



## Exploring the absolutist vs relativist perception of poverty using a cross-country questionnaire survey

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### ABSTRACT

Questionnaires eliciting the absolutist vs relativist perception of poverty are administered to 1941 undergraduate students in eight countries – Bolivia, Brazil, Italy, Kenya, Laos, Sweden, Switzerland and the UK. We find that the perception of poverty expressed by a large fraction of respondents exhibits both absolutist and relativist concerns, with the former components prevailing over the latter. High-income countries exhibit a significantly more pronounced relativist attitude. Personal characteristics such as past experience of material hardship and relative standard of living play a germane role in shaping respondents' views.

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## 1. Introduction

There is growing interest in the way relative status and interpersonal comparisons affect our life. A number of contributions show that happiness, life satisfaction and ‘utility’ are influenced by what we enjoy/achieve relative to others. Firstly formalized through Duesenberry's (1949) relative-income hypothesis, the idea that the inability to ‘catch-up with the Joneses’ has a negative impact on well-being is at the base of Hirsch's (1976) and Frank's (1985) analysis of consumption behavior and demand for positional goods, is the cornerstone of the sociologic approach to relative deprivation (Runciman, 1966; Stouffer, Suchman, De Vinney, Star, & Williams, 1949; Townsend, 1979) and is adduced as explanation to the Easterlin Paradox, – i.e. the constant trend in self-reported happiness despite the increase in mean income (Easterlin, 1974). Clark, Frijters, and Shields (2008) provide an excellent survey of the literature exploring the impact of relative income on happiness and well-being.

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Whether such considerations should be extended to the concept of poverty is highly controversial. The vivid exchange between Sen (1983, 1985) and Townsend (1985) represents a good example of the heated debate on this topic. In particular, while Townsend defends a concept of poverty founded on a ‘through-going relativity’ characterized by strong sociological overtones, Sen suggests a clarification based on the domain in which the concept of poverty is to be understood: poverty would be relative in the space of income, resources or commodities while absolute in the capability space.

Whether an absolutist or a relativist approach to poverty should be followed is still an open question (MacPherson & Silburn, 1998; O’Boyle, 1990). As pointed out by Ravallion (2003), little attention has paid to “an important distinction lingering under the surface of the globalization debate: that between the ideas of ‘relative poverty’ and ‘absolute poverty’” (p. 740).

Atkinson and Bourguignon (2001) argue in favor of the coexistence of an absolute and a relative component of poverty according to a “hierarchy of capabilities” (p. 151). They postulate a hierarchical order between an *absolute* domain – where poverty refers to unsatisfied basic physical needs – and a *relative* domain – where poverty is conceptualized as having a restricted access to functionings compared to others in society – with the former having priority over the latter.<sup>1</sup> Also Foster (1998) argues in favor of both an absolute and a relative notion of poverty, and notes how their coexistence in fact “changes the question “absolute or relative?” to “exactly how relative?”” (pp. 339–340). The view of a coexistence of an absolute and a relative aspect of poverty has an important counterpart in welfare economics, namely the hypothesis of “people having utility functions that depend on relative consumption in addition to absolute consumption” (Luttmer, 2005, p. 963). In an earlier contribution, Leibenstein (1962) defined “compromise Pareto comparisons” a framework where “individuals take into account both the absolute magnitude of their income *and* their relative income” (p. 301). For empirical works supporting this hypothesis, see Van de Stadt, Kapteyn, and Van de Geer (1985), Veenhoven (1991), and Ferrer-i-Carbonell (2005).

In this paper, we shed light on the absolute-vs-relative-poverty debate by showing new empirical evidence. We test whether people think of poverty in absolute and/or a relative terms, whether there is a cross-country pattern in responses and whether idiosyncratic characteristics influence people’s views. In particular, we collect information on individuals’ perceptions of poverty as well as on their personal characteristics by conducting a questionnaire survey on undergraduate students in eight countries – Bolivia, Brazil, Italy, Kenya, Laos, Sweden, Switzerland and the United Kingdom. We find that relativist concerns are widespread among respondents, in particular when they are allowed to coexist with absolutist concerns. Regarding the determinants of poverty perceptions, our data show that living in high-income countries significantly increase respondents’ propensity to account for relative concerns in defining poverty. This result is consistent with the happiness/well-being literature showing larger scope for a relativist stance at higher income levels both within and across countries – Easterlin (1974, 1995, 2001), Didier and Didier (1995), Frank (1997), and Clark et al. (2008). Further, we find that perceiving the standard of living of one’s own family to be high relative to others’ and studying social sciences increases the likelihood of a relativist stance, while having experienced material hardship has the opposite effect.

Questionnaire surveys on students have already been successfully used in studies on inequality, poverty and distributional judgments (Amiel & Cowell, 1992, 1997, 1998; Amiel, Cowell, & Gaertner, 2009; Bosmans & Schokkaert, 2009; Fehr, Naef, & Schmidt, 2006; Gaertner & Namezie, 2003; Harrison & Seidl, 1994; Johansson-Stenman, Carlsson, & Daruvala, 2002). In their seminal work, Amiel and Cowell (1992) explain how university students represent “an appropriate ‘target’ sub-population whose views might reasonably be sought” since “they are usually accustomed to working through simple numerical problems and reflecting upon logical propositions”. A recent paper by Ebert (2009) stresses the usefulness of questionnaires on students to explore the value judgments upon which welfare economics is grounded. However, to the best of our knowledge, there is no contribution specifically analyzing how the relativist/absolutist essence of poverty perceptions varies across countries and with respondents’ specific characteristics. Although primarily intended to investigate the properties of scale and translation invariance for indices poverty indices, Amiel and Cowell (1998) represents the most closely related paper to our study. At the end of their questionnaire, authors asked respondents to define poverty by choosing between an absolute and a (very specific) relative notion.<sup>2</sup> They found that 72% of respondents chose the most absolutist alternative.

This paper develops as follows. Section 2 illustrates our methodology. Our findings are presented and discussed in Section 3. Section 4 briefly concludes.

## 2. The methodological approach

The survey was carried out during January–May 2007. In supervised classroom sessions, anonymous questionnaires were administered to 1941 undergraduate students from different disciplines in eight countries – four low-income countries (Bolivia, Brazil, Kenya and Laos, henceforth LICs, 963 respondents) and four high-income countries (Italy, Sweden, Switzerland and the UK, henceforth HICs, 978 respondents). The distribution of subjects over countries and disciplines is reported in Table 1 with the description of all the variables used in our analysis and the relevant descriptive statistics.

Except for Swedish students, who received an English version of the questionnaire, respondents were presented with a translation of the questions in their own native language. In order to make the questionnaire accessible to subjects studying different disciplines, we avoided as much as possible technical locutions. Pilot tests conducted during Fall 2006 allowed us to

<sup>1</sup> This view is appreciated by Kakwani and Silber (2008), who see absolute and relative poverty as the two macrodomains of multidimensional poverty.

<sup>2</sup> More specifically, they asked respondents to agree with poverty being defined as a situation where incomes are “(a) Not enough for a supply of basic needs”, “(b) Below a level which is relative to the income distribution – for example 50% of the median income” and a complementary alternative “(c) Neither of the above”.

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