Economic growth, inequality and poverty: a review in the light of the capability approach

Nour Eddine AGUENANE
Assistant Professor
Faculty of Law, Economic and Social Sciences, Ibn Zohr University Agadir, Morocco
noureddine.aguenane@edu.uiz.ac.ma

ABSTRACT: In Amartya Sen's perspective, economic and human development and related concepts such as poverty and inequality must be understood as a process of expansion or restriction of capabilities. Thus, it would be more appropriate to perceive poverty as a deprivation or a lack of minimum capabilities, and inequality as an inequitable distribution of basic capabilities. Thinking as such, we guarantee that the poverty or inequality threshold will consider, not only the possession of income and goods, but also the opportunities offered to people to convert these goods into actual well-being and therefore to carry out their life projects as they wish.

By transposing the analysis of the well-being of the income space to the space of functionings and capabilities, this paper attempts to provide some elements of answer to the following question: What renewal brings the capability approach to understanding certain dysfunctions created by economic growth such as poverty and inequality? Under which circumstances would economic growth be “capacitating”?

KEYWORDS: Human development; well-being; freedom; functioning.

Introduction

The importance of gross domestic product, or other income growth as indicators of development is not disputed. However, reducing development to the growth of resources (incomes and goods including rawlsian primary goods1) gives a too reductive vision of development according to the capability approach proposed by Amartya Sen. Indeed, from the point of view of capabilities, well-being must be evaluated on the basis of the different things a person can aspire to be (beings) or to do (doings) (for example, having a decent income, being in good health, having a good level of education, etc.), and this is what Sen calls functionings (Sen, 2000b). Various combinations off unfunctionings form the capability. It is, therefore, a form of substantial freedom to implement various combinations of functionings (Sen, 2000a).

It should be noted that one year after winning the Nobel memorial prize in economic sciences, Amartya Sen publishes *Development as Freedom*. This book is a part of Sen's general contribution to the normative economy. It is based on the idea that freedom is the ultimate goal of development and that development should be apprehended as a process of expansion of the real liberties enjoyed by individuals (Sen, 2000a). Leading, thus, a constructive paradigmatic critique of economic liberalism in which economic growth is synonymous with development (Grosjean, 2000).

In short, development has many facets. Economic growth presents its material aspect. Nevertheless, many important factors remain far from the investigations of economists. Live as long as possible in good health, participate in the life of the community, participate in

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1The primary goods of John Rawls are all that is supposed that a rational person will desire, whatever his other desires. They contain the following elements: rights, freedoms and opportunities, income and wealth, and the social bases of self-respect (Rawls, 1987).
public decision-making, have the right to freedom of expression, have access to education, build fruitful social relations and other functionings enrich the existence of the individual. For Sen (2003) they are constitutive elements of living.

Born of such considerations the approach of capabilities sheds light on the bidirectional relationship between the scope of individual freedoms (capabilities) and human development. This relationship, up to now, is obscured by the utilitarian approach based on the evolution of restricted indicators like per capita gross domestic product. In addition, the capability perspective focuses on the importance of interconnections between instrumental freedoms to improve the power of individuals to act. It attaches the greatest importance to encouraging individuals to become agents of change. Therefore, they do not passively suffer the perverse effects of economic growth such as poverty and inequality.

In different ways and in different contexts economists have tried to identify the question of the correlation between growth, inequality and poverty. Their goal, however, is common: to understand the link between the creation of wealth and its distribution, as two central issues of the economy. Far from being univocal, this question does not lend itself to a clear reading. The absence of systematic links is what characterizes the tripartite relationship of growth, inequality and poverty (Soudi, 2007).

This paper reexamines the triangle economic growth, inequality and poverty within the framework of the general alternative economic paradigm of justice and development through freedoms and more precisely by using the capability approach.

1. Capability approach: new perspectives for economic growth

1.1. Capabilities, functionings and instrumental freedoms: the terms of an alternative approach

The capability approach is a part of an economic development model based on freedom and ethics. Thus, for Sen the development of the social states of the members of a community must be evaluated in a way that exceeds the resources. Other aspects need to be considered in this assessment:

- functionings: different things that a person can aspire to be or to do (Sen, 1992) (for example, having a decent income, living as long as possible in good health, having a good level of education, etc.);
- capabilities: a set of functionings vectors, which indicates that an individual is free to lead the life project that he values (Sen, 2000b, p. 66).

