[Frequently Asked Questions]

A. K. Sen's concepts of Absolute and Relative poverty

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Frequently Asked Questions

Q1. According to Sen, why do some people starve during famines in a region when there is enough food available in other regions?

A1. According to Sen, some people starve because they do not have ownership claims over things which can be exchanged for food or are worthy of exchange in a market situation.

Q2. What is meant by ownership relation in A. K. Sen's explanation of poverty?

A2. Ownership relation is the legitimate right over things, which entitles a person to use those to buy necessities for one's own self. Thus, according to Sen, ownership relations are one type of entitlement relations

Q3. Which are the entitlement categories according to Sen?

A3. In a market economy, entitlements include the following:

- Trade-based entitlement
- Production-based entitlement
- Own-labour entitlement
- Inheritance and transfer entitlement
- Entitlement over unclaimed objects
- Government provided entitlements

**Q4. Which notion of poverty does the following statement given by Sen denote? "*There is less deprivation in community A than in community B in terms of some common standard, e.g. the notions of minimum needs prevailing in community A".*

A4. The given statement denotes the notion of absolute poverty.

Q5. What is the negative externality of poverty?

A5. The externalities of poverty pertain to offences committed by the extremely poor owing to poverty and hence hurt the society. Hence the society must not let anybody become so poor. And, hence poverty should concern the poor and the non-poor both.

Q6. How are the direct method and income method of measuring poverty explained? What is the difference between the two?

A6. *The direct method* of measuring poverty is one in which an aggregate number of people whose consumption baskets leave some basic needs are unsatisfied is obtained.

In the income method, the basic needs are identified; the amount of money needed to buy the basic needs is calculated. This income required to buy bare necessities of life is called poverty line and people with incomes lesser than this are called poor.

The basic difference between the two is that the direct method is a better measure as it does not alter with the purchasing power of income. According to the income method when necessities get costlier, the number of people below poverty line will increase and the already poor will get poorer.

Q7. What is the Head Count Index measure of poverty?

A7. The head count index 'H' is given by the proportion of poor who is identified as poor. If q number of people who are poor and n is the total population then

$$H = \frac{q}{n}$$

Q8. What is the poverty-gap or the income-gap ratio?

A8. Poverty-gap is the aggregate short-fall of income of all the poor from the specified poverty line. The index can be expressed as the percentage short-fall of the average income of the poor from the poverty line. This measure is denoted by I and is called the 'income-gap ratio'.

Q9. Explain Sen's Relative Deprivation Axiom.

A9. Sen suggested that if all poor (those below the poverty line) are ranked in an order where higher rank means more poor, then the measure of absolute poverty also captures relative poverty. In other words, a poverty measure capturing this aspect of relative deprivation must make the weight on a person's income short-fall increase with his rank value r{i}.

This is the axiom of 'Ranked Relative Deprivation' (axiom R) and it focuses on the distribution of income among the poor.

Q10. Explain Sen's Normalized Deprivation Axiom

A10. In the words of Sen (1981),

The Head Count Index 'H' measures the number of poor people. The Income-gap Ratio 'I' measures the gap by which a person below the poverty line. Hence 'H' measures 'how many poor' and 'I' measures poor by 'how much'. When all poor have the same income then a special case arises which Sen measures as 'HI' which is the product of head count index and income-gap ratio. This is the Normalized Deprivation Axiom.

Q11. Give Sen's Precise Axiomatic Measure of Poverty.

A11. Using the relative and normalized deprivation approaches, Sen gives the precise axiom of poverty as $\mathbf{P = H\{I+(1 - I)G\}}$

Where, 1 is the rank of the least poor and

G is the Gini coefficient of the distribution of income among the poor.

I is the poverty gap (income gap ratio)