation systems do not require wealthy individuals to denominate income and

other earnings from sources on which taxes are not due (e.g., tax exempt bonds and investments, certain types of partnerships). Thus, accountings of the total resources available to the “rich” rarely are complete and almost always underestimate the true magnitude of their wealth. Even so, a number of concepts do exist that help comparative researchers approximate the value of financial assets held by the rich. Table 3 identifies seven of the concepts used most widely in comparative wealth and poverty research.

Selected Child Poverty Rates: Impact of Transfers on Child Poverty



Source: Lee Rainwater & Timothy Smeeding, 1995

Table 3
Wealth-Related Concepts and Measurement Tools

| Concept | Definition and Uses |
|-------------------------|---|
| <i>Wealth</i> | The value of assets owned by an individual or a community. |
| <i>“Wealthy”/“Rich”</i> | Refers to having access to an abundance of money, possessions or other assets. When applied to an individual, wealth includes either ownership of or access to high levels of personal or household income, savings, investments, and other capital assets of significant monetary value (including land, mortgages, and the like). In general, this concept is applied to either the top 10% of household income earners or to households with top 10% of net assets. i.e., total assets less liabilities equal net wealth (Smeeding & Rain- |

| Concept | Definition and Uses |
|---------------------------------|--|
| | water, 2001). ⁶ |
| <i>Income</i> | The amount of money received over a period of time either as payment for work, goods, or services, or as profit on capital. |
| <i>Income Share</i> | <p>The distribution of income or expenditure (or share of expenditure) accruing to percentile groups of households ranked by total household income, per capita income or by expenditure. Shares of population quintiles and the top decile in total income or consumption expenditure are used in calculating income shares.</p> <p>The concept is especially valuable for assessing the degree of income inequality between clusters of income earners in developing countries and for analysis of wealth and poverty trends within economically advanced countries (Gottschalk & Smeeding, 1997; Smeeding & Rainwater, 2001).</p> |
| <i>Income Gap</i> | Contrasts the amount of total household income <i>earned</i> by the top 5%, 10%, etc. of income earners of a national economy with those of the bottom 5%, 10%, etc. of income earners in the same economy (World Bank, 2001). Along with <i>Gini scores</i> , <i>income gap</i> helps to determine degrees of financial equality/inequality of a given economy. |
| <i>Wealth Gap</i> | Similar to <i>income gap</i> , <i>wealth gap</i> contrasts the amount of <u>total earned</u> and <i>unearned</i> wealth available to different clusters of income earners in a given economy, i.e., wages and salaries plus the value of all property owned, interest on savings and investments, income from annuities, inherited wealth, and so). |
| <i>Gini Coefficients</i> | Gini Coefficients are widely used as measures of the extent to which the distribution of income (or, in some cases, consumption) among individuals or households within an economy deviates from a perfectly equal distribution (World Bank, 1999:236). Coefficients are derived using a Lorenz curve against which cumulative percentages of total income are plotted against the cumulative number of recipients, starting with the poorest. A <i>Gini</i> score of "0" represents perfect equality whereas a score of "1.0" implies perfect inequality (one person or household accounting for all income or consumption). |
| <i>Net Worth</i> | The value of the assets a person or business owns minus all of their liabilities. |