The perspective of functionings and capabilities considers liberties as a goal, but also as a means of human development. Hence, the "instrumental" role of at least five freedoms in the development process:

- political freedoms: according to Sen, political freedoms contain civil rights (elect, control and criticize those who govern, express themselves freely, join a party among several political parties, etc.) and political rights (democratic dialogue, the right to opposition, the right of selection of the legislatures, etc);
- economic facilities: in the sense of Sen, they refer to the various possibilities offered to the population to appropriate economic means resulting from economic growth. In this case, this population can benefit from advantageous conditions of access to financing, investment, consumption and exchange. Logically, this should lead, in principle, to a proportional relationship between the growth of national wealth and

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2 Amartya Sen (2000a) identifies five freedoms whose interconnection directly promotes the structure of people's capabilities: political freedoms, economic facilities, social opportunities, guarantees of transparency and guarantees of protective security.
individual wealth.

- transparency guarantees: for Sen the guarantees of transparency play a decisive instrumental role which protects society from all illicit practices such as corruption and abuse of power to create a climate of trust and clarity;
- social opportunities: they are offered by peaceful access to education, health, housing and other public services that promote the "social effectiveness" of individuals. In addition, they promote social cohesion by narrowing down direct causes of exclusion such as illiteracy, avoidable morbidity or premature mortality;
- protective security: it includes, according to Sen, institutional arrangements for the poor, such as unemployment benefits and other exceptional for good intervention in case of crises, epidemics or disasters.

1.2. The capability-utility contrast

Sen is deeply critical of some well-known conceptions of individual benefit measurement. That is why for example he is against the criterion of Vilfredo Pareto. Since the latter tolerates strictly unequal social orders (improving the utility of the poor by reducing that of the wealthy does not meet this criterion) (Monnet, 2007). But also he is critical towards the general framework of the utilitarian approach and the different forms of the economy of well-being.

In this respect Sen rejects utility as a standard of measurement of well-being. He considers it restrictive and inadequate for several reasons:

- the approaches that have focused the analysis of social justice and economic efficiency on maximizing the sum of individual utilities defined from a psychological characteristic (pleasure, desire, preference, etc.) consider that the value is located totally in individual utility. However, the information contained in utility only reflects a part of the state of well-being (Baujard, 2003);
- only "achievements"\(^3\) are the subject to interpersonal comparisons. While the accessible and uncomplicated functionings are away from any analysis (Sen, 2000b, p. 56);
- the freedom to perform or to choose among various states is marginalized: in the best cases, one admits its instrumental character as an instrument leading to actual achievements;
- the evaluation of an action, an economic policy as an example, is entirely consequentialist. As a result, the eminence of the one who conceived it, the one who executed it and the way in which it was implemented is abolished (Monnet, 2007, p. 108).

Sen went even further by examining the possibility that utilitarian metrics is a component of the capability approach. All is necessary is to base the functionings and, consequently, the capability on "the satisfaction of the desires". "Being happy" is a functioning of intrinsic importance in the ability to achieve well-being. Nevertheless, this way of reasoning makes other functionings that do not directly contribute to the satisfaction of desires less valuable than they are important. The autonomy of the functionings and the multidimensionality of the capability would therefore be narrowed.

This capability-utility contrast can be more obvious in difficult cases of poverty. From (Sen, 1999, p.19) we cite the example of a poor, malnourished person, raised in the scarcity who has learned to reconcile with a half empty belly, seizing joy in small comforts and desiring no

\(^3\)The Achievements: the functionings actually carried out.
more than what looks realistic. Over the years, this person has developed an inner conviction of accepting his fate and perhaps a propensity to feel satisfied with the little he has. In doing so, the metric based on the satisfaction of desires is silent on the extent of the lack suffered by the person concerned, since - on the scale of utility - the intensity of the satisfaction is great and does not reflect the reality of its existence.

1.3. Towards an empowering economic growth

The capability approach is multidimensional since it has abandoned income as the only standard of measure of well-being in favor of the functioning and capabilities set. Indeed, when one has information on the set of functionings accomplished by a person, one can judge his quality of life. For example, having an idea about a person if he is - or not - well fed, well housed, healthy, well educated, etc. informs us about the quality of life he leads.

On the other hand, the set of capabilities of an individual reflects his or her well-being for at least two reasons:

- if the functionings accomplished constitute his actual well-being, the ability to perform functionings will constitute the freedom or the possibilities of enjoying the well-being (Sen, 2000b, p.67);
- by reflecting the scope of freedoms to achieve well-being, the ability binds the well-being achieved to the freedom to function. Ultimately, for Amartya Sen, being able to decide and make choices has an intrinsic role in the quality of a person's existence.

