

Book Review

Subramanian, S. (2012), *The Poverty Line*, New Delhi: Oxford University Press, pp XII + 174, Price: Rs. 195

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The measurement of poverty has gained considerable attention among the academicians, and policymakers. The book under review has attempted to provide a broad perspective on the facts and issues involved in the measurement of poverty with insights drawn from India's official methodology for poverty estimation and World Bank's global poverty estimates with some references to money metric identification as reflected in the official poverty estimates in the United States. In this direction, the evolutions of monetary poverty lines (money-metric poverty lines) are reviewed and revisited by the author¹ in various concrete historical settings. The issues and options in the book are analyzed through six dedicated chapters.

The first chapter, being the introductory chapter sets the scope and limitations of the discussion in the book. Poverty could be measured in unidimensional or multidimensional manner. The author in this book has reserved his choice of analyzing the unidimensional measurement of poverty, because the official methodology followed by the Planning Commission, Govt. of India has exclusively remained unidimensional and the multi dimensional measurement of poverty has come later in the literature of poverty.

The issue of the measurement of poverty is technically solved in two phases. In the first phase poverty among the households is identified and in the second phase poverty line is constructed. There are three widely employed approaches to conceptualize poverty which are Subsistence Approach, Basic Needs Approach and Relative Deprivation Approach. On the

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basis of these approaches, the poor are identified as those with incomes (or consumption levels) below a uniquely specified threshold. However, for determining poverty line 'Cost of Basic Needs (CBN) and 'Food Energy Intake' are found to be sufficiently compatible. Against such heuristic interpretation of poverty, Amartya Sen (1983) has also suggested the interpretation of poverty in absolute and relative terms. Very recently, academicians have come out with a fuzzy view of poverty which treats the extent of poverty between two extreme values of poor (1) and non poor (0), a binary outcome of the traditional poverty measure. The author has tried to capture all these complex technical issues of poverty measurement in a more subtle and reader friendly manner in Chapter-2 of the book.

The third chapter draws the Indian experience in the measurement of poverty quite exhaustively and sequentially during the post independence planned era. The author has documented the entire period of official poverty measurement exercises since 1960s till date. The earliest attempt at identifying poverty lines was undertaken by the *Perspective Planning Division (PPD) of the Union Planning Commission in 1962* which set first poverty line separately for rural and urban areas considering the balanced diet norm prescribed by the Nutrition Advisory Committee of the Indian Council of Medical Research (ICMR). As general acceptability of such poverty lines was not encouraging, early 1970s constituted a period of intense controversy amongst academic practitioners on the subject of an acceptable minimum standard of living as required for estimating the money- metric poverty lines. An attempt to use money-metric poverty norm with a norm of nutritional adequacy was explicitly undertaken by two academicians *Dandekar and Rath in 1971*. They settled a new poverty line against the former. The Dandekar and Rath poverty estimates came to acquire a considerable standing in the Indian poverty literature.

The issue of specifying money-metric poverty norms for India was addressed again in 1979 in a Union Planning Commission *Report of the Task Force on Projections of Minimum Needs and Effective Consumption Demand*, as a part of Sixth Plan (1978-83) exercise. While the major focus of the task force was on projecting effective consumption demand, it also laid the ground work for an identification methodology based on nutritional norm like Dandekar and Rath. Task Force employed 2400 kilocalories per person per day in rural areas and 2100

kilocalories per person per day in urban areas. The calorie values for food intake of the households were calculated on the basis of the calorie allowances recommended by a Nutrition Expert Group in 1968.

Report of the Study Group on the Concepts and Estimation of Poverty Line (Planning Commission, 1984) recommended that the money-metric poverty line be derived by fitting a bivariate log-normal distribution to the joint classification of the population by consumption expenditure and calorie consumption. Among many other suggestions, the group had also suggested for revising the poverty line every five years on the basis of the NSSO's quinquennial data on consumption expenditure. Critics and academicians were very much suspicious of the poverty estimates of the Planning Commission on the ground that the estimated poverty figures are very much prone to statistical manipulation. Subramanian has made a detailed discussion of possible statistical manipulations for alternate poverty line.