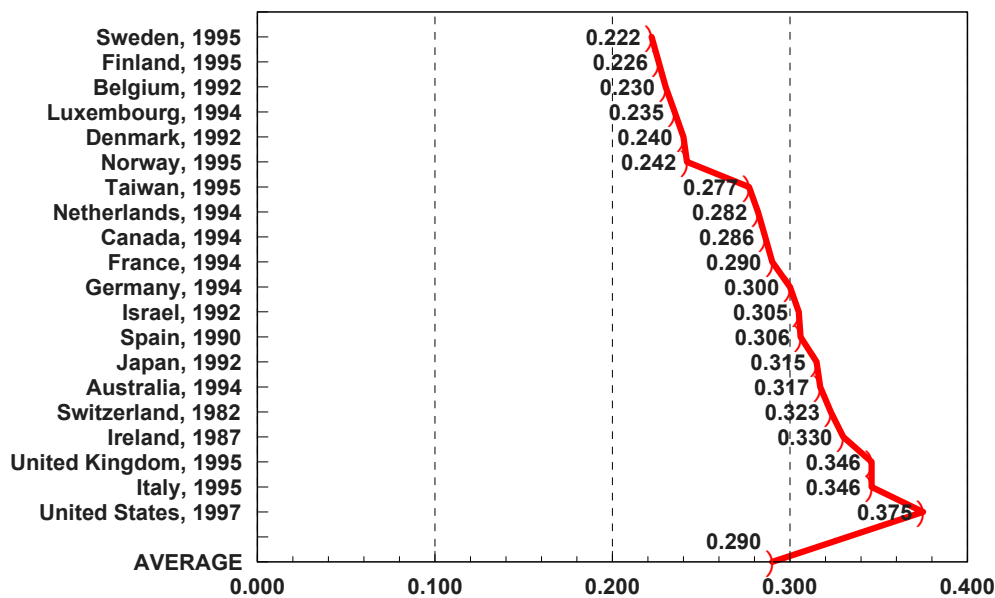
⁶ For a partial listing of the world's "richest" people in 2001 see: <http://www.forbes.com/people/2001/06/21/billionairesindex.html>

Gini Coefficient is the most widely used concept for measuring the degree of income inequality in societies. As illustrated in the data presented in Chart 3, the concept uses a Lorenz curve against which cumulative percentages of total income are plotted against the cumulative number of income earners *in a given society as discrete moments in time*. A Gini Coefficient of “0.0” implies a perfect equality of income distribution whereas a coefficient of “1.0” implies a perfect inequality of income distribution, i.e., a situation in which a single person or household accounts for all of the income or consumption that takes place within a given society at a particular moment in time.

The data in Chart 3 report Gini Coefficients for 20 of the world’s most economically

developed countries (Smeeding, 2000). The data summarized in this chart indicates considerable economic inequality both within and between the majority of the world’s most economically advantaged countries. For example, economically advanced nations with the “most favorable” Gini Coefficients--i.e., those with the most equal distribution of income--include the social democratic countries of Sweden (.22), Finland (.23), Belgium (.23), Luxembourg (.24), Denmark (.24), and Norway (.24). Countries with the “least favorable” Gini Coefficients--i.e., those with the highest levels of economic inequality--include the United States (.38), Italy (.35), the United Kingdom (.35), Ireland (.33), Switzerland (.32), Australia (.32) and Japan (.32).

Gini Coefficients: Selected OECD Countries, c. 1995 (N=20)



Source: Timothy Smeeding, 2000

Wealth Gap (WG) also is a powerful tool in the conceptual arsenal of comparative wealth researchers. Unlike *Gini Coefficient*, the *Wealth*

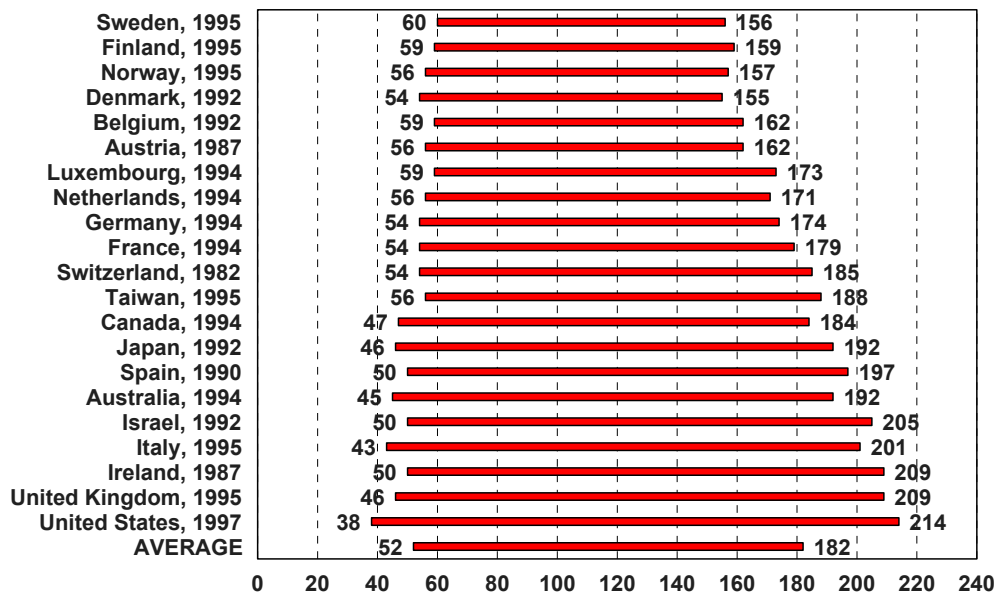
Gap concept provides a range of numbers for various deciles of income and asset holders in society. WG data, in turn, are used to contrast