In a more general case, we can conclude that for the capability approach economic growth is "fair" if it allows the members of society to maximize their ability to choose among the combinations of functionings available to them, but also if it widens the thickness of this offer. That said, a public policy will be preferred to other alternative policies if the social state that results offers a maximum level of ability to achieve well-being. A person would, therefore, be capable if he enjoys a range of well-being that would allow him to lead the life project that he wishes.

Two reasons amplifying the role of freedom in the development process are discussed here because they overlap with the question often raised in the debate on the problems of public policies. These are the concepts of "evaluation" and "social effectiveness". Indeed, individual substantive freedoms serve as an evaluative basis for the success or failure of a society. Indeed, to have an individual initiative and a fruitful participation in the social and economic life of the community - in short, a social effectiveness - everyone needs more power to act.

Rightly, Asian countries like Japan serve as examples. Active public policy plays a crucial role in the promotion of freedoms through a "social configuration" advocating an appropriate legal framework, social tolerance, opportunities for exchanges, a generalization of social services such as education and health. The result is an interconnection of instrumental liberties that directly promote important elementary capabilities such as longevity, life expectancy at birth, and literacy (Sen, 2000a, pp. 50-51).

This reasoning led Sen to question whether countries should always wait until they are rich to improve the welfare of their populations. South Africa with five or six times the per capita GNP of Sri Lanka has a much lower longevity rate (Sen, 2003). The same logic prevails when he finds that countries like Taiwan or South Korea manage to use their economic growth to support a high level of longevity and life expectancy. While others like Costa Rica and the State of Kerala achieve these goals without having reached a notorious threshold of prosperity.

Sen refers to basic freedoms as the ability to escape malnutrition, preventable death, freedom of schooling and participating in public decision-making, and so on. cf. Sen (2000a, p.46)
Sen distinguishes two approaches to develop "capacitating" public policies:

- the "growth" process: which is based on the gains accumulated following a long period of prosperity to widen the range of public services. Which can improve the capacities of individuals (health, education, social security, etc.) (the case of South Korea, for example);

- the process based on "support": which is translated into social actions. These measures, adapted for each country, aim to upgrade capacity-enhancing services such as health and education without referring to strong economic growth. Since the extension of these services will, in turn, positively and cumulatively affect the rate of economic growth (the case of Sri Lanka, for example)\(^5\).

It is clear that the development mode by targeted and adapted support system is most suited to the weak economies according to Sen. But provided that the fruits of economic growth, harvested in the medium term, should be used to promote the broader process of development through growth in the long term.

2. Rethinking inequality in the functioning space

2.1. Inequality and economic growth

2.1.1. The missing link

Is there a causal relationship between income inequality and GDP per capita growth? For the World Bank's public policy research department Klaus Deininger and Lyn Squire (1996) presented a series of analytical work that synthesized global data on income inequality. This analysis asserted the hypothesis that growth has a positive impact on poverty reduction and the absence of a systemic relationship between growth and inequality. However, their great merit is reviving debate already generated by the work of Simon Kuznets that sought to understand if the inequality in the income distribution increases or decreases with the economic growth of a country (Kuznets, 1955).

Indeed, Kuznets (1955) reported the existence of a three-step relationship between growth and inequality in income distribution taking the form of a reversed "U". Kuznets curve assumes that income inequality has an upward trend, following the increase in per capita gross domestic product. Once at the peak, these inequalities stabilize and then decrease to reach tolerable levels in advanced stages of growth.

Kuznets explains this situation in *Economic growth and income inequality* (1955) by moving from an agricultural and rural productive structure to an urban and industrial structure. In fact, in a pre-industrial economy, inequality is useful. It promotes growth by encouraging savers to invest in infrastructural and natural capital, which is the first engine of the economic growth (Soudi, 2007). Notwithstanding, in a post-industrial structure, this capital is giving way to human capital, which is eroding inequalities and maintaining the upward trend in GDP. Kuznets pioneering work was soon the subject of empirical tests and theoretical criticism.

A part of the literature triggered by the findings of Simon Kuznets is listed by Cogneau and Guenard (2002). According to these two authors, the controversy became stronger following divergent empirical results. Indeed, at the time when some analyzes claimed that growth leads to income inequality, others have rejected this result. For example, based on longitudinal data, Kuznets curve has proved its strength. While in the face of cross-sectional data from developing countries, its strength soon disappeared (Cogneau and Guenard, 2002).