As the country entered the final decade of a millennium, and there are a large number of maladies associated with the existing poverty estimation methodologies, Planning Commission in 1993 appointed an *Expert Group on Estimation of Proportion and Number of Poor*. The key recommendations of the group comprised that 1973-74 be treated as the 'base year' and poverty lines just be updated for price changes over time so as to un-affect the consumption basket. It also recommended that state-specific poverty lines be obtained by applying state specific prices to the all-India 1973-74 poverty line; commodity baskets derived in accordance with the 1979 Task Force Methodology. Citing a number of independent studies, the author has identified the grave shortcomings of 1993 Expert Group Methodology.

For a considerable period of time, the 1993 Expert Group recommendations dominated not only the official approach to estimate poverty but also guided the works of independent researchers. In December 2005, the Government of India appointed another *Expert Group to Review the Methodology for Estimation of Poverty* and the Group submitted its report in 2009. As per this report, the incidence of rural and urban poverty has been arrived at 25.7 and 28.3 percent respectively, which are often criticized as being too low. The author of this book has

carefully crafted the possible lapses in the methodology for which poverty estimates are found to be very much on the lower side.

In Chapter 4 of this book, the author has explored the US and the World Bank approaches for poverty estimation. The approach to identifying poverty thresholds for the US is closely associated with the efforts of Mollie Orshansky (1965). Orshansky's food basket comprised of the two lowest food plans so called low cost and economy plans out of four food plans stipulated by the Agricultural Department of the US Government. The low cost and economy plans reflect the food consumption pattern of the poorest third of income distribution of US people. The cost of food plan (low cost and economy plans) provides the food component of the poverty line. For determining the overall minimum standard of living, Orshansky by employing Engel's law arrives at minimum threshold income which is the money metric poverty line. The empirical propositions thereof are beautifully summarized by the author. In the concluding part of this chapter, the author has substantially covered the methodological issues relating to the World Bank's international poverty line (IPL) which is based on the national poverty lines of a set of the poorest countries of the world. This is to note that the World Bank has so far come up with three sets of global poverty estimates, all of these being head count ratios measured in money-metric fashion. The first, carried in the Bank's World Development Report (WDR) 1990, employed poverty line of \$1 per day at 1985 purchasing Power Parity (PPP). The second was in 2000-01 WDR, in which poverty line was \$1.08 per day at 1993 PPP, which was the median poverty line of 10 poorest countries. The third set of estimates were released in a World Bank working paper, employed a poverty line of \$1.25 per day at 2005 PPP. The author taking note of the doubts and concerns raised by many researchers notes that the world bank estimates of poverty are inadequate and lack comparison over time and space.

The author elucidates logically the sources of confusion and controversies around the poverty identification exercise in chapter-5 of the book. He takes note of the fact that all the poverty identification exercises undertaken in India, US and the World Bank by and large tended to specify the money-metric poverty line of a certain fixed and unique normative level of resources which separates the poor from the non-poor. All these measurement exercises deals

with relative measurement of poverty. On the other hand, the absolute deprivation method in the space of functioning as prescribed by Amartya Sen is intellectually sound but practically very difficult due to several constraints. Had Sen's methodology been employed, many controversies regarding measurement outcome could have been avoided. The author also endorses the 'Quintile Income Statistic' as prescribed by Kaushik Basu to avoid possible lapses in poverty measurement. The author remarks that this method incorporates a workable notion of 'inclusive growth' which is not vulnerable to the temptations of manipulation.

In the last chapter, on the basis of his own research experience on this specific issue, the author favours for the derivation of a set of realistic capability based poverty lines and to track a statistic such as the quintile income as has been suggested by Kaushik Basu. The author expresses his deep concern over the Tendulkar Report for postulating unrealistically low and substantially meaningless poverty lines.

The book provides a highly instructive account of the evolution of poverty measures, loopholes in the measurement techniques and possible solution to avoid bias in these tools in a reader friendly manner. The book is strongly recommended as required reading for researchers, analysts and policy makers engaged in the task of poverty assessment and rural development.