

POVERTY AND PEOPLE'S WELL-BEING

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ABSTRACT

What is poverty? How poverty relates to people's well-being? The concepts of poverty and of well-being are highly intertwined; however, there is little research on how specific conceptions of poverty relate to people's well-being. This chapter revises the prevailing traditions in conceptualizing and assessing people's well-being and how they end up being implemented in poverty studies. The chapter argues in favor of a subjective well-being approach to understand and assess people's well-being. It is not only to get people out of poverty; it is also to get them into a life-satisfying situation. Poverty studies would benefit from placing greater attention to the essential experiences of being well people do have as well as to their overall assessment of life. A better theory of well-being could emerge on the basis of this information; and this would reflect in social programs that do really impact on people's well-being.

KEYWORDS

Poverty, happiness, subjective well-being, conceptions of poverty, conceptions of well-being, poverty-abatement programs

1. INTRODUCTION

The concepts of poverty and well-being are closely intertwined; as a matter of fact, the concept of poverty is associated to a situation where people have low well-being - sometimes alternative terms are used, such as lack of well-being or even ill-being-. This association between the concepts of poverty and well-being implies for the conception of poverty to be contingent on our understanding of well-being. In other words: different conceptions of well-being lead to different conceptions of poverty; in addition, when the conception of well-being changes the conception of poverty needs to be revised. This has consequences for the design of social programs and policies aiming to reduce poverty.

It is the understanding of poverty as a situation where people are experiencing low well-being which implies for poverty being a very appealing concept which calls for

immediate action to reduce it or at least to mitigate its well-being impact. Experiencing low well-being is not something human beings appreciate; thus, there is value in rising people's well-being, and this translates into a strong desire for reducing poverty in the world. It is the understanding of poverty as a situation associated to people experiencing low well-being which justifies the actions undertaken by governments, international organizations, and private foundations which look to reduce poverty.

Eradicating poverty from the world is a widely accepted goal, and during the last decades many poverty-abatement programs have been implemented at the local, national and global level. The importance of reducing poverty has been strengthened by the Millennium Development Goals Initiative, which makes of poverty reduction its first goal and which sets specific targets to be reached in the year 2015. The interest in keeping track of progress in attaining the goals has placed an enormous emphasis in measuring poverty, since it is necessary to know how many people are in poverty, how these poverty numbers evolve over time, and what the impact of different programs is.

When dealing with an issue which is associated to millions of people experiencing low well-being there is clearly a sense of urgent action needed. This desire of immediate action, together with the widespread implementation of focalized social programs, has stimulated an interest in studying measurement methods to designate the potential beneficiaries of the programs and to evaluate their success. In consequence, during the last decades the focus of interest in poverty studies has been on measuring poverty rather than on discussing conceptual issues. It is safe to state that poverty has ended up being conceptualized on the basis of its measurement, rather than being measured on the basis of its conceptualization.

This chapter argues that more attention needs to be placed on conceptualizing poverty and on rescuing its initial association to a situation where people are experiencing well-being deprivation. Not doing so would expose poverty studies, as well as poverty-abatement programs, to the risk of ending up with a conception of poverty which is completely detached from people's daily experience of well-being deprivation. Measurements of poverty may satisfy all axioms and aggregation criteria, and poverty-abatement programs may reach their targets; however, deficiencies in the understanding of

people's well-being may imply that a relative success in the dashboard indicators of poverty does not translate into people experiencing greater well-being.

The increasing detachment created by this disassociation between the conception of poverty and people's experience of being-well is evident nowadays: In principle, poverty is something happening to people and in their well-being realm; people are in deprivation because they are experiencing low well-being (or ill-being) It was the role of experts to study this situation of people experiencing low well-being and to make recommendations to increasing it. However, we have now reached in many countries a senseless state where people have to wait for the criteria being advanced by official institutions in order to know whether they are (classified as) poor or not; this is: people have to wait for experts telling them whether they are in well-being deprivation or not. No doubt this process originates from associating the classification of people as poor to access to some public benefits, such as cash transfers.

This chapter's purposes are manifold: First, it addresses the fundamental issue of what the concept of poverty is and it discusses the different conceptions of poverty as they are associated to different traditions in conceptualizing well-being. Second, it discusses measurement issues, cautioning for the common practice of understanding poverty on the basis of its measurement rather than measuring poverty on the basis of its understanding. Third, it presents some data on the situation of poverty in the world; however, it is not the objective of this chapter to proliferate in figures of poverty but to discuss its relationship to well-being. Fourth, the chapter advances a subjective well-being approach to know people's well-being, and it ponders the advantages and limitations of the approach. Fifth, the chapter discusses -theoretically and empirically- the relationship between poverty and well-being, and it shows that dissonances between poverty and well-being are common. Sixth, some reasons for these dissonances emerging are presented; special attention is placed on biases and risks faced when people's experience of being well is not taken into account. Seven, the chapter elaborates on the implications for social programs and poverty-abatement actions of following a well-being perspective in the understanding of poverty. Finally, the chapter ends with some proposals for having a conception of poverty which is closer to people's well-being experience.

The chapter is structured as follows: Section 2 discusses the main traditions in the understanding of poverty as well as some methodological issues. Section 3 presents the dominant income-based definition of poverty. Section 3 also mentions the idea of poverty being multidimensional. Section 4 discusses the subjective well-being tradition and shows that substantial dissonances emerge when the income-based and the multi-dimensional approaches to poverty are contrasted with well-being assessments based on the subjective well-being approach. Finally, section 5 discusses some crucial issues which may lead to the existence of some substantial dissonances in the classification of people as poor. Section 6 elaborates on the consequences a shift from income-poverty to people's well-being has on social programs. It is stated that it is fine to get people out of income poverty, but that it is even better if people end up being placed in a well-being enhancing situation; thus, poverty-abatement programs would benefit from having a greater well-being scope. Final comments are made in section 7.

2. WELL-BEING AND THE CONCEPT OF POVERTY

2.1 Poverty and Well-being Deprivation

Poverty is, in fact, a very old concept. Poverty is a folk concept people are familiar with; it was being used by people even before universities and disciplines emerged.¹ People use the concept of poverty to qualify their life; for example: 'a poor person' and 'a poor family'. The folk conception of poverty makes reference to people who are in a bad situation, who are suffering, who are failing in attaining some basic goals, and so on. In general, this conception refers to a situation where people are not doing well; they are not having an experience of being well. In this sense, poverty refers to something that happens to people and that cannot be detached from the person who is experiencing it. Some research has studied poverty on the basis of people's own classification as being poor; this research typically asks people whether they consider themselves as poor or not and then aims to understand people's self-classification (Rojas and Jiménez 2008, Herrera et al. 2006, Posel and Rogan 2013) Ravallion (2012) states. "*The challenges faced in calibrating*

¹ For example, about 2000 years ago in the famous Sermon on the Mount, known as The Beatitudes, it is said: "*Blessed are the poor in spirit: for theirs is the kingdom of heaven*". The Beatitudes go further to talk about the meek and about those who hunger and thirst for righteousness. (The Bible, Matthew 5:3-12)

poverty and welfare measures to objective data have long been recognized. Until recently, most economists have resisted a seemingly obvious solution, namely to ask people themselves: “Do you feel poor?” (p. 1)²

The academic community is also familiar with the concept of poverty; as a matter of fact, it is possible to make an academic career on the basis of studying poverty. Unfortunately, most academicians working in the area of poverty studies have specialized in measurement issues rather than in conceptualizing poverty. The academic community has been prolific in proposing measurement criteria to ‘identify and count the poor’. The study of poverty has also involved generating and corroborating theories about its causes, investigating the conditions that lead to or that foster poverty, researching the actions people can undertake to get out of poverty, and exploring and implementing public-policy strategies for reducing poverty.

One of the few structured exercises in conceptualizing poverty was promoted by the International Poverty Center (IPC). In 2006 the IPC published a very interesting brochure entitled *“What is poverty? Concepts and Measures”*; this brochure contains contributions by many poverty experts discussing the main question posed. Most contributions end up making reference to the concept of human well-being when discussing the concept of poverty. For example, Caterina Ruggeri Laderchi, Eui Saith and Frances Stewart relate poverty to well-being when they state that *“considering that individual well-being/poverty manifests itself in multiple dimensions”* (p. 10). Gustav Ranis, Frances Stewart and Emma Samman make reference to different kinds of well-being in their contribution. Peter Edward states that *“Poverty defined as a lack of well-being is clearly multidimensional”* (p. 14), in the following page Edward refers to poverty as low levels of wellbeing. Ravi Kanbur states: *“the specific assumptions underlying any measure need to be made clear; in particular how to define the population whose wellbeing is being evaluated”* (p.19). Nanak Kakwani states that *“poverty means low levels of wellbeing, not just low income; measures must relate closely to people’s lives”*; he also refers to a *“decent level of wellbeing”* and states that

² Rojas and Jiménez (2008) find that it is not only how much income a person has, but also social comparisons (how a person’s income compares to others) as well as historical comparisons (how a person’s current income compares to past income) do play an important role in people’s own classification as poor. The authors pose the following question: “Do you consider yourself poor?”, which does differ from Ravallion (2012) question because it points out to an assessment of people’s situation rather than to feelings.