In1990the debate took a new turn when economists have put the question to a totally contradictory trend; this time from inequalities to economic growth. It was also the occasion

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for the conflicting results to appear. The negative impact of inequalities on long-term growth is supported by econometric analyzes. This was not the case for others. Whereas for Forbes (1999) inequalities can raise the level of long-term growth (Cugneau and Guénard, 2002). Today the missing link between inequalities and economic growth continues to worry economists and policy makers. It concerns even international institutions like the World Bank. Indeed, in a report published in 2015 the Organization for Economic Cooperation and Development (OECD) estimates that a decrease of 1 Gini-point is translated by an increase in cumulative growth of 0.8% in the five years that follow, which is to say 0.15% per year. By way of illustration, between 1985 and 2000, an average increase of 2 Gini-points in 19 countries of OECD cost them more than 4.7% on average of cumulative growth between 1990 and 2010 (OECD, 2015).

Inequality hides, therefore, behind the regression of economic growth, according to the OECD. This result seems to be credited by a study carried out by the International Monetary Fund in 2015. The IMF empirically argues that a 1 percentage point increase in the GDP of the richest 20% of the population reduces economic growth by 0.08 points in the next five years. Whereas, if such an increase affects the incomes of the poor population, economic growth would gain, in contrary, 0.38 points (Dabla-Norris et al., 2015).

In the same order of ideas, a recent analysis carried out by Oxfam International states that in 2016 the richest 1% would hold more wealth than the 99% remaining (Hardoon, 2015). In this case, two questions become inevitable: Are inequalities useful for the economy? The fight against inequalities through public policies will not have a negative impact on the efficiency of the economic system?

2.1.2. Are inequalities useful for the economy?

In the aftermath of the thirty glorious years, the developed countries have struggled to find the same level of economic growth. Thereby reconciling the economic performance, full employment, and social equity that these years of prosperity seem to offer has been lost (Elbaum, 1995). The oil crash has further aggravated the political, economic and social situation. To reduce the negative effects of such a situation, redistribution mechanisms have been implemented. These "social shock absorbers" aimed to reduce inequalities in order to establish social equity and to promote demand in order to revive economic growth (Elbaum, 1995). Notwithstanding, these measures have turned into a sustainable assistance mechanism that has had financial repercussions on the budgets of firms. This is where the liberals see it as a perturbation of the market equilibrium.

Moreover, the liberal system considers that these mechanisms to fight against inequality create more dysfunctions than they eliminate. Indeed, creating people who are satisfied with an assisted position narrows their initiative and discourages them from providing an effort, and beyond, depriving the economy of human capital (Elbaum, 1995). Unemployment indemnities illustrate this fact when they can create a social class that lives at the expense of the state.

Many are, therefore, the arguments put forward in this sense. However, in recent decades, the issue has taken a new turn. It became a question of "acceptability of non-harmful inequalities" (Lafay and Picavet, 2010) on the one hand and justification of the mechanisms to fight against "inequitable" inequalities of the other hand (Herland, 2013). It should be noted that inequalities are not of the same nature, and beyond, their apprehension is not the same. In this regard, Lafay and Picavet (2010) state that the justification of natural inequalities (in physical and mental capacities) is generally dependent on the subjective perception of each individual. It depends on its belief in the justice or injustice of the world. While the justification of inequalities of opportunity or of heritage seems to create much more problem since they are not a fact of the nature, but of human beings. It is, therefore, imperative to find a "complex


compromises" between total unacceptability of inequalities (certainly desirable but almost unrealistic) and unconditional eligibility for inequality (Elbaum, 1995). Improving social regulation and social well-being is the result of this compromise. It is in this sense that the Amartya Sen's capability approach offers a promising framework.

2.2. The capability approach, a new framework for assessing inequalities

2.2.1. Equality of what?

"Equality of what?". It's a powerful question that has always attracted the attention of Amartya Sen and all the leaders of the ethical theories of social organization such as Rawls, Walzer, Nozick and Dworkin. Inequality reexamined, published in 1992, was, therefore, an opportunity for Sen to bring some elements of an answer.

Sen brought his reflection on two "fundamental heterogeneities" which await the researcher and guide him towards the appropriate methodological choices to be mobilized to evaluate the states of well-being (Sen, 2000b). "Human diversity" comes first. In fact, individuals are distinguished from each other by not only external characteristics (inherited wealth, the natural and social environment in which they live), but also personal characteristics (age, sex, vulnerability to disease, physical and intellectual abilities). To the diversity of man is added "the diversity of variables" which remains a challenge to overcome. In principle, equality is assessed by comparing the same particular aspect of the situation of two individuals. For example, the evaluation can relate to their income, their fortunes, their happiness, their liberties, the chances offered to them, their rights, or the satisfaction of their needs.

