Systematic Global Poverty Conceptualizations: Bare Bones Baskets, Super Baskets and Relative Poverty

Michail Moatsos

Global poverty measurement has come a long way in the last 40 years, both in terms of data availability as well as methodologically. An outstanding methodological problem addressed here resides, on the one hand, with the inflexibility of the cost of basic needs approach to explicitly account for the need for social participation, while on the other hand, the relative poverty approach cannot strictly account for basic needs at all times. At the same time current resolutions to this dual problem give rise to different issues related to the lack of global monotonicity in own income, strong reliance in the so called PPP assumption, or in the counter-intuitive property where equally shared growth is not decreasing poverty. To resolve this conundrum three proposals are made here: (a) separate the absolutely and the relatively deprived population by applying the relative poverty concept only upon the non-absolutely deprived population; (b) introduce an economic development multiplier upon a basic needs basket that attempts to broadly account for the impact of economic development upon the absolute poverty line; (c) adopt the global perspective in how both absolute and relative poverty concepts are applied, namely utilize global average consumption to estimate the relevant development multiplier and the global income distribution to estimate relative deprivation. These proposals are empirically applied in a long run stylized historical framework, and upon the two recent benchmarks of global poverty measurement (1990 and 2015). A purely global perspective demonstrates the considerably higher poverty rates and population counts in past and present tense, and the economic development multiplier demonstrates its usefulness in constantly updating the relevant costs of basic needs.