the differential levels of wealth held by various categories of income earners and asset holders--typically those at the upper (P90) and those at the lower ends (P10) of the asset continuum (Smeeding & Rainwater, 2001). Once computed, the data can be used both to measure disparities in wealth in society and to assess changes in these disparities over time (especially those that occur in response to taxation and other economic redistribution efforts).

Chart 4 summarizes the application of the wealth gap concept to 21 economically advanced countries (Smeeding & Rainwater,

2001). Like Gini Coefficients, WG data offer dramatic evidence of the unequal distribution of wealth among different groups of asset holders in economically advantaged societies. These data confirm, for example, that the countries with the largest wealth gaps in 1996 included the United States (WG = \$176,000), the United Kingdom (WG = \$163,000), Ireland (WG = \$159,000), Italy (WG = \$158,000), and Israel (WG = \$155,000). Countries with the lowest wealth gap included Sweden (WG = \$96,000), Finland (WG = \$100,000), Norway (WG = \$101,000), Denmark (WG = \$101,000) and Belgium (WG = \$103,000).

The “Wealth Gap”: Income Inequality* in Selected OECD Countries, c. 1996 (N=21)



*The chart reflects decile ratios for adjusted disposal income for two groups: Low Income (P10) and High Income (P90). Source: Timothy Smeeding, 2000

d. Poverty As A Spatial Phenomenon

Nearly all comparative studies of poverty and wealth control for their spatial distribution within countries. Typically, these studies examine income disparities between rural and urban

dwellers, by gender and for other subpopulations within the same community (Baker & Grosh, 1994; UNDP, 2000; World Bank, 1990, 2001). In all cases, *per capita income* or *per capita consumption* levels are used to establish *income thresholds* below or above which geographi-

cally-based segments of the population are assessed to be either rich or poor. Table 4 identifies the concepts most commonly used by com-

parative researchers in their studies of the spatial distribution of income.

Table 4
Measures of the *Spatial Distribution of Wealth and Poverty*

| Concept | Definition and Uses |
|------------------------------------|--|
| <i>Head Count</i> | One of the simplest measures of income poverty, <i>head counts</i> measure the percentage of the population living in households below established poverty lines or thresholds (Blackwood & Lynch, 1994; Citro & Michaels, 1995). Though useful in identifying the prevalence of poverty in a given population, head count data alone rarely offer insights into understanding the underlying causes of poverty. |
| <i>Case Poverty</i> | Refers to the inability of individuals, families, households and other economic units to satisfy their basic needs <i>even in economic situations of general prosperity</i> . Two explanations often are associated with <i>case poverty</i> : 1) the absence of some attribute whose presence would permit individuals and others to maintain themselves (e.g., mental or physical illness, or handicap, old age); and 2) failures in "social adaptability" (including "laziness," inability to manage money, unwillingness to control fertility, substance abuse, etc.). |
| <i>Collective Poverty</i> | Collective poverty refers to a long-term, sometimes permanent, insufficiency on the part of large numbers of people in an economy to secure the means required to meet basic needs. The resulting situation may be so general as to characterize the average <i>level of living</i> in a society or it may be may be <i>concentrated</i> in relatively large groups in an otherwise prosperous society, e.g., among particular ethnic-racial-age-gender groups or people who live in particular geographic areas or regions (Buvinic & Gupta, 1997; Landes, 1998). |
| <i>Concentrated Poverty</i> | A variation of <i>collective poverty</i> in which the equivalent of <i>economic ghettos</i> are created in neighborhoods, cities or regions that are by-passed or abandoned by industry or agriculture. Concentrated poverty is closely associated with unemployment, under-employment, and <i>social exclusion</i> (De Haan, 1998; Woodward, 1998). |
| <i>Widespread Poverty</i> | Poverty levels of at least 25% that are widely distributed among the population of a community, country or region (World Bank, 1990). |
| <i>Rural Poverty</i> | A concept that is generally restricted to poverty in current or former agricultural communities that are located at some distance from urban centers (Buvinic & Gupta, 1997; Sarna, 1994). |
| <i>Urban Poverty</i> | A concept that refers to the prevalence of income poverty in larger metropolitan areas and their associated suburbs including surrounding shanty towns and other temporary communities (Cannan, 1997; Oberai, 1993). |