Sen names the aspect on which the analysis of the interpersonal comparison focuses a "focal variable". Real income per capita, freedom or well-being are some examples. Except that, Sen draws the evaluator's attention to two distinct, but closely interrelated features. First, the "internal plurality" of many variables that are often treated by economists as "uniform" variables while their nature is multidimensional. Well-being or GDP per capita are illustrative examples. Secondly, the "external plurality" of these variables which requires the researcher to select all of the relevant focal variables or what Sen calls an "evaluation space".

In distinguishing his theory from other theories of socioeconomic organization such as R. Nosick's theory of "entitlements", R. Dworkin's theory of "resources" and J. Rawls's theory of justice, Sen always insisted on the choice of the "focal variable" and the "evaluation space" (Sen 2000b, p.31-32). Knowing that an assessment of well-being can be made in various areas such as income, fortunes, opportunities, rights, freedoms or actual achievements.

2.2.2. Partial comparability based on the assessment of capabilities, a solution to the conflict of interpersonal comparisons of well-being

In his book The Idea of Justice, Amartya Sen gives an example of the difficulty of "antagonism" that characterizes any situation of inequality (Herland, 2013). This is a situation he has developed throughout his reasoning. They are three children, Anne, Bob and Carla who all claim their right to appropriate the flute they are fighting over (Sen, 2010). As a simplification, the main features of the situation are summarized in the following table:
Table n°1. The three children and the flute

<table>
<thead>
<tr>
<th>The argument advanced by each child</th>
<th>Anne</th>
<th>Bob</th>
<th>Carla</th>
</tr>
</thead>
<tbody>
<tr>
<td>The only one of the three children to know how to play the flute</td>
<td>The only one of the three children to be so poor that he has no toys</td>
<td>The only one of the three children to make the flute with her own hands</td>
<td></td>
</tr>
<tr>
<td>The theorist in favor</td>
<td>The utilitarian</td>
<td>The egalitarian</td>
<td>The libertarian</td>
</tr>
<tr>
<td>The argument of the theorist in favor</td>
<td>The pleasure (utility) of Anne would be the most intense of the three children</td>
<td>Need to reduce the gap in economic resources between Bob and the other two children</td>
<td>Carla has the right to own what she has produced</td>
</tr>
</tbody>
</table>

Source: from Sen (2010)

For Sen it is not easy to dismiss as unfounded any of these claims in view of the robustness of the arguments put forward (Sen, 2010). We can deduce that it is not worthwhile to think of ways to establish a fair welfare assessment system unless we analyze the ethical basis of all theories of social organization in relation to the next central question: equality of what? (Sen, 2000b).

In this regard, Sen begins in *Inequality reexamined* by observing that the main ethical theories of social organization are all in favor of equality over a focal variable, even doctrines commonly perceived as enemies of equality (Sen, 2000b). However, beyond this common point, he concludes that if one theory adheres to equality on one focal variable it rejects it on another less important. By way of illustration, Robert Nozick libertarian theory of empowerment will require equality in the distribution of freedoms to all (focal variable). Nevertheless, it is this same libertarian principle which will dictate to him to reject the equality on the results like the distribution of the incomes (peripheral variable).

In short, these theories, to achieve an ethically acceptable equilibrium on the focal evaluation space, they justify (by rationality) the resulting inequalities in the peripheral variables. This conclusion can be applied, for example, to the John Rawls’ theory of justice that demands equality in the distribution of freedoms and primary goods while justifying inequalities as long as they promote the interests of poor individuals.

This superiority attributed by normative theories to the equality emanates essentially from its instrumental importance in the eyes of their authors. Indeed, it provides people with equitable opportunities to realize their life projects as they wish. Moreover, and without denying the instrumental role of basic equality, Sen argues that equality comes up against two distinct differences: the fundamental heterogeneity of human beings, and the multiplicity of variables by which we can evaluate equality (Sen, 2000b).

The solution is, therefore, to use a comparative and partial methodological approach. An approach that goes beyond the possession of goods or resources to consider the ability of individuals (too different from one person to another) to convert resources into actual well-being. This is precisely why the capability approach broadens the list of factors that can either enrich or impoverish a human life (Sen, 2000b).