“Poverty is viewed here as the lowest level of wellbeing” (p.20). Within a context of a discussion on poverty and deprivation Robert Chambers mentions that *“Development thus can be seen as shifting from illbeing to wellbeing with equity, interventions to enhance wellbeing . . .”* (p. 4); Chambers further develops the idea that *“the case is for the language of illbeing and wellbeing to be widely used in addition to poverty and wealth, which are only one part of them”* (p. 4) and states that: *“Policies and actions that follow would then be designed to reduce illbeing and enhance wellbeing”* (p. 4) The close association between the concepts of poverty and well-being in the academic and policy-making arenas is visible in chapter 1 of the 2000/2001 World Development Report, where it is stated that *“poverty is pronounced deprivation in wellbeing”*; the statement then asks: *“But what precisely is deprivation?”* (World Bank 2000) It is curious that no question about wellbeing is asked. Furthermore, Haughton and Khandker (2009) began their introductory chapter to the Handbook on Poverty and Inequality by discussing the concept of poverty; they start by repeating the World Bank’s statement: *“Poverty is ‘pronounced deprivation in well-being’”* (p. 1), in the following page Haughton and Khandker asks themselves *“what is meant by well-being and what is the reference point against which to measure deprivation.”*

Politicians and public officers do also heavily rely on the concept of poverty. For politicians the concept constitutes a call for immediate action; the desire of abating poverty is used to justify the implementation of social programs and social policies as well as the adoption of major economic-development strategies. The evolution of poverty rates is also used as a criterion in assessing social progress as well as government performance. International organizations do also state that the eradication of poverty is one of their central motivations. Even private firms mention the interest in reducing poverty as part of their social corporate responsibility. It is clear that in most cases the concept of poverty refers to something that is happening to people, which is not good, and which leads to people being in well-being deprivation. It is also assumed that people’s well-being is increased by reducing poverty.

Because the concept of poverty is closely associated to the notion of well-being, different conceptions of well-being will clearly lead to different understandings of poverty. Thus, any study of the concept of poverty must necessarily address the related issue of how

people's well-being is conceived (Griffin, 1988, Elster and Roemer 1991, McGillivray and Clarke 2006, Gough and McGregor 2007, McGillivray 2007)

Poverty is clearly associated to a situation where people are experiencing well-being deprivation; but, what is well-being and how to assess it? Two dominant traditions have prevailed in approaching well-being: the presumption and the imputation traditions. As expected, these traditions have influenced our understanding and measurement of poverty. The presumption tradition postulates that well-being is something that people experiences, but it keeps the authority to assess a person's well-being situation in the hands of third-persons. The imputation tradition is based on the idea of a third party –usually assumed as a thoughtful person or institution- providing criteria to judge a person's life (Rojas 2007a) These traditions end up focusing on measuring well-being and understanding well-being on the basis of its measurement.

A new well-being tradition has emerged during the last decades: the subjective well-being approach; this tradition understands well-being as the experience of being well people do have. The approach states that it is in human condition to experience well-being, and that every person is in a privileged position to appraise her well-being. The following subsections deal with these main traditions in understanding well-being.

2.2 Knowing People's Well-being. The Presumption Tradition

A major tradition in the assessment of people's well-being is based on the presumption of some variables being of relevance for well-being. This tradition is interested in well-being as it is experienced by people; however, rather than asking people directly about their well-being experience, the tradition relies on uncorroborated theories and models to justify a list of objective variables which it ends up employing so that a third person can appraise people's well-being. Researchers working within the presumption tradition are usually skeptic about using people's well-being reports. Third-parties usually justify their resistance to using people's well-being reports on the basis of their strong preference for using objective variables; sometimes a critique to the informational basis people do have when assessing their own well-being is also advanced as a reason for reluctance.

In the end, the presumption tradition opts for relying on disciplinary, compartmentalized and uncorroborated theories regarding academic agents' behavior and motivations to justify its preference for some variables as proxies for people's well-being. The predominance of disciplinary and compartmentalized approaches in this tradition is clearly illustrated by the frequent references to the well-being of disciplinary agents; for example: consumers' well-being, workers' well-being, citizens' well-being, voters' well-being, patients' well-being, and so on. There has been little reference to the well-being of human beings.

Research within the presumption tradition is not concerned about corroborating well-being theories, since no direct measure for people's well-being is available within this tradition. In consequence, organizations quickly move towards the construction of indicators on the basis of the objective variables which, in presumption, explain people's well-being; from here, organizations rapidly move to the design, evaluation and implementation of programs and policies to increase people's presumed well-being.

A clear example of this presumption tradition is found in economic theory. Economists are used to work with the consumer, which is a disciplinary and abstract agent whose main role is to consume. Economic theory states that utility –a notion commonly associated to people's well-being- strongly depends on income.³ Microeconomic textbooks usually state that income is the unique variable explaining a person's utility and that people are rational; hence, they get as much utility as possible from their income. Thus, the unique way of rising a consumer's well-being is through increases in income (Varian, 2009) Macroeconomic theory does also emphasize the importance of increases in national income, making of economic growth the key variable to assess a country's performance. Most economists would sustain that income is a variable strongly related to people's well-being; some are willing to go as far as using income as a proxy for people's well-being. However, this crucial assumption about the importance of income in generating people's well-being lacks corroboration within standard economic theory.

³ There is a difference between ordinal and cardinal utility; cardinal utility assumes that people's utility measures their well-being. Ordinal utility is a device used to explain choice, however, it relies on this choice being made on the basis of people's own interest; thus, well-being is implicit in this approach (Broome 1991)

Economists are not alone in following the presumption tradition. Other disciplines do also tend to emphasize the well-being importance of their disciplinary variables without any corroboration. For example, political scientists tend to assume that well-being is closely related to political regimes and to political participation, while sociologists attribute a large well-being relevance to social classes and social mobility. These presumptions may be partially correct, but it is not a scientific attitude to accept them without corroboration. Actually, these disciplinary theories should be considered as sources of hypotheses regarding what the relevant factors for well-being are and what their importance is. These hypotheses could easily be corroborated once a well-being variable is available.

2.3 Knowing People's Well-being. The Imputation Tradition

The imputation tradition is rooted in the long-standing philosophical considerations about what constitutes a good life (Aristotle 2009, Annas 1995, Dohmen 2003, Veenhoven 2003). The tradition is based on a third person –who is assumed as a thoughtful, knowledgeable, and wise person- providing criteria to judge the existence of goodness in the life of others.⁴ It is on the basis of these criteria that an assessment is made about people's well-being situation. This tradition is common in ethics but also in many moral movements which are accustomed to judging other people's lives.

Within this imputation tradition thoughtful and knowledgeable persons provide persuasive and appealing arguments to advance their proposed criteria. The tradition is not used to provide research-based evidence to support the proposed criteria nor to develop hypotheses to be corroborated; rather, the tradition looks for a receptive audience willing to accept the proposed criteria. The audience must choose among proposal in an aesthetic way; this is: in terms of likes and dislikes. There is no role for theories and hypotheses to be corroborated within this tradition; thus, organizations rely on intellectual frameworks which assume as valid without corroboration. Of course, it is always possible to appeal to social-decision mechanisms, such as referendums and Congress decisions, to choose among these intellectual frameworks and to give a certain degree of legitimacy to the selected

⁴ Regarding the role of a third person, Collard (2003: 2) states that “*Bentham insisted that the measurement of well-being should be firmly based on the concerns and subjective valuations of those directly concerned. Those who wished to superimpose other judgements were dismissed as ‘ipsedixitists’*”, Collard concludes his work with the following recommendation: “*Beware of the ipsedixitists: don’t allow a few people (even important people) to dictate what is to be included or excluded.*” (Collard 2003:17)

framework. A discussion of the role social-decision mechanisms can play and of their weaknesses and strengths is beyond the objectives of this chapter.