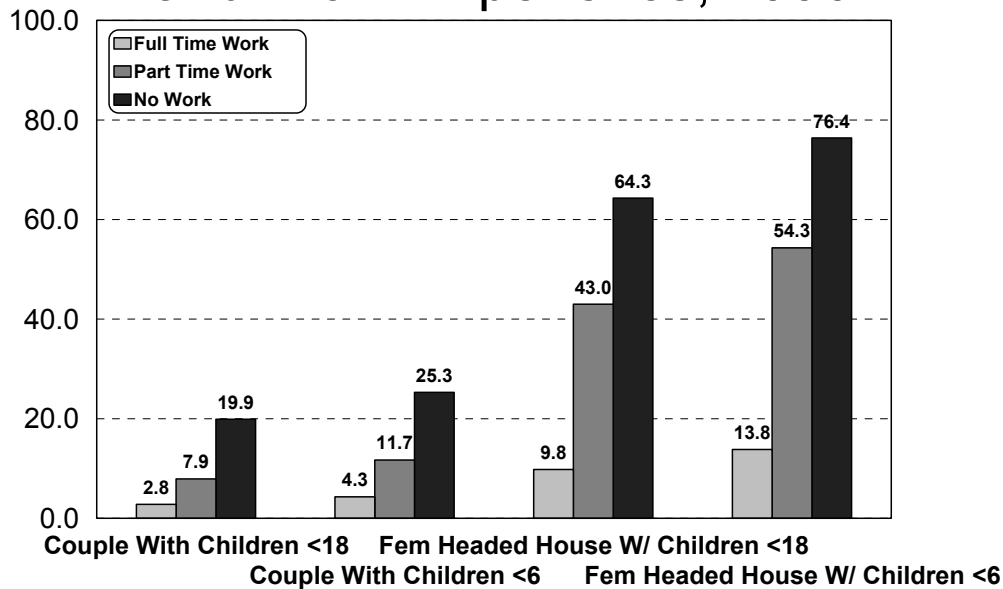
Chart 5 illustrates the use of the *case poverty* concept in identifying population subgroups at especially high risk of income poverty in the United States. The chart controls for employment status (i.e., full- vs. part-time) family structure (i.e., couple vs. female-headed households) and the ages of dependent children (i.e., households with children under six years vs. those with children younger than 18 years). The data

confirm that female-headed households with children of any age are at greater risk of poverty than households in which two adults are present. In both the U.S. (U.S. Census Bureau, 1995) and selected other economic advanced countries (Christopher, 2001), the risk of poverty is especially high in female-head households with children younger than six years of age. The *case poverty* concept is especially valuable in identi-

ifying those subgroups within the general population for which specifically targeted poverty alle-

viation interventions are needed (Buvinic & Gupta, 1997; Baker and Grosh, 1994).

Poverty Rates by Age of Children and Work Experience, 1996



Source: U.S. Census Bureau, 1996 (P60-198)

e. Cyclical (Structural) Poverty

Many researchers regard income poverty as resulting from the interaction of two sets of forces, i.e., those that emanate from the *structure* of the economic system (i.e., *structural* or *cyclical poverty*) and those associated with the personal competencies (and incompetencies) of individuals and other economic units (i.e., *case* or *personal* poverty). Of the two sources of economic failure, structural poverty is considered to be the most serious given: a) the potentially large numbers of people that may be affected by these failures; and b) the often long-term nature of structurally-induced economic downturns. Economic systems characterized by recurrent *cycles* of expansion (i.e., *growth*) and contraction (i.e.,

recession and *depression*), such as capitalism, are especially vulnerable to recurrent high levels of structural poverty. Structural poverty tends to be especially high in societies that fail to make adequate social provision for their populations against known cyclical risks to income security (Cohen, 1998; Landes, 1998; U.S. Social Security Administration, 1999).