The general idea is to rethink inequality by leaving the reductive space of property valuation in favor of the functioning space. The goal is to better understand the mechanisms behind the

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6 The second Rawlsian principle justifies socio-economic inequalities if they satisfy two conditions:
- Condition 1 (principle of equal opportunities): They arise in the case of initial situations that are identical for all.
- Condition 2 (principle of difference): They favor the most deprived individuals.
interpersonal variations in the conversion of income and assets into actual well-being. To achieve this, the capability approach begins by providing a more pragmatic framework for assessing inequalities in well-being by accepting incompleteness and lending itself to any contextual adaptation of the researcher. The "all or nothing" is, therefore, a principle rejected by the evaluative process of Sen, since it opposes the opaque nature of concepts such as well-being and inequality. Thus, it is clear that Sen affiliates to Rawls, but otherwise, in the search for an approach that gives justice to the nature of these concepts.

2.2.3. Freedom versus equality and equity

Discussing the fundamentals of a system that is economically efficient and socially equitable requires us to return briefly to the theory of justice of John Rawls. Starting from a high-level abstraction of social contract theory (as it is in Locke, Rousseau, and Kant) Rawls base his theory of justice on institutional and individual principles (Rawls, 1987). The first principles have as a priority to guarantee social systems and institutions that combine justice and efficiency. While the other type of principles is applied to people by requiring them obligations and natural duties. The principle of rawlsian equity reinforces the requirements of the obligation since it postulates that a person is obliged to obey the rules of an institution if two conditions are fulfilled. Firstly, if the institution is just (or equitable), which means that it satisfies the two principles of justice as mentioned above. Secondly, if every member of society has freely accepted the benefits it offers or that he has taken advantage of the possibilities it gives to promote personal interests (Rawls, 1987).

For Rawls, the theory of justice or more generally "Justice as Fairness" tolerates inequalities on all primary goods if they are in favor of all (principle of difference). While for Sen they are justified only if they contribute to the equality of well-being achieved by each member of society over all the functionings that it values and not only on a set of social goods defined as primary (Maric, 1996). This divergence between Sen and Rawls was born when the Indian economist reproached the American for the purely procedural use of freedom in his approach. On several occasions, Sen acknowledges Rawls' success in restoring considerable weight to freedom in the evaluation of social conditions. A freedom that is neglected by utilitarian metrics. However, Sen criticizes the fact that freedom is used by Rawls as an extrinsic instrument leading to efficiency, whereas it must be considered intrinsically linked to social justice.

In Development as freedom, Sen outlines the importance given to substantial individual freedoms in his capability approach through two roles. The first role is linked to the notion of "evaluation", since the success of a society must be evaluated on the basis of the scope of the freedoms enjoyed by its members. The second role is related to "social effectiveness", since more freedom significantly impacts individual initiative and the ability to influence one's environment. Moreover, Sen defines the capability as the freedom enjoyed by individuals to lead their lives in accordance with the values they respect (Sen, 2000a).

3. Poverty perceived as a lack of capabilities

3.1. The nature of poverty

3.1.1. Who are the poor?

The concept of poverty is ambiguous. It changes its characteristic features and takes new forms, from one time to another and from one space to another. Otherwise, it will be easy to identify the poor and aggregate information about them and explain the persistence of poverty in prosperous countries like the United States (Sen, 2000b). Poverty is multidimensional, whether or not the researcher wants to be exhaustive in its definition, the polysemous nature of the term forces it in the best cases to touch a few aspects without being able to identify all its contours. Hence, a literature is rich in approaches and definitions. As an illustration, the
absolute approach is taken to equate poverty with lack of assets such as money, food, housing, and so on. The relative approach goes beyond this material or economic aspect to all dimensions of a person's life. It integrates all handicaps of a normal life (Mercier, 1995). According to other perspectives, poverty can be monetary (lack of resources), living conditions (not satisfying the needs of existence) or potentialities (lack of a minimum capital to join the society and be productive (Paulo, 2006).

However, it is important to review some of the methods commonly used in poverty assessment to better identify, in the following lines, the renewal that can bring a multidimensional approach such as the capability approach to this question. In practice, there is often a tendency to use an absolute threshold or "poverty line" which represents the level of income below which the individual is considered poor. Once this threshold is set, we start with the counting method to count the poor individuals and then calculate their percentage in relation to the total population. The number obtained is the poverty index (Sen, 2000b). According to Sen, the two stages are distinct but they are scrupulously dependent. The first step is to identify the set of poor individuals. The threshold of poverty plays this role. The second step is purely aggregative in order to extract a statistical index.