It is not uncommon for academicians working within the imputation tradition to assume that people themselves are not in a good position to judge their life. Assessments made by people themselves are considered as irrelevant or of inferior quality. For example, Sen (1987) argues that small mercies may lead a person who has had a life of misfortune to experience some well-being; it seems that judging what a small mercy is and what a not-so small mercy is requires from the wisdom of a third party rather than from the knowledge of the person herself. Hence, in the imputation tradition what people think about their life and how they are experiencing it is not relevant information for assessing their well-being. The schools of thought working within the imputation tradition mostly focus on transforming people rather than on understanding their well-being; in consequence, they are more prescriptive than descriptive.

The capabilities approach constitutes a recent school of thought working within the imputation tradition. The capabilities approach provides a framework (criteria) that relates the expansion of opportunities for leading a life which a person considers of value to the concept of well-being (Sen 1985, 1993, Anand et al. 2005, Anand and van Hees 2006, Nussbaum and Sen 1993, Alkire 2007). The approach associates a good life to the lack of restrictions people face in choosing the functionings they value. The absence of criteria in this approach to define which capabilities are relevant and how relevant they are has led to proliferation of lists of capabilities as well as to organizations and groups incorporating their variables of interest as part of the set of capabilities (Nussbaum 2011). Sometimes it is not even clear whether a variable constitutes a proxy for a capability or a functioning. For example; the United Nations Development Program handles income as a capability; however, not everybody attaches the same value to the things income may buy; thus, it may be reasonable to treat income as a functioning while the capacity to generate income is treated as a capability.

In principle, well-being assessments made within the imputation tradition cannot be corroborated, since the well-being which is experienced by people is of little relevance within this tradition. The tradition is based on acceptance of the intellectual framework

rather than on corroborating it. In consequence, it is of no surprise that after many centuries and hundreds of discussions the imputation tradition can provide hundreds of books and many convincing frameworks, but not a single corroborated finding. Rather than using people's experience of being well to corroborate their assessments, the many schools which exist within this tradition advance their views by convincing their audience. The imputation tradition is beyond corroboration; however, it is possible to check whether its views are compatible or not with findings from other traditions.

2.4 Knowing People's Well-being? The Subjective Well-being Approach

The subjective well-being approach understands well-being as the experience people have of being well. Well-being is, in consequence, something that happens in the realm of the person and not in the realm of objects. Objects and factors may be of relevance in generating well-being, but they are not well-being. The person is indispensable for the well-being experience to take place; in other words, the experience of being well cannot exist without the person who is having it. It is in this sense that well-being is inherently subjective, because the experience cannot be detached from the person who is having it. In consequence, it is senseless to conceive an objective well-being; although it is possible to talk about factors which may generate well-being and which are measured on the basis of objective variables.

The subjective well-being approach recognizes that human beings are capable of experiencing well-being. It is in human condition to be able of recognizing different types of well-being experiences, such as: First, sensorial experiences associated to pain and pleasure. Second, affective experiences related to emotions and moods which are usually classified as positive and negative affects and understood in terms of enjoyment and suffering. Third, evaluative experiences assessed on the basis of the attainment of goals and aspirations people do have and which are usually termed as achievements and failures in life. Fourth, very intensive, short, and global experiences of being well which are usually classified as flow states (Argyle 2002, Veenhoven 1991, Rojas and Veenhoven 2013, Csikszentmihalyi 2008) These experiences may take place in different intensities and durations; a particular event may detonate all kinds of experiences and not always in a reinforcing way. Some events may be associated to an evaluative experience of achievement but to an affective experience of suffering; other events may imply a sensorial

experience of great pleasure but an evaluative experience of failure. For example, hunger ends up being experienced by people in terms of stomach pain, headache, irritation, tiredness, lack of concentration, and so on. The kind and extent of food at the table may also constitute an object of social comparison, those in hunger may not only suffer from negative sensorial and affective experiences, but they may also be experiencing a sense of failure associated to their lack of food being associated to a lower status in society. In the mid-run experiencing chronic hunger may have other consequences –such as learning disability- which also reflect in sensorial, affective, evaluative and even flow experiences (Guardiola and Rojas, 2014)

The approach also recognizes that people are able of making a synthesis about how well life is going on the basis of these essential experiences of being well. For example, it is very likely for people experiencing pleasure, joy and achievement to make a synthesis in terms of their life going well or in terms of being highly satisfied with their life. In other cases, when there are conflicting experiences, people face a greater challenge of making a synthesis, but they are able of doing so and they may end up being modestly satisfied or unsatisfied with their life depending on the personal importance they give to the conflicting experiences.. For example, there are events that detonate pain but joy, such as the case of a woman delivering a baby. It is likely for these experiences to be pondered differently by different people. Thus, for some people the affective experiences may have a greater relative importance in assessing their overall evaluation of life, while for other people it may be the evaluative experiences, and for some it may even be the sensorial experiences.

A crucial feature in the subjective well-being approach is the recognition that every person is in a privileged position to judge and report her well-being; hence, the best way of knowing people's well-being is by directly asking them. People can be queried about their overall assessment of life; 'how is life going on?' is a common question most people are familiar with. People may be queried about their satisfaction with life as well as about their essential experiences of being well. It could be said that the subjective well-being approach is very old; as old as when people began asking friends and relatives questions like "how are you?", "how are you doing?", and "how is life?". However, the incorporation of the approach into academic studies of well-being is relatively new. Some sociologists, psychologists and economists started using subjective well-being information in the late

1960 and early 1970s (Campbell 1976, Campbell et al 1976, Andrews and Withey 1976, Argyle 1987, Diener 1984, Michalos 1985, Venhoveen 1984, Easterlin 1973, 1974, and van Praag 1971)

2.5 Well-being Traditions and Poverty

The three traditions in the study of well-being: presumption, imputation, and subjective well-being will reflect in the conceptions of well-being deprivation and, in consequence in the understanding and measurement of poverty. Of the three traditions there is no doubt that poverty studies have been dominated by the presumption tradition and, in specific, by the belief that a person's income can be a good proxy for her well-being and that can be used to study well-being deprivation. Recent approaches have also relied on the imputation tradition to provide a conception of poverty that goes beyond income by incorporating other dimensions which are considered important for having a good life; in consequence, a substantive approach is followed by enumerating dimensions. More recently, the subjective well-being approach has been used in poverty studies; the interest has centered on investigating how people's (subjective) well-being relates to poverty classifications; some research has also focused on providing a subjective well-being conception of poverty.

3. THE INCOME-BASED CONCEPTION OF POVERTY. A DOMINANT CONCEPTION

3.1 Presumption. Income and Well-being

3.1.1 Assumption of a close relationship between income and people's experience of being well

The income-based conception of poverty has dominated the understanding, study and measurement of poverty during the last decades. This conception understands poverty as a situation where people have low income so that their capacity to satisfy needs is limited. Two main assumptions are involved in this view. First, that income is strongly

related to people's well-being⁵; the relationship is assumed to be positive (greater income leads to greater well-being) and close (more income implies, for sure, greater well-being). Second, a relevant income threshold exists; this is: it is presumed for low income to be associated to experiencing low well-being and for high income to be associated to experiencing high well-being, but the relationship is not linear. An income threshold is assumed to exist beyond which well-being substantially raises and well-being deprivation no longer exists. Even though economic theory strongly argues about the relevance of income, it does not provide a clear argument for defining what a low-income level is. In other words, economic theory does not have a justification for setting an income threshold beneath which well-being deprivation exists.

3.1.2 Setting an income threshold. Basic-needs theory

Some economists and other social scientists have proposed a basic-needs approach to setting a threshold level in the income-based study of well-being deprivation (Streeten 1977, 1984). Basic-needs theory argues for a hierarchy of needs so that the satisfaction of some needs is more important than the satisfaction of others. The delineation of this hierarchy of needs is unclear.

Most people agree with the existence of survival-level needs so that not satisfying them leads to death in a short period of time. Being alive is a requisite to experiencing well-being as we understand it. The hierarchy of needs and the definition of thresholds are not clear once people move beyond the survival-level needs. In principle, economic theory states that the utility attained from consumption is a matter of each person. However, different normative theories have been proposed to establish a hierarchy of needs and to define thresholds to classify people as poor or non-poor on the basis of their purchasing power (Gasper 2007, Doyal and Gough 1991, 1993).

Great economists and social thinkers such as Adam Smith (1776 (1937)), John Maynard Keynes (1931) and Karl Marx (1849 (1977)) have argued that beyond survival-level needs there is a realm of relative needs; in other words, the utility people get from satisfying these needs is contingent on whether other people are also satisfying them or not.

⁵ As expressed earlier, most economics textbooks use the term 'utility' rather than the term 'well-being'.

The view that most needs are relative rather than absolute has led to understanding well-being deprivation as a situation where people are not living a decent life according to the consumption standards of their society (Townsend, 1962). Thus, basic needs are conceived not as absolute but relative to the standards of the society under consideration; in consequence, societies tend to follow their own standards and to define a country-specific income threshold to classify people as poor.