Table 5 distinguishes between two types of structural poverty, i.e., that typically associated with *traditional* societies and that found more often associated with *industrial* and *post-industrial* societies. In both societies people in the lowest socioeconomic strata are at the greatest risk of recurrent income poverty (Blackburn, 1994; Estes, 1990).

Table 5
Measures of Cyclical Poverty

| Concept | Definition and Uses |
|---|---|
| <i>Cyclical Poverty In Traditional Societies</i> | Poverty associated with periodic failures in agriculture and other primary sectors, often in combination with the occurrence of one or more devastating disasters, e.g., droughts, floods, desertification, earthquakes, etc. (Hardoy, Mitlin & Satterwaite, 1995; Sarna, 1994). The combination of economic failure and either natural or man-made disasters (e.g., Chernobyl) may result in severe food and other shortages, including loss of work. <i>Cyclical poverty</i> in traditional societies tends to be of limited duration, i.e., from one growing season to the next. In traditional societies affected by serious or recurrent disasters, however, the resulting social dislocations can be profound and long-lasting. |
| <i>Cyclical Poverty In Industrial Societies</i> | Poverty associated with recurrent fluctuations in the business cycle but especially with mass unemployment during periods of prolonged economic recession (Smeeding, 2000). <i>Cyclical poverty</i> in industrial societies may involve only a few people associated with a particular industry or a group of industries, or the collapse of entire sectors of the economy (Woodward, 1998). Poverty of this type may be either short- or long-term depending on the underlying causes of the fluctuation. Almost always, cyclical poverty in industrial societies affects the lowest socioeconomic strata more severely because of the marginal resources under their control at the outset of the downturn. |

f. Social Exclusion As Poverty

Despite many decades of work to reduce the trend, income poverty continues to be disproportionately concentrated among subpopulations that, for a variety of reasons, do not participate fully in the economic structure of their society. Issues related to race, ethnicity, gender, age and national origin continue to exclude many people from full participation in the economic mainstreams of their society. In others societies, centuries old systems of social class and caste restrict the ability of certain groups of people from contributing fully to either their own economic development or that of the society. In all situa-

tions asymmetric power relationships between more powerful and less powerful social groups limit the range of economic choices available to less powerful social groups.

Among the many consequences of deeply entrenched systems of social discrimination is the creation of a classes or groups of *socially excluded* persons, i.e., persons who not only do not participate fully in the economies of their society but also are unable to have a voice in shaping the laws and policies under which they must live. Table 6 identifies three types of *social exclusion* of special interest to researchers concerned with comparative poverty and wealth.

Table 6
Measures of Social Exclusion As Poverty

| Concept | Definition and Uses |
|--|---|
| <i>Culture Of Poverty</i> | A concept that refers to a complex set of socio-cultural-psychological adaptations on the part of the long-term poor to recurrent poverty, e.g., public dependency, apathy, deviance, lack of future orientation, external locus of control, inter-generational poverty, etc. (Cannan, 1997; De Haan, 1998; Dirven, 1995). |
| <i>Historically Disadvantaged Population Groups</i> | The concept is in wide use throughout the United Nations system, especially in its series of decennial <i>Development Decade</i> plans. The concept embraces all population groups that have been excluded systematically from full participation in the social, political, and economic mainstreams of their society, e.g., women, children, the aged, persons with severe physical or mental disabilities and persons that have been dis- |

| Concept | Definition and Uses |
|------------------------------|---|
| | criminated against on the basis of age, sex, race, religion, sexual orientation, ethnicity, or other defining criteria. |
| <i>The Socially Excluded</i> | Initially developed in France to describe the country's growing numbers of under-educated unemployed, the use of <i>social exclusion</i> as a measure of poverty quickly spread throughout the European Union to include other social groups which, because of their disadvantaged social position, also are excluded from helping to shape the laws and policies that affect their well-being. The concept has been expanded in recent years to include all persons who live on the "margins" of industrial and post-industrial societies, i.e., persons with disabilities, the aged, transients, truants, persons with HIV, refugees and migrants, homeless people, and the like (Dirven, 1995; Evans, 1998). |

g. Poverty As A Subjective Phenomenon

Two of the most intriguing concepts used in comparative poverty research are *relative poverty* and *subjective poverty* (Table 7). In both types of poverty it is the individual that defines him- or herself as either "poor" or "not poor," even when prevailing objective norms might lead others to classify their level of poverty dif-

ferently. Almost always, subjective assessments of poverty reflect the individual's economic status *relative to that of other either in the same community or the same general situation*. Thus, even persons whose financial resources may exceed those of the community on average may subjectively experience themselves *as poor* if their income or consumption levels are appreciably lower than those of their reference group.