Generally, the aggregation of statistics concerning poor people is done through the calculation of the head count ratio (H index\(^7\)) or often the income gap (I index\(^8\)) which represents the missing income to the poor to go up to the poverty line. Except that these two indicators capture only part of the real situation since they are insensitive to the intensity of deficiency. In reality, the poor are not in the same rank. In other words, if all the poor are effectively below the threshold, there will be poor people who will be near the threshold and others too far below.

To overcome these problems, Amartya Sen proposes a measure D (D distribution) based on the Gini index (G) to consider inequality in the distribution of income below the threshold of poverty. Thus, we construct a function P (called the Sen poverty measure) of H, I and G which is sensitive to these three dimensions. Notwithstanding, to proceed as such to delimit the set of the poor individuals and to aggregate the data which concern them presents two pitfalls according to Sen. The first difficulty arises from the multidimensionality of poverty (Fusco, 2007), which leaves it vulnerable to unequal distribution. The second difficulty (resulting from the first) takes a more general scope, since it questions the relevance of income itself as a measure of poverty (Sen, 2000b).

### 3.1.2. Growth, inequality and poverty: what relationship?

Here again, a clear relationship between the three phenomena is far from settled. However, it is interesting to note that recent studies note the features of a significant impact in the long term of inequalities on the level of poverty (OECD, 2014). An effect that is already raised by Sen's work for more than thirty years ago, when he criticizes the evaluative approaches to measuring poverty on the basis of income or property without worrying about the interpersonal differences in the transformation of these goods into functionings (Sen, 2000b). For Jean-Luc Dubois (1999) inequality and poverty are distinct but intimately linked that he seems to consider them inseparable. The author associates with the three forms of poverty, mentioned above, the three forms of inequality: monetary inequality, inequality of living conditions and inequality of opportunity. According to Dubois (1999), economic growth has a double effect. The first is a distribution effect, that leads to an increase or decrease in inequality. The second is an income effect that usually results in a rise or fall in poverty. As

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7 The head count ratio amounts to calculating the fraction of people who are below the poverty line as it is explained in the body of the text.

8 The income gap is the minimum additional income that would be sufficient to eradicate the poor.
far as the monetary case is concerned, Kuznets’ inverted U-curve was of great help to the econometric work seeking to explain the triangular growth-inequality-poverty relationship (Soudi, 2007).

For Bourguignon (2004), we cannot aspire to a reduction of poverty based solely on economic growth. This observation is explained through the triangle poverty-growth-inequality (PGI) where the author shows that to achieve the objective of reducing absolute poverty, it is necessary to combine growth and distribution policies (Bourguignon, 2004). Thus, the development strategy can benefit from both effects at once. Figure 1 illustrates the poverty-growth-inequality triangle (PGI) as it was conceived by Bourguignon (2004).

Figure n°1. The poverty-growth-inequality triangle

![Diagram of the poverty-growth-inequality triangle]

Source: Bourguignon (2004)

3.2. Poverty in terms of capabilities, what a renewal compared to the welfare school and the basic needs school?

3.2.1. Income: an inadequate measure of poverty

As decisive as income is (wealth, assets and other resources), a change of perspective is subsequently recommended. The goal is to reintegrate other explanatory variables that can shed more light on poverty and, as a result, better define the contours of social well-being (Sen, 2000a). As an illustration, it would be widely accepted that a high-income positively influences the ability to escape premature death. However, empirical work has contradicted this strong hypothesis. Sen (1998, 2000a) cites the example of men in Bangladesh who are more likely to be over 40 than those living in Harlem, a prestigious neighborhood in New York. In this regard, Sen concludes that some specific groups (African-Americans in the United States, as an example) suffer in the richest countries privations quite comparable to the inhabitants of the Third World (China, Sri Lanka, Jamaica, Costa Rica or the Indian state of Kerala, for example) (Sen, 2000a). Indeed, countries with low incomes can expect higher life expectancy than countries in which the basic needs are satisfied.

We can conclude that the vision of poverty in terms of low income or non-satisfaction of the basic needs (as well as the numerous surveys conducted in this sense) have all the merit of enlightening us about economic causes of the indigence. However, they do not lead us to the end of the evaluation. If we consider the case of two individuals (A) and (B) (Sen, 2000b): (A) has a lower income than (B), but (B) suffers from a chronic parasitic disease of which the treatment is expensive. Which of the two is the poorest? If we answer this question based on
income as the evaluation space, (A) would be the poorest. Nevertheless, if we transpose the analysis to the space of capabilities, we will realize that (B) is the most deprived since it leads an impoverished life than (A).