Basic-needs theory has usually assumed that those needs which are basic can only be satisfied by consuming economic goods, which implies that people need purchasing power (income) to be able to satisfy their needs and attain greater well-being. Therefore, it is assumed that it is only through greater purchasing power that people can get out of their well-being deprivation situation. Consequently, the income-based conception of poverty is based on the idea that people who have low purchasing power cannot afford the satisfaction of their basic-needs and, as a consequence, end up in well-being deprivation. By proposing the existence of a hierarchy of needs, basic-needs theory justifies the assumption of a somewhat vague threshold; yet, it does not solve the underlying problem of establishing a precise cut-off to classify people as poor or non-poor.

Many methodologies have been advanced to define a poverty line in order to classify people as poor (Orshansky 1965, Ruggles 1990, Fisher 1992, Ravallion 1998, Feres and Mancero 2001) As expected, these methodologies depend on many assumptions to come up with a somewhat arbitrary cut-off. On the basis of the income criterion a person is classified as poor if she does not have the capacity to buy a bundle of commodities which, according to the proposed criteria, would imply the satisfaction of all their basic needs. However, having the capacity does not necessarily imply doing so. People may have a different hierarchy in the satisfaction of needs and that reflects in consumption patterns that diverge with respect to those contemplated by basic-needs theory. The existence of discord in the hierarchy of needs people do have and that which was used to construct a bundle of commodities to satisfy what experts propose as basic needs is a common critique to this approach.

Furthermore, a person's income in a given period does not necessarily reflect her capacity to satisfy needs, since people may have access to credit or debts to be paid; in

consequence, rather than using current income to assess people's capacity to buy a bundle of satisfiers, some authors do recommend using a proxy for permanent income, such as the ownership of income-generating assets (Shapiro and Wolff, 2005)

It is noteworthy to state that the absence in economic theory of an observable well-being variable and the confidence economists show in their microeconomic-theory assumptions has led to a view that directly identifies poverty with low income. In other words, poverty has ended up being directly understood as a situation where people have low income, rather than as a situation where people have low well-being due to their low income. The difference between these two understanding of poverty seems minor; however, it is important to recognize that the link between income and poverty is not a direct one because it goes through well-being. Most economists –and many policy-makers- end up understanding poverty as a situation where people have low income, independently of their well-being situation.

There are also many methodological problems which need to be addressed before using income in poverty studies. For example:

First, data on household income comes mostly from people's reports. People may misreport their income due to many factors such as being afraid of losing some social benefits, being afraid of crime, working in informality, evading taxes, lack of knowledge about their income, and many more. Hurst et al. (forthcoming) show that self-employed people tend to misreport their income. Self-employed people as well as informal employment are common in many societies where high rates of poverty have been estimated; this fact reduces our confidence in the accurateness of the estimated poverty rates. In an empirical study in Albania, Pudney and Francavilla (2006) found substantial income underreporting by people who are classified as being in income poverty; they conclude that income poverty rates are overestimated due to income underreporting.

Second, income is reported at the household level, but well-being is a personal-level concept. Thus, it is necessary to transform household income into a proxy for personal access to economic resources; this is a difficult task because households differ in their size and demographic composition as well as in their intra-household norms. Is the economic situation in a family of two adults and two children with a household income of US\$10

dollars per day similar to that of a family of three adults and one baby with the same income? Do children imply a similar economic burden than adults? Are there differences by gender? Rojas (2007b) has found that there are substantial size economies in the family and that, as a consequence, household per capita income tend to underestimate the economic situation people have, with the consequence of overestimating poverty rates. Furthermore, Rojas (2010) finds evidence of some altruistic behavior in Mexican households, where some members –children- tend to enjoy a better economic situation than adults –breadwinners-; this finding suggests that the assumption of the benefits from household income being equally shared within all family members may be wrong.

Third, in-kind income is large not only in rural societies but also in urban ones. It is difficult to estimate the monetary value of in-kind income as well as of self-production, in special when market prices cannot be appropriately estimated (Székely et al. 2004)

3.2 Main Initiatives within the Income-based Approach to Poverty

3.2.1 Poverty and a call for action

As it was mentioned before, poverty is a concept associated to well-being deprivation; as such it calls for immediate action at all levels: public policy, international aid, personal and organized charity, community programs, and even social revolutions are sometimes justified on the basis of reducing poverty. The interest in abating poverty and increasing people's well-being is not new. However, during the last decades there has been an increase in local, national and global initiatives aiming to reduce poverty.

In 1964, Lyndon B. Johnson, president of the United States, declared the war on poverty and proposed the *Economic Opportunity Act*, which was passed by the U.S. Congress, in order to guide federal resources in the abatement of poverty (Levitan 1969) As with any other war, it became necessary to have performance indicators to design the strategy, to know the effectiveness of the implemented programs and, in the end, to know whether the war had been won or lost. Furthermore, being an initiative funded by public resources, it became necessary to define and keep track of its beneficiaries. Thus, it became necessary to count the poor, and the measurement of poverty –which required classifying some people as poor- became a relevant issue. An income threshold approach was adopted which, implicitly, associated poverty to lack of purchasing power to satisfy some needs

(Orshansky 1965). Even though there is almost general agreement on the need to confront poverty, there is not much agreement on the best way to do it. Johnson's war-on-poverty strategy faced the criticism of conservative groups for being based on State intervention rather than on promoting growth and opportunities; thus, it faced great opposition in a nation that conceives itself as the 'land of opportunity' and where many people dislike the idea of generating a 'culture of poverty' (Niskanen 1996).⁶

3.2.2 The Millennium Development Goals initiative

During the last decade of the past millennium a new initiative emerged to reinforce some general values and to pursue some global compromises in international cooperation, foreign aid, and national policies. In the year 2000 the Millennium Summit of the United Nations adopted the Millennium Declaration. The Millennium Development Goals initiative (MDGs) was launched as a consequence of this declaration; it sets specific targets, as well as general compromises for the first years of the millennium. The first goal of the MDGs focuses on eradicating extreme poverty and hunger, and it explicitly states as its first target to "*Halve, between 1990 and 2015, the proportion of people whose income is less than \$1.25 a day*"⁷. The MDG's initiative not only makes of poverty abatement its first goal but also, by doing so, it ends up defining poverty on the basis of its measurement: a poor person is that whose income is less than US\$1.25 a day. An income-based conception of poverty is clearly dominant in the MDG's view of poverty; three income-based indicators are used to keep track of the first goal: the proportion of people below the poverty line, the poverty gap ratio, and the share of the poorest quintile in national consumption.

The MDGs initiative has made of poverty-abatement a central issue in international-cooperation agreements as well as in international-development programs; it has also generated a lot of interest in poverty studies and in poverty evaluation. Many programs and initiatives have been locally and internationally launched to reduce poverty. The need of 'counting the poor' –or 'identifying the poor'– is crucial within the MDGs initiative. It is impossible to set targets and to declare victory if there is 'no counting of the poor'. Thus,

⁶ Conservative groups tend to rely more on private and personal initiatives to do good in society; U.S. President George H. Bush used the term '*a thousand points of light*' in his inaugural address to refer to the many countrywide private initiatives that could do good in society. The term 'compassionate conservatism', used by George W. Bush during his presidential campaign, also reflects this view of relying on private initiatives to help people in need, rather than on big State-administered programs.

⁷ www.un.org/millenniumgoals/poverty.shtml.

the measurement of poverty became a central issue within this initiative. The dominance of measurement over conceptualization is clear in a document published by the United Nations Development Program in 2003; this document is entitled '*Indicators for Monitoring the Millennium Development Goals. Definitions, Rationale, Concepts and Sources*'. In page 5 of this document it states:

"Goal 1. Eradicate extreme poverty and hunger

Target 1. Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day.

Rationale. The indicator allows for comparing and aggregating progress across countries in reducing the number of people living under extreme poverty and for monitoring trends at the global level" (UNDP, 2003, p.5)

It is clear that the rationale for this indicator does not go beyond the tautology of defining extreme poverty on the basis of the indicator used to measure it and then appealing for comparability across countries. Extreme poverty is clearly defined by the indicator used ('one dollar a day') rather than the other way around. After providing this quick and tautological rationale for the indicator the document goes on to provide a long explanation on the 'method of computation' and on 'data collection and sources'.

According to its own criteria the initiative has been successful in halving poverty rates, and this global goal was attained before the specified year for reaching the target. However, attaining the global goal does not mean for each country being successful in doing so; some countries are lagging behind. The using of a simplistic measurement of poverty in order to allow easy comparisons across regions of the world is not exclusive of the MDG's; for many years the World Bank has also relied on income-based indicators to count 'the poor' and to make cross-country comparisons. The World Bank has used income-based poverty lines at levels of US\$1.00 per day (in purchasing power parity), a figure which was updated to US\$1.25 in 2005 (Ravallion et al. 2008).

The MDG's initiative was oriented to action; however, it has had crucial implications for our understanding of poverty by fostering a conception which is basically associated to low income. People have been classified as poor or non-poor worldwide on the basis of this criterion; millions of cases have been categorized as successful because their income has surpassed the poverty line, and international organizations and local

governments can state that these people are now out of poverty. International organizations, governments, and experts presume these people are better off; however, they do not really know whether these people's 'graduation' from poverty is associated to any change in their lives which people themselves appreciate or consider important. There are fundamental questions that go unanswered, such as: Do these people consider themselves better off? Are they really experiencing greater well-being?

3.3 Income-poverty Situation in the World

Table 1 presents the current situation of poverty in the world on the basis of the income-based conception. It is observed that at the threshold level of US\$1.25 dollars per day the rate of poverty is practically negligible in Europe; however, poverty rates are very high in Sub-Saharan Africa and in South Asia. Poverty rates are also beyond one digit in the East Asia and the Pacific region. Given the large populations in the East and South Asia regions, the extensive reduction in poverty rates in these regions has implied a substantial decline in the number of poor people in the world. It is observed that the number of persons living with less than US\$1.25 has declines from 1.91 billion in 1990 to 0.97 billion in 2015 (an estimated figure). It is this extensive decline in poverty rates in South and East Asia which allows for attaining the first goal of the MDGs. However, it is clear that the Sub-Saharan Africa region is lagging behind.

Table 1 Poverty Headcount Ratio and Population in Poverty At different thresholds of income a day (purchasing power parity) By region					
	As % of population in the region 2010*		Absolute number of persons in poverty (at US\$1.25) (in millions)		
	US\$1.25 (PPP)	US\$2 (PPP)	1990	2010*	2015*
East Asia & Pacific	12.5	29.7	926	251	115
Europe & Central Asia	0.7	2.4	9	3	2
Latin America & Caribbean	5.5	10.4	53	32	30
Middle East & North Africa	2.4	12.0	13	8	9
South Asia	31.0	66.7	617	507	406
Sub-Saharan Africa	48.5	69.9	290	414	408
			1908	1215	970

* Estimated figures

Source: World Bank WDI <http://data.worldbank.org/topic/poverty>

There are many countries where poverty figures are very high. For example, according to the World Bank, the following countries have a headcount ratio above 60 percent (for the US\$1.25 threshold): Haiti, Chad, Central African Republic, Rwanda, Tanzania, Nigeria, Zambia, Malawi, Madagascar, Burundi, Liberia and Democratic Republic of Congo. The last four countries have figures above 80 percent. As observed, with the exception of Haiti, the other countries belong to the Sub-Saharan Africa region. When a poverty line of US\$2 dollars is used some countries reach headcount ratios above 90 percent, such as: Malawi, Madagascar, Burundi, Liberia and the Democratic Republic of Congo. Of course, there are many countries with negligible figures.

The headcount ratio as a percentage of the population does not show how absolute figures evolve. There are some regions with large populations but with low population growth, such as the East Asia and Pacific region, which includes China, where a 1 percentage point decline in the headcount ratio would mean a huge decline in the absolute number of poor. In countries with high rates of population growth a decline in the headcount ratio does not necessarily translate into a decline in the absolute number of persons in poverty.

There are many indicators which aim to further provide information about the intensity and characteristics of poverty. For example, the poverty gap indicator is constructed to measure the depth of poverty in a country, this is: the indicator measures the average distance between the income of people in poverty and the poverty line as a percentage of the poverty line. For example, the poverty gap at US\$1.25 a day in the Democratic Republic of Congo is 52.8, meaning that those beneath the poverty line in this country (a figure which is above 80 percent) are also very deep below that line (having, on average, an income of about US\$0.60 a day). Getting this people out of income poverty would require an enormous effort because the poverty gap is very high. Thus, it is not only important to know the percentage of people who are below an arbitrarily defined income-poverty line but also to know how much below that line people are. The poverty gap is an indicator that allows making a distinction among those people being classified as poor on the basis of their income.

Other indicators of poverty aim to provide further information about the depth and nature of poverty in a country. For example, the Foster-Greer-Thorbecke (FGT) is a

poverty indicator which allows for taking into consideration income inequality within the poor; this indicator is based on an arbitrarily defined coefficient which aims to represent society's dislike for inequality (Foster et al. 1984).

The poverty headcount ratio does not take into consideration whether those persons in poverty have been in that situation on a permanent or on a transitional basis. People may be into poverty for short periods of time –transitional poverty-, but if some people get in while others get out then it is possible for the headcount ratio to remain constant even if, over time, people are entering and exit poverty. Thus, it is necessary to contemplate whether people in poverty are structurally there or just temporarily there; this distinction is made by the literature on chronic and transient poverty (Hulme and Shepherd 2003); there is a presumption that chronic poverty constitutes a greater well-being burden than transient poverty.

It is noteworthy to state that many countries do also compute their own metrics of poverty on the basis of nationally-defined poverty lines. These measures may substantially differ from the World Bank and the United Nations generalized poverty lines. National poverty lines are constructed on the basis of basic-needs theory and aim to define a threshold level so that people beneath this level are considered as being in well-being deprivation (poverty). These national poverty lines are basically constructed on the basis of estimating the purchasing power that a family needs to satisfy a normatively-defined basket of commodities (Feres and Mancero 2001). The construction of this basket of commodities contemplates their capacity to satisfy a list of requirements which are considered as basic according to some normative criteria which usually ends up being approved by public-officers and congresspersons. Thus, official and country-specific rates of poverty do exist in most countries; these poverty rates may substantially differ to those estimated by the World Bank and the MDG's on the basis of universal and simplistic criteria. For example, according to World Bank figures, while the headcount rate in Peru is 5 percent according to the US\$1.25 household per capita income threshold, it is almost 26 percent according to the country's own criteria. On the contrary, in Malawi the headcount ratio is around 62 percent on the basis of the universal US\$1.25 threshold, but 51 percent on the basis of the country's own criteria. Thus, national poverty rates may substantially differ from the internationally-defined poverty rates, and they probably reflect a political consensus -or a political

compromise- reached in each country. The nature of these compromises is beyond the scope of this chapter; however, it is important to remark that these political decisions are contingent on the kind of political institutions that prevail in the countries. Many countries in the world do rely on very weak institutional and political frameworks that may introduce doubts on what national poverty rates reflect.

3.4 Debates within the Income-based Approach to Poverty

As expected, there has been substantial debate on whether some poverty measures are really ‘counting –and not counting- the poor’. For example, Reddy and Pogge (2010) start their paper by stating “*How many poor people are there in the world? This simple question is surprisingly difficult to answer at present*” (p. 3). Perhaps the question is not so simple; perhaps, as Gaston Bachelard used to say, ‘*simple things do not exist, only simplified ones*’.

In an interesting debate with Ravallion (2010) -who has lead the World Bank’s research on poverty-, Reddy and Pogge (2010) and Pogge (2010) question the appropriate way of ‘counting the poor’ the World Bank uses; they discuss the deficiencies of using income to measure poverty and propose moving towards measuring poverty on the basis of the cost of satisfying a group of basic needs in a given country. It is clear that Reddy and Pogge are bending towards rate of poverty which is defined not on the basis of a universal criterion but on the basis of country-specific criteria. Deaton and Dupriez (2011) point towards deficiencies in income comparisons across countries when focusing on low-income persons; they argue that a different using of weights that takes into account the consumption patterns of low-income people do lead to different global poverty counts. Even though these debates are addressing some relevant issues, they are always framed within the same tradition of presuming that income –or a related purchasing-power proxy- is the main variable in assessing people’s well-being.

Furthermore, the debates show the typical view of considering poverty as a characteristic of persons rather than as an attribute the expert places on people; for example, Reddy and Pogge (2010) use the term ‘counting the poor’, while Sen (1976) goes with the term ‘identifying the poor’. There is little thinking in the literature about what do we mean by ‘the poor’ and there is a lot of effort in ‘counting’ and ‘identifying’ them. It seems that poverty ends up being defined on the basis of its measurement and those called

‘the poor’ end up in this category because of their low income. Sub-section 5.1 of this chapter will address this crucial issue as a critique to the presumption and imputation traditions; it basically states that we are not really ‘counting the poor’ nor ‘identifying the poor’ –not because of errors in computing their income and related purchasing-power proxies, as Reddy and Pogge (2010) suggest- but because what is really happening is that experts and organizations are ‘classifying some human beings as poor’.

3.5 Beyond Income-based Poverty. The Imputation Approach

3.5.1 A substantive approach to poverty. Imputation

There has always been some distrust on the relevance of income as a proxy for well-being. Income has been associated to the predominance of economists in studying well-being and emphasizing their main variable of interest. As a reasonable reaction within the prevalent disciplinary compartmentalization of knowledge, other social scientists have aimed to reducing the importance of income in assessing people’s well-being by introducing other variables –and dimensions- into the well-being equation (Rojas 2011a) Many economists who are concerned about ethical considerations in economics have also ended up following this option of classifying people as poor on the basis of an expanded list of factors.

Following the imputation tradition to assessing people’s well-being, these approaches rely on a conceptual framework to justify a list of dimensions which are considered important for having a good life. These approaches keep the authority of judging a person’s well-being in the hands of experts, but they use multi-dimensional criteria –plus some dimension-reduction techniques- to assessing the well-being situation of a person.

In consequence, the imputation tradition leads to a conception of poverty based on lists of indicators that somehow need to be reduced to a single dimension. There is usually an emphasis in measurement, handling of variables, and dimension-reduction techniques. In addition, there is usually little discussion about the relevance of the conceptual framework and, of course, no corroboration at all. Poverty refers in this case to the absence of those factors which contribute to a good life according to experts.

3.5.2 The Human Poverty Index

The human poverty index (HPI) is a good illustration of the implementation of the imputation tradition of well-being to poverty. This measure of poverty was introduced by the United Nations Development Program to somehow mirror its Human Development Index (HDI). The HPI was introduced in UNDP's Human Development Report 1997, which focused on poverty eradication.

Like the HDI, the HPI is, in principle, loosely based on the concept of relevant capabilities people ought to have; when people do not have access to these capabilities experts end up talking about deficiencies and imputing low well-being.

The human poverty index relies on three main areas: health, knowledge, and standard of living. Health is measured on the basis of the likeliness of death at an early age, literacy rates are used to measure knowledge, and income is used as a proxy for the standard of living. Unemployment, as a proxy for exclusion, was also incorporated in other versions of the HPI. It is important to remark that these variables that constitute the HPI could be highly correlated.

Like all approaches that rely on lists of variables, the HPI faces the problem of how to handle several variables to reach a conclusion on a person's poverty situation. Are all areas essential? Is it possible to substitute deficiency in one area with affluence in other area?

3.5.3 Multidimensional poverty

During the last decades a large literature has emerged proposing a view of poverty which goes beyond the single-dimensional income criterion (Tsui 2002; Bourguignon and Chakravarty 2003, Kakwani and Silber 2007) The approach states that poverty is a multi-dimensional phenomenon, meaning that in order to define and measure poverty it is necessary to take a look at many variables depicting the situation of people in many dimensions. The main claim of the approach is simple: poverty is multi-dimensional; following the imputation-based approach to well-being, there is no interest in corroborating this claim. Rather than providing some support to corroborate this claim, the approach

quickly moves to discuss the dimensions to be incorporated (Alkire 2007), as well as to discuss many measurement issues in the construction of composite indices; such as: cut-offs and dimension-reduction techniques (Thorbecke 2007, Kakwani and Silber 2008, Alkire and Foster 2009, 2011)

The UNDP introduced a multi-dimensional poverty index in its 2010 Report; it is basically an expansion of the HPI, using three main dimensions (health, education, and living standards) and 10 indicators. Health is assessed on the basis of nutrition (at least one member in the household is malnourished) and child mortality (one or more household children in the household have died). Education is assessed on the basis of years of schooling (no one in the household has completed five years of schooling) and children enrollment (at least one school-age child is not enrolled in school). Living standards are assessed on the basis of ‘dirty’ cooking fuel (household uses dung, firewood or charcoal), access to electricity (household has no electricity), clean water (household has no access to clean drinking water), dirt floor, and assets ownership (household has no car and owns at most one of: bicycle, motorcycle, radio, refrigerator, telephone or television). These indicators are defined at the household –rather than personal- level; thus, household size needs to be incorporated as another factor to be considered in the estimation of multi-dimensional poverty, and some household and intra-household arrangement assumptions are required. It is possible for high correlations among all these indicators to show up.

Imputation-based conceptions of poverty necessarily rely on: first, a general framework mentioning what dimensions are considered as relevant for assessing people’s well-being; second, a list of variables measuring the situation in these dimensions; third, the definition in each dimension of deficiency levels (cut-offs); and fourth, the application of a dimension-reduction technique to reach a general conclusion on the situation of the person.

4. EXPERIENCED WELL-BEING AND POVERTY

4.1 Subjective Well-being and Well-being Deprivation

The subjective well-being approach (SWB) understands well-being as a living experience people have; while poverty refers to a situation where people are in well-being deprivation, this is: they are experiencing low well-being (ill-being). Thus, in a similar way than the other traditions, the SWB approach understands poverty as a situation of well-being deprivation; however, rather than presuming or imputing its existence, the SWB approach relies on people's answer to direct questions about their well-being situation. If people adequately report their experience of being well then the SWB provides a good way of knowing who is in well-being deprivation. One of the advantages of the approach is that it explores well-being deprivation where it takes place: in the realm of the person herself.

It is important to distinguish between the experience of well-being people do have and the well-being report people do make; this is important in order to avoid the common mistake -made in other traditions- of following a measurement-driven conception of poverty. Well-being deprivation takes place in the realm of the experience of being well people have; the report is just a proxy for this experience, but it is not the experience itself. Well-being deprivation is therefore understood as a situation where people mostly experience pain –rather than pleasure-, suffering –rather than joy-, and failure –rather than achievements-, and this is synthesized by the person herself in terms of being dissatisfied with her life.

4.2 Methodological Issues within the SWB Approach

The SWB approach to poverty faces many challenges which in principle are not uncommon to other approaches. For example, it is necessary to choose a specific variable to measuring people's well-being; there is agreement that variables such as life satisfaction, happiness and life evaluation constitute overall assessments people use when judging goodness in their life (OECD 2013). Some research has been done on the relationship among these variables and it is likely for differences to emerge in the classification of people as being in well-being deprivation on the basis of which variable is used (Ferrer-i-Carbonell 2002). As a matter of fact, this is also a common problem in the other traditions; income-based assessments face the problem of which proxy for access to resources to use (household income, household per-capita income, current expenditure, ownership of productive assets, monetary income plus in-kind income, permanent income, and so on),

and multidimensional-poverty assessments face the problem of which variables and even which dimensions to incorporate.

It is necessary to choose a response scale for the overall well-being assessment question. For example, the literature uses both numerical and categorical response scales (Rojas and Martinez 2012). Quantitative analyses can easily be done with any of the two types of scales and, in general, the main conclusions seem to sustain independently of the scale being used (Ferrer-i-Carbonell and Frijters 2004). However, it is likely for differences in the assessment of well-being deprivation to emerge depending on the scale used and it is important to be aware of this.⁸ The categorical response scale probably provides a closer link to how people think about their life; people may tend to synthesize life in words and labels rather than in numbers, but this is an issue for further research. In addition, categorical scales going from very or extremely unsatisfied to very or extremely satisfied allow for setting clear cut-offs regarding the satisfaction levels. For example, people reporting ‘unsatisfactory’ levels can reasonably be considered as being in well-being deprivation.

It is also necessary to assume that what people report reflects their well-being experience. Many reporting biases have been studied and some precautions can be taken (Rojas and Martinez 2012) For the purposes of this chapter it may be of interest to focus on the strategic response bias; this is: people may have an interest in reporting a situation which is different to their experience if they get some benefits by doing so. Exposure to this risk emerges when people’s reports are associated to some rewards or punishments. The interest of misreporting and even deceiving and cheating is common in programs which tie access to the benefits of the program to some action or behavior of its beneficiaries. For example, people may find in their benefit to transfer to a relative their ownership of assets if by doing so they can keep some social-program benefits. This is a general problem which can only be solved either by separating rewards and punishments from reports and actions or by implementing highly-expensive monitoring schemes.

⁸ It is very likely for some type of question and for some type of scale to predominate. This is also common for many indicators; for example, when assessing the rate of economic growth economists tend to focus on the gross domestic product rather than on the gross national product.

It is also necessary to assume that well-being reports are comparable across persons; in other words, that what people report closely reflects their well-being experience and that human experiences of being well are comparable across persons. Hence, a person stating that she is very unsatisfied with life would be placed in the same situation than another person stating she is very unsatisfied with life, and they would be placed below another person stating she is satisfied with life. Comparability across persons seems easier when using categorical response scales, and some discussion may emerge when using cardinal (1 to 10) response scales. It is important to remark that the main issue of comparing well-being across persons emerges in poverty assessments independently of the tradition which is followed. The assumption that well-being comparisons make sense is general to all traditions, although some traditions are weaker than others in resolving the challenges raised by the assumption. For example, it is well known that income has cardinal properties and is –in principle- a variable that can be observed by a third party; however, income comparisons across persons -whatever the income variable is- are not really made because of the cardinal and observable properties income has but because a close and homogeneous-across-people relationship between income and well-being is presumed to exist. The following sub-section argues that these assumptions do not sustain; the literature has shown that even though income may be related to well-being it is not a determinant variable influencing people's well-being; hence, the relationship between income and well-being is not close (Rojas, 2011). Furthermore, the literature also shows that there is heterogeneity in the explanatory structure of well-being across persons; this heterogeneity emerges because the relationship between income and well-being is contingent on other factors, such as people's values and aspirations (Rojas, 2007c). Hence, it is perfectly reasonable for two persons having a similar income to have substantially different well-being experiences. In consequence, from a well-being perspective, income comparisons across persons require very strong assumptions which are difficult to satisfy in practice. The same argument applies for the relationship between the many variables used in multi-dimensional poverty approaches and well-being.

4.3 Subjective Well-being and Income

In the decade of the seventies Easterlin (1974) published a paper showing that economic growth does not enhance the human lot in the long run. This paper follows a short note of his own arguing that money does not buy happiness (Easterlin 1973) This finding is now known as the Easterlin paradox, and it states that there is a negligible long-run relationship between income and subjective well-being. Easterlin's empirical research has been the inspiration for many research projects on the relationship between subjective well-being and income. With some exceptions, further studies have corroborated the lack of a long-run relationship between income and subjective well-being indicators at the country level (Bartolini and Sarraceno 2011, Clark *et al.* 2008, Easterlin and Angelescu 2009, for an exception see Stevenson and Wolfers 2008). Cross-country studies usually find a positive and logarithm relationship between income and life satisfaction. These findings indicate that there are strong relative concerns in the evaluation of income and that income acts as a status marker.

Independently of the nature of the relationship between income and well-being, the studies show that the relationship is very weak; this is: it is impossible to predict a person's life satisfaction –and other subjective well-being variables- on the basis of her income (Rojas 2011b) The goodness of fit of a regression using a subjective well-being indicator as dependent variable and the natural logarithm of income as the independent variable is always very low. As an illustration, Table 2 presents the results of an *OLS* simple regression using a large cross-section survey applied during the fall of 2012 in Mexico.⁹ The survey has about 19500 persons reporting their well-being as well as their income.

Table 2
Strength of the Income^{1/} – Subjective Well-being Relationship
Overall Subjective Well-being Measures
OLS Simple Regression
Mexico's Cross-Section Data

	Life Satisfaction^{2/}	Happiness^{3/}	Best-Worst Life^{4/}	Affective Balance Scale^{5/}
Estimated coefficient	0.169***	0.135***	0.255***	0.066***
Goodness of fit (R-squared)	0.014	0.007	0.015	0.015

^{1/} Income: logarithm of household per capita income

^{2/} Life satisfaction corresponds to the typical question "Taking everything in your life into consideration, how satisfied are you with your life?". The response scale is categorical; it has seven categories going from extremely unsatisfied to extremely satisfied. The scale is cardinalized in a 1 to 7 range.

^{3/} Happiness corresponds to the typical question "Taking everything in your life into consideration, how happy are you?". The

⁹ This survey was financed by *Fundación ImaginaMexico*, which is a think-and-do Mexican tank interested in promoting grass-roots and municipal-level actions to promote happiness in Mexico.

response scale is categorical; it has seven categories going from extremely happy to extremely unhappy. The scale is cardinalized in a 1 to 7 range.

^{4/} Best-Worst Life corresponds to the typical ladder question which asks the respondent to place his/her life in a 0 to 10 ladder scale, 0 being the worst possible and 10 the best possible life.

^{5/} The affective balance scale is constructed as the difference between the percentage of positive minus the percentage of negative affects experienced the day before. It is measured in a -1 to 1 scale.

Statistical significance ***/ (0.01), **/ (0.05), */ (0.10).

Source: Author's own findings on the basis of the ImaginaMéxico 2012 Survey

Table 2 shows that in even in cross-section data –where the impact of income is expected to be greater due to its status-marker role- there is a very weak relationship between income and subjective well-being. The goodness of fit coefficient is practically nil in all cases; this shows that it would be an enormous mistake to base any indicator of well-being deprivation on the basis of income alone.

Many reasons explain this weak relationship between income and subjective well-being. First, the household per capita income variable may be a bad proxy for people's access to economic goods and services because it does not appropriately take into consideration household and intra-household arrangements and it poorly considers in-kind income (Rojas 2006c). Second, reported income reflects current income but it does not necessarily correspond to people's command over relevant economic resources in the long run (permanent income). Third, people may be more concerned about relative income than about absolute income; this is a fact commonly found in the literature and which supports a relative –rather than absolute- conception of poverty. Fourth, people may not use their income efficiently; some people may use their income in an inefficient way while other people may act more efficiently in attaining high satisfaction from their income (Rojas 2008a). Fifth, values may differ across persons; it has been shown that materialistic persons tend to have a different income-life satisfaction relationship than non-materialistic persons (Rojas 2007c)

These reasons may partially explain why the relationship between income and subjective well-being is weak. However, they do not exhaust all the potential reasons; as a matter of fact, these explanations are of lesser importance once it is considered that persons are much more than consumers. In economic models consumers do get all their well-being from consuming economic goods and services; however, for persons there is more to life than their standard of living, and for many of them there are even more important aspects in life (Rojas 2006a, 2007a, 2008b). The domains-of-life literature shows that people do get their life satisfaction not only from their actions as consumers (getting economic

satisfaction) but also from their actions as spouses, parents, workers, housekeepers, friends, neighbors, colleagues, and many others. Life satisfaction can be understood as the result from satisfaction in all those domains of life people act as human beings, and income is of little relevance in explaining satisfaction in many of these domains (Rojas 2006b, 2007a).

The weak relationship between income and subjective well-being implies for income-based poverty measures to be bad proxies for people's well-being deprivation. This is empirically shown in the following subsection.

4.4 Dissonances and Consonances in the Classification of People as being in Well-being Deprivation

4.4.1 Income-based classification

It may happen that people are classified as poor on an income-based measure of poverty and that they are not experiencing low well-being; it may also happen that people are classified as non-poor on the basis of their income and that they are experiencing low well-being. In other words, there may be people who are classified –by a third party- as poor and who are satisfied with their life and enjoying high well-being; there are also people classified as non-poor who may feel miserable about their life. These dissonances between the classification of people as poor on the basis of income-based measures and their reported experience of being well may raise some questions about people's reports but, fundamentally, they raise questions about the adequacy of measures of poverty which are based on the presumption and imputation traditions to assess the well-being situation of people.

It is possible to explore the well-being situation of those who would be classified as poor on the basis of their income by using the ImaginaMexico 2012 Survey, with about 19500 observations. Following the World Bank and the MDG's criterion, a threshold level of US\$1.25 dollars of household per capita income per day is assumed. Life satisfaction is measured in a categorical scale with the following response options: extremely unsatisfied, very unsatisfied, somewhat unsatisfied, neither satisfied nor unsatisfied, somewhat satisfied, very satisfied, and extremely satisfied. For illustration purposes the first four response categories are pooled up in an 'unsatisfied' category, while the last three response

categories are pooled up in a ‘satisfied’ category. Table 3 shows the dissonances and consonances that arise when the poverty classification based on a US\$1.25 cut-off is compared to the ‘satisfied’ and ‘unsatisfied’ classification on the basis of people’s reported life satisfaction.

Table 3 Dissonances and Consonances in Classification of People as Poor and Well-being Situation Worldwide Poverty Criterion of US\$1.25 Household per capita income per day Mexico 2012		
Subjective Well Being. Deprivation situation	Income-based Poverty Classification ^{1/}	
	Less than US\$1.25	More than US\$1.25
Well-being deprivation^{2/}	23.1%	16.3%
Very and extremely unsatisfied	4.8%	3.7%
No well-being deprivation^{3/}	76.9%	83.7%
Very and extremely satisfied	44.1%	54.8%
Total observations	2340	17166

^{1/} Household per capita income per day
^{2/} People reporting life satisfaction levels of “Extremely unsatisfied”, “Vey unsatisfied”, “somewhat unsatisfied” and “Neither satisfied not unsatisfied”
^{3/} People reporting life satisfaction levels of “extremely satisfied”, “very satisfied”, and “somewhat satisfied”
Source: ImaginaMexico 2012 Survey

It is observed in Table 3 that only 23.1 percent of people classified as poor on the basis of an income threshold of US\$1.25 dollars per day report being in well-being deprivation; while 76.9 percent of those classified as poor report high levels of satisfaction with life. Furthermore, 16.3 percent of those classified as non-poor report low well-being. It could be argued that these results emerge from lack of texture in the well-being classification, since we have pooled up people into two big well-being categories on the basis of their life satisfaction. Table 3 also provides more detail by looking at those who are ‘very’ or ‘extremely unsatisfied’ and those who are ‘very’ or ‘extremely satisfied’ with their life, and who are being classified as poor or non-poor on the basis of the World Bank and the MDG’s criterion. It is observed that it is very likely to find people who would be classified as poor and who are reporting high well-being; as a matter of fact, 44 percent of people who would be classified as poor state that they are ‘very satisfied’ or ‘extremely satisfied’ with their life. On the other hand, not all the non-poor are thriving, as a matter of fact only 55 percent of those who would be classified as non-poor report being ‘very’ or ‘extremely’ satisfied with their life.

It could also be argued that income-based measures of poverty are correct but that the World Bank and the MDG's criterion is incorrect; in other words, that the universal criterion of US\$1.25 dollars per day is not appropriate for Mexico. Actually, this is the argument advanced by Reddy and Pogge (2010) and Pogge (2010). To explore this argument, Table 4 shows what happens when the criterion adopted by Mexico's official institution in charge of measuring poverty (CONEVAL: National Council to Evaluate Social Development Policy) is used. CONEVAL established a cut-off of about US\$2.93 dollars of household per capita income per day and calls it a 'minimum well-being' income-poverty line. As it is observed in Table 4, dissonances exist and are important; only 20 percent of people classified as poor on the basis of the country-specific income-poverty line are in well-being deprivation; as a matter of fact, only 4 percent are 'very' or 'extremely unsatisfied' with their life. 80% of those who are classified as poor are not in well-being deprivation, and 48 percent are 'very' or 'extremely satisfied' with their life.

Table 4
Dissonances and Consonances in Classification of People as Poor and Well-being Situation
Mexico's Specific Poverty Line
Poverty line defined at about US\$2.93 dollars of daily household per capita income
Mexico 2012

Subjective Well Being. Deprivation situation	Income-based Poverty Classification^{1/}	
	Less than US\$2.93	More than US\$2.93
Well-being deprivation^{2/}	20.5%	13.5%
Very and extremely unsatisfied	4.1%	3.6%
No well-being deprivation^{3/}	79.5%	86.5%
Very and extremely satisfied	47.6%	59.5%
Total observations	9828	9678

^{1/} Household per capita income per day

^{2/} People reporting life satisfaction levels of "Extremely unsatisfied", "Vey unsatisfied", "somewhat unsatisfied" and "Neither satisfied not unsatisfied"

^{3/} People reporting life satisfaction levels of "extremely satisfied", "very satisfied", and "somewhat satisfied"

Source: ImaginaMexico 2012 Survey

Thus, substantial dissonances between the income-based classification of poverty and the subjective well-being situation are found. It is not only a problem about the specific income cut-off, it is a fundamental problem on income being a bad proxy for people's experience of being well.

4.4.2 Multidimensional poverty

Multidimensional poverty calls for going beyond the income dimension when assessing a person's well-being. The dimensions to be incorporated are somehow arbitrarily defined. Based on this approach the government of Mexico has implemented new criteria to assess poverty on the basis of the following dimensions: household economic situation (based on household per capita income), educational backwardness, access to health services, access to social security, quality and size of housing, access to basic utilities, and access to food. The household economic situation is given greater weight, while the other six dimensions are pooled up together into a so-called deficiencies index. The following five categories of multidimensional deprivation are constructed in order to classify people: extreme multidimensional poverty, moderate multidimensional poverty, vulnerability in deficiencies, vulnerability in income, and non-poor and non-vulnerable (Gordon, 2010)

This multidimensional-poverty approach is based on the imputation tradition and, as a consequence, some dissonances between the approach's classification of people as poor and people's reported well-being are expected. Table 5 shows the dissonances and consonances found on the basis of a relatively small survey applied in two states of Mexico; with 2000 observations the survey is representative at the state level but not at the national level.

Table 5 Multidimensional poverty and well-being deprivation^{1/} In percentage terms, by multidimensional-poverty category		
Multi-dimensional-poverty category	In well-being deprivation	Not in well-being deprivation
Extreme poverty	41.3	58.7
Moderate poverty	28.4	71.6
Vulnerability to deficiencies	20.2	79.8
Vulnerability to income	19.0	81.0
Non-poor and non-vulnerable	13.4	86.6

^{1/} Persons are classified as being in well-being deprivation if their life satisfaction is in the categories of 'extremely unsatisfied', 'very unsatisfied', 'somewhat unsatisfied' and 'neither satisfied nor unsatisfied'. Persons are classified as not in well-being deprivation if their life satisfaction is in the categories of 'somewhat satisfies', 'very satisfied', and 'extremely satisfied'.

Source: INMUJERES-UPAEP database 2010

In a similar way than with income-based poverty measures, multidimensional poverty seems to be associated to people's well-being deprivation; however, substantial dissonances are observed in the classification of people as poor on the basis of the multidimensional-poverty criterion and their reported life satisfaction. For example, almost 59 percent of those persons classified as being in extreme poverty –on the basis of the

multidimensional criterion- report high levels of life satisfaction. On the other hand, about 13 percent of those classified as non-poor and non-vulnerable report low life-satisfaction levels. This is not surprising since the multidimensional-poverty approach relies on the imputation tradition and it ends up providing a list of universal and somehow arbitrarily-defined dimensions, it also applies arbitrarily-defined cut-offs and it uses universal and arbitrarily-defined weights to reduce the many dimensions.

5. EXPLAINING DISSONANCES IN THE CLASSIFICATION OF PEOPLE AS POOR

It is clear that there are huge dissonances in the classification of people as poor on the basis of income-based and multidimensional-poverty indicators and the well-being which is experienced by people. Why these dissonances emerge and what do they tell us? An easy tactic to address these questions would be to focus on problems in the subjective well-being approach; for example: that people are misreporting their well-being, that the sampling is not correct, that there are survey biases, that comparability problems across persons make results irrelevant, and so on. Most of these concerns have already being addressed in sub-section 4.2. There is confidence in the information provided by the subjective well-being approach, as it is shown by the OECD publishing a guideline to measuring subjective well-being (OECD 2013) and by many national statistical offices incorporating subjective well-being information into their information system.

Another easy tactic would be to focus on problems in measuring and handling income; for example, perhaps a good estimation of access to public services would solve the problems, or perhaps working with an adult-equivalent income rather than with household per capita income would provide a better fit. Some studies show that by correcting these problems there would be a minor decrease in dissonances; however, this does not really solve the puzzle of substantial dissonances showing up (Rojas 2006c)

This section takes stakes with two main explanations for these huge dissonances showing up. First, it argues that ‘the poor’ is an academic construct and that rather than identifying ‘the poor’ what the construct is doing is classifying some human beings as poor

and that, in doing so, it is exposed to many risks and biases. Second, it argues that poverty has become a reductionist label which is placed on some human beings and that, by doing so, many other aspects in a person's life are being neglected.

5.1 'The Poor': An Academic Construct

5.1.1 Are we really identifying 'the poor'? Classifying vs. identifying

It is not uncommon for experts working within the imputation and the presumption traditions to make reference to 'the poor'. For example, the literature is abundant in terms such as 'identifying the poor' (Sen 1976, Ir *et al.* 2001, Falkingham and Namazie 2001), 'counting the poor' (Orshansky 1965, Besharov and Couch 2012, Chandy 2013, Reddy 2008), and even 'the poorest of the poor' (Alkire, 2013). The using of the term 'the poor' creates the false impression of poverty being a trait some people have. It is within this view of poverty-as-a-trait-people-have that experts become involved in finding an adequate methodology to count -or identify- those who have this characteristic in order to separate 'the poor' from 'the non-poor'. Debates such as Reddy and Pogge (2010) and Pogge (2010) vs. Ravallion (2010) are framed in terms of problems researchers face in 'counting the poor', as well as in terms of finding better ways to 'identify the poor'.

Rather than identifying or counting 'the poor', what researchers within the presumption and imputation traditions are really doing is 'classifying some human beings as poor' on the basis of their criteria. The term 'counting the poor' and the debates around it suggest that researchers really believe they are looking for precise techniques to identify and