Poverty Measurment in Transitional Circumstances - Methodological Aspects

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1. Introduction

In the past, the poverty was a subject of great sensitivity for the governments of the pre-reform Eastern Europe. It was treated in a different way from inequality. There was an official conviction that one of the great achievements of socialism would be to combat poverty forever. But, this is not true, and today the poverty is a very serious problem, for all countries in transition. For these reasons, this paper makes a modest analysis of the poverty in transitional circumstances, but for reasons of space it is restricted on the methodological dilemmas, only.

2. Dilemmas from a methodological viewpoint

Having in mind the controversial nature of the poverty, it seems very difficult to find a way for measuring and overcoming it, especially in transitional circumstances, where the situation is different due to the abrogation of the benefits granted in the former system (as for example, health care, free education, etc.). As a first step, the concept of poverty needs an identifying the critical line as a critical shortage of vital needs necessary for human well being. Of course, a lot can be learned from the Western countries' experiences. Also, the analyses of poverty conducted in transition countries in the pre-reform period can represent a basis for exchange of the experiences. With a help of the results of some analyses conducted in different countries, the paper tries to offer answers to some of the methodological dilemmas (see: Atkinson and Micklewright, p. 178-245).

Concerning the implementation of an appropriate indicator of poverty in the transition countries, it can be said that it is really difficult to make a choice between the three different approaches of the Western methodology (consumption on specific goods, total expenditures, and total income). Of course, social judgement is unavoidable in making this choice. Consequently, before an implementation of one out of three possible approaches, it can be made a justified distinction between them, in order to point out what are their advantages and disadvantages.

From the point of view of building new democratic society, it seems the approach of *total income* is appropriate. It starts from the right to a minimum level of resources. In this sense, the approach of total income represents a kind of precondition for the participation in democratic life, or Adam Smith would say it represents a precondition for 'appearing in public without shame'. But, it seems that one must not forget to mention and include the shadow (or gray) economy, which could be a very serious problem in all countries in transition. This problem should be included as an evidence for real disadvantage on the side of the approach of total income. Namely, as a result of the shadow (gray) economy, it seems impossible to realise what is the real amount of income that one household (or person) earns through one period of time. Also, taking into account the other moments, as for instance the current economic hardships that these countries are faced with, it seems the implementation of the approach of *total expenditures* should not be neglected too. Concerned with the standard of living, this approach can offer a dynamic criterion for comparison with the past (even the fact that this approach has a disadvantage that low-income groups show a dissaving behaviour, and in this way the registered poverty can be misleading and lower than the poverty registered by the approach of total income).

As far as the using of the approach of *consumption of specific goods* is concerned, it should be noted that the potential shortages of goods could warrant its implementation. Anyway, it seems that after 9-10 years of transition, it is not reasonable to speak about the shortages on the market in the transition countries. Of course this does not mean that the implementation of this approach should be neglected.

Regarding the establishing of a poverty line, it is necessary to start with food requirements, which (in the sense of Engel's coefficients) should be multiplied up by the reciprocal of the share of food in net household income. Of course, here it should be taken into account the actual eating habits of the domestic population, and the fact that it is impossible to establish a poverty line on the purely scientific basis. So, the political judgement must not be neglected. Moreover, the poverty line has to 'adopt' the specific circumstances of the country where it is established in. About, the relative poverty line, some authors, suggest that it is not so necessary to implement it, because of the danger of confusion between the targets and achievements of the policy.

The household should remain the standard unit of analysis in the Eastern Europe, even it seems that with this approach some difficulties concerning the appropriate information about the relations in the frame of household can arise. It is obvious that any attempt to use some other solution (like the British example with the inner family) will fail. Some assessments show that the economic hardships as a consequence of transition tend to transform the household into the most appropriate unit for equally sharing of the some items of spending (like housing).

In regard to the place of the housing costs, one should not forget that the process of privatisation of the housing stock is more or less finished in the majority of the countries in transition. Consequently, at the moment the governments do not have the ability of realising some kind of equality in housing costs through the low levels of rent. The acceptance of the British example in measuring the poverty by the income or expenditures net of housing costs, emerges as real solution.

The choice of equivalence scale will affect not only the extent, but also the composition of the low-income population. It is unavoidable that different countries use different equivalence scale, and this must be kept in mind in comparing the situations among the countries (especially concerning the child poverty).

3. Conclusion

The method of poverty measurement has particular relevance at a time of economic transition, since it may affect the conclusions drawn with regard to the performance of new economic system. The choice obviously depends on the social objectives and economic circumstances of the process of transition, and particularly the difficulties in measuring the price changes.

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RÉSUMÉ

La méthode de la mesure à la pauvreté a une importance particulière dans le processus de la transition économique. Elle peut avoir une influence aux conclusions du système économique neuf. Le choix est dépendant des objets sociaux, conditions économiques du processus de la transition, et des difficultès dans la mesure des changements au prix.