Therefore, it would be more appropriate, according to Sen, to perceive poverty as a lack of adequate minimum capabilities. In this sense, the evaluation must focus much more on the ability to function than on the real achievements. Except that the increased informational requirement of such an analysis often forces us to focus on accomplished functionings. From the perspective of capabilities, we guarantee that even if we conducted a poverty analysis in the income space this time the poverty threshold would consider (in addition to economic commodities) the opportunities offered to different individuals to convert these means in ability to function. In this case, the scope of freedoms available to them to carry out their life projects will be part of the evaluation (Sen, 2000a).

3.2.2. Poverty as a lack of capabilities

In fact, the capability approach explains the individual advantage by the scope of freedom offered to each member of society to lead the life he wishes. Adopting, thus, a point of view as wide as possible in the evaluation of social arrangements. Sen (2000a) examines the social conditions of the following individuals: (A) is a person with a high income without being able, for one reason or another, to participate in political life; (B) is a person with a significant income, but suffering from a chronic disease requiring an expensive treatment; (C) is a blind man with a high income that allows him to buy a luxury car, but he cannot drive it; And (D) is an unemployed person who voluntarily reuses work opportunities to receive unemployment indemnities. If these states are judged by a purely monetary approach, (A), (B) and (C) will be considered rich and (D) as poor since it is below the poverty line. However, in terms of capabilities, the analysis of deprivations will focus on the real life that these individuals lead and the range of freedoms they enjoy in their daily lives. In doing so, it will be appreciated that those who are judged as non-poor (here (A), (B) and (C)) in the sense of the usual monetary norm are in reality deprived of the freedoms and basic faculties to carry out the life project they value.

Lack of income is a direct and primary cause of poverty. However, this evidence does not prevent Sen from considering this measurement standard as reductive and inadequate to measure a phenomenon as multidimensional as poverty. There are many arguments in favor of defining poverty as a basic capacity deficit. We quote from Sen (2000a):

- defining poverty as a lack of basic capabilities is a realistic approach, when one is interested in functionings that are intrinsically linked to the person's life. To know if a person is well nourished, well housed, well dressed, well educated, well fulfilled in the life of the community, etc. gives a clear idea about his real life. Whereas income is only a means, and therefore has only an instrumental value;
- income is certainly decisive, but it is only one factor among other explanatory factors of deprivation in basic capabilities. Indeed, we must also consider the diversity of internal characteristics (age, sex, physical and mental abilities, vulnerability to disease, etc.) and external conditions (inheritance of certain goods, class social origin, socio-cultural environment, etc.). These variables have also considerable weight in explaining the level of poverty in particular and well-being in general;
- the apprehension of poverty by capabilities is closest to the requirements of social justice since it draws attention to the freedoms that individuals must have to achieve their ends;
• the impact of income on capabilities is "contingent and conditional". In fact, the link between low income and deprivation in capability changes from one space to another, and from one person to another.

Conclusion

Amartya Sen, through his capability approach, justified the contribution of an ethical reflection to the economic analysis. It is part of an economic model of development based on freedom and ethics. Thus, for Sen the human development of the members of a community must be evaluated in a way that exceeds the prime assets, utility or other resources. Other aspects need to be considered in this assessment. It must be based on the ability of individuals to carry out their life project as they wish.

In order to achieve development in the functioning sense, it is subsequently recommended to broaden the scope of freedoms (capabilities) offered to the members of society. It begins by eradicating the main forms of "non-freedoms" that narrow people's choices and their possibilities for action (Sen, 2000a). These obstacles include: 1) Economic poverty, which reduces the freedom of people to eat well, to dress appropriately, to have a decent shelter or to obtain entertainment, for example; 2) The violation of political and civic rights that deprives people from taking part in the social, economic and political life of their communities; 3) The lack of public services or social protection.

By considering poverty and inequality as a process of expansion or restriction of capabilities, it will be recognized that economic growth could be empowering if it succeeds in transforming the economic, social and environmental context in a way that can expand (in space and time) the range of choices available to the individual (Sen, 2000a). None the less, to succeed in this challenge, economic growth must be accompanied by a set of instrumental freedoms such as economic facilities, political freedoms, social opportunities, transparency guarantees and protective security. When these freedoms are interconnected, they reinforce each other and become the driving force of human development.

References


