

A New Inequality-sensitive Multidimensional Deprivation Index (MDI) for Dichotomous Variables

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This paper uses the Sen-Shorrocks poverty index to measure multidimensional deprivation when only dichotomous variables are available and introduces a rank-dependent multidimensional deprivation index or MDI which has also a nice graphical representation derived from the TIP curve of Jenkins and Lambert. This MDI index is sensitive to inequality and can be fully broken down by deprivation domain as well as by population subgroups, two features that have far-reaching policy implications. The empirical illustration uses deprivation data for Guatemala, El Salvador, Honduras, and Nicaragua. It then appears that in each country education contributes the most to multidimensional poverty.