Table 7
Measures of *Relative Poverty*

| Concept | Definition and Uses |
|---------------------------|--|
| <i>Relative Poverty</i> | The ability to satisfy needs at a level that is <i>inconsistent</i> with the prevailing norms of one's community or reference group--whether or not those norms exceed the requirements for human survival. Relative poverty includes the frustration of not only basic needs but also needs of a higher level if these needs are routinely meet for most people in that society, e.g., for electricity, a telephone, television, automobile, VCR, computer, etc. (Oyen et al., 1996). |
| <i>Subjective Poverty</i> | The <i>perception</i> of being poor relative to others--whether or not the perceived poverty is real in an objective sense, e.g., people who judge their resources to be significantly less than those of their reference group (Olson & Schober, 1993). |

PART III
TOWARD COMPOSITE MEASURES OF
POVERTY, WEALTH AND SOCIAL
DEVELOPMENT

Thus far, the concepts referenced in this chapter relied on a limited number of economic indicators to assess the nature and extent of income poverty and wealth. These concepts have added measurably to our understanding of the underly-

ing causes of poverty and especially to our understanding of the structural sources of inequality embedded in particular economic systems (Cohen, 1998; Landes, 1998). However, these studies also have taught us that measures of *income poverty* alone are not sufficient to explain the more complex socio-cultural-political phenomena that undergird poverty in the global arena. Indeed, methodological dependence on the use of economic metrics as proxies for more

complex social phenomena has impeded progress toward the construction of more inclusive measures of global poverty. As a result, the need for comprehensive measures of poverty remains, especially for instruments that combine a broader array of social and political indicators with more traditional economic indicators. For-

tunately, work on the creation of more comprehensive poverty and wealth assessment tools already has begun, i.e., as part of the global “social development” assessment movement. Several of these composite indices are summarized in Table 8.

Table 8
Composite Indices of Social Development (and Poverty)

| Instrument | Definition and Uses |
|---|---|
| <i>Physical Quality of Life Index (PQLI)</i> | The PQLI was developed in the mid-1960s by Morris David Morris and his colleagues at the Overseas Development Council (Morris, 1979; Streeten, 1981). Morris sought to achieve three purposes with the index: 1) to refocus the international debate on poverty and development to include more than just economic outcomes; 2) to focus international attention on the primacy of <i>human development</i> as the central goal of development work; and 3) to serve as a measure of changes over time in nations achieving their development priorities. The PQLI consists of three indicators: 1) <i>infant mortality</i> ; 2) <i>life expectation at age one</i> ; and 3) <i>basic literacy</i> . |
| <i>Level of Living Index (LLI)</i> | Developed by Jan Drenowski and Scott Wolf (1966) of the United Nations Research Institute for Social Development, LLI was considered a measure of "the level of satisfaction of the needs of the population as measured by the flow of goods and services enjoyed in a unit of time." LLI measures two levels of basic needs, i.e., <i>physical needs</i> (for nutrition, shelter, health) and <i>cultural needs</i> (for education, leisure, security). |
| <i>Index of Social Progress (ISP, WISP)</i> | The ISP initially was conceptualized in 1976 (Estes, 1976). In its present form, the ISP consists of 45 social indicators divided among 10 sectors of development: <i>Education, Health Status, Women Status, Defense Effort, Economic, Demographic, Geographic, Political Chaos, Cultural Diversity, and Welfare Effort</i> . Statistically weighted versions of the index (WISP), are used periodically to assess the changing capacity of countries (Estes, 1988, 1998b) and major world regions (Estes, 1995, 1996a, 1996b, 1997, 1998a, 1999) to provide for the basic social and material needs of their populations. |
| <i>Human Development Index (HDI)</i> | The HDI was introduced by the United Nations Development Programme (UNDP) in 1990 as part of its now annual series of <i>Human Development Report(s)</i> (UNDP, 2001). The HDI builds on the conceptual legacy of both the <i>PQLI</i> and the <i>LLI</i> and uses three indicators to assess national levels of "human development": <i>longevity</i> (as measured by life expectation at birth), <i>educational attainment</i> (as measured by adult literacy rates in combination with primary, secondary, and tertiary school enrollment levels), and <i>standard of living</i> (as measured by real GDP or PPP). |
| <i>Human Poverty Index-1 (HPI-1)</i> | Introduced by the UNDP in 1997, the HPI-1 is designed to measure the incidence of <i>non-economic poverty</i> in developing countries. Operationally, the HPI-1 measures: 1) the percentage of people to die before age 40; 2) the percentage of illiterate adults; 3) the percentage of the population without access to health services and safe water; and 4) the percentage of underweight children under the age of five years. |
| <i>Human Poverty Index-2 (HPI-2)</i> | The HPI-2 was introduced by the UNDP in 1998 for the purpose of measuring <i>non-economic poverty</i> in industrial countries. The index tracks: 1) the percentage of people likely to die before age 60; 2) the percentage of people whose ability to read and write is "far from adequate"; 3) the proportion of people with disposable incomes of less than 50% of the median; and 4) the proportion of long term unemployment--defined as 12 months or longer. |
| <i>Core</i> | For nearly two decades the Organization for Economic Cooperation and Development |

| Instrument | Definition and Uses |
|--|--|
| <i>Indicators For Measuring Development Progress</i> | (OECD) has sought to develop a set of "core indicators" closely associated with its international development assistance priorities (OECD, 1977). The organization's current data set of 21 highly standardized social indicators, each of which is associated with a different development assistance goal: 1) reducing extreme poverty; 2) promoting universal primary education; 3) promoting gender equality; 4) reducing infant and child mortality; 5) reducing maternal mortality; 6) promoting reproductive health; and 7) protecting the natural environment (OECD, 1999a). |

Gender and Poverty

Considerable interest exists in better understanding the social, political, and economic forces that entrap a disproportionate number of the world's women (and children) in poverty (Buvinic & Gupta, 1997; Christopher, 2001). Interest is especially keen to understand the dynamics of gender-related poverty in countries in which the economic development of men continues to outpace that of women (UNDP, 2001).

Table 9 identifies two indexes recently created by the United Nations Development Pro-

gramme to measure disparities in poverty between men and women in the same society. The *Gender-Related Development Index* (GDI) focuses on "inequalities in achievement" between men and women while the *Gender Empowerment Measure* (GEM) focuses on the extent of social empowerment accorded to women relative to that granted men. Both indexes make use of the core indicators contained in the UNDP's *Human Development Index* (HDI), albeit the gender-specific indexes apply a different system of statistical weights in their use of the HDI indicators.

Table 9
Measures of Gender-Related Poverty

| Instrument | Definition and Uses |
|---|---|
| <i>Gender-Related Development Index (GDI)</i> | Introduced by the UNDP in 1995, the GDI makes use of the same indicators as those contained in the HDI. However, the GDI assigns different weights to the indicators in order to reflect "inequalities in achievement between women and men." In effect, the GDI is simply the HDI adjusted downward for gender inequality. |
| <i>Gender Empowerment Measure (GEM)</i> | Also introduced by the UNDP in 1995, the GEM assesses the extent to which women are "empowered to take an active role in the economic and political life of a nation." The GEM tracks the percentage of women serving in each country's: 1) parliament; 2) as administrators and managers; and 3) as professional and technical workers. The GEM also measures women's earned income as a percentage of the income earned by men. |

CONCLUSIONS

The search for a fuller understanding of the dynamics of "poverty" and "wealth" has been ongoing for at least 50 years. The reasons for this interest among comparative social researchers are several: 1) the elusive nature of the concepts;

2) the operational difficulties associated with their measurement; 3) the impression worldwide that disparities between the "rich" and "poor" are increasing; 4) the strong relationship that is known to exist between income inequality and diversity-related social conflict, human rights violations, political instability, war and even

environmental degradation; 5) recurrent international appeals to place and keep poverty alleviation at the top of the world social agenda; and 6) the unique responsibility carried by the public sector in reducing--with the goal of eventually eliminating--the most extreme forms of material deprivation within and between societies.

The World Bank estimates that more than 1.5 billion people worldwide live in poverty, i.e., about one out of every four persons on the planet. The vast majority of the world's poor, including those living in extreme poverty, reside in Asia (63%)--with the highest concentrations in Central and Western China and rural India, Pakistan, and Bangladesh. Proportionately, though, more Africans are poor than are Asians (46% vs. 40%), i.e., a continent on more than four out of every ten residents struggle to support themselves on less than \$1 per day. Poverty also is a dominant feature of daily life in Central and South America (24%) and in the newly independent nations of Central and Eastern Europe and Central Asia (32%). Only among the member states of the Organization for Economic Cooperation and Development and the oil-rich countries of Western Asia and North Africa are poverty rates comparatively low, i.e., 9% and 4%, respectively.

Further, more than half of the world's poor live under conditions of *extreme poverty* (about 700 million people), i.e., in situations where the material resources available to them are inadequate to support life with dignity. The German statesman and Chair of the 1980 Independent Commission on International Development Issues (referred to as the "North-South Roundtable"), Willy Brandt, provided one of the most vivid descriptions of the impossibility of life for the "poorest of the poor,"

Many hundreds of millions of people in the poorer countries are preoccupied solely with survival and elementary needs. For them work is frequently not available or, when it is, pay is very low and conditions often barely tolerable. Homes are constructed of impermanent materials and

have neither piped water nor sanitation. Electricity is a luxury. Health services are thinly spread and in rural areas only rarely within walking distance. Primary schools, where they exist, may be free and not too far away, but children are needed for work and cannot be easily spared for schooling. Permanent insecurity is the condition of the poor. There are no public systems of social security in the event of unemployment, sickness or death of a wage-earner in the family. Flood, drought or disease affecting people or livestock can destroy livelihoods without hope of compensation.

The poorest of the poor...will remain...outside the reach of normal trade and communication. The combination of malnutrition, illiteracy, disease, high birth rates, underemployment and low income closes off the avenues of escape...(Brandt, 1980:49).

The tragedy underlying these statistics is that the number of poor people in the world is increasing even as the levels of human misery that confront them deepen. Ironically, this renewed "growth" in global poverty is taking place at the same time that economically advanced countries are adding unparalleled riches to their national economies—even during periods of comparatively slow economic growth (World Bank, 2001). Less iron, but more troubling, is that official development assistance (ODA) from rich to countries is on the decline (OECD-DAC, 2001).

Clearly, it is the poor themselves that provide the best justification for the attention given by comparative researchers to understanding the dynamics leading to concentrations of wealth and poverty in societies. In contributing to that effort, this chapter has brought together many of the seminal concepts associated with the conduct of comparative poverty and wealth research. In doing so, I have sought to show both the range of concepts that are available for use in comparative research on social inequality. I also have suggested some of the conceptual and methodological limitations implicit in the use of some of these concepts. The use of more

comprehensive measures of “social development,” along with traditional economic measures, could add considerable richness to future investigations of the dynamics of poverty and wealth concentration within and across societies. The approach taken in this analysis reflects John Kennedy’s admonition that “if a free society cannot help the many who are poor, it cannot save the few who are rich.” The approach also reflects the painful insight made by British social critic John Berger in commenting on contemporary economic inequality,

The poverty of our century is unlike that of any other. It is not, as poverty was before, the result of natural scarcity, but of a set of priorities imposed upon the rest of the world by the rich. Consequently, the modern poor are not pitied...but written off as trash. The 20th century consumer economy has produced the first culture for which a beggar is a reminder of nothing (1991).

Comparative poverty and wealth researchers should take seriously the United Nations’ recommendation that poverty elimination remain at the top of the new century’s social agenda (United Nations, 2000). Failure to do so will not only condemn increasingly numbers of the world’s population to preventable poverty, but will undermine the possibility of both rich and poor achieving the social security they seek. Eliminating global poverty in the first quarter of this new century not only is a moral imperative, but also an achievable goal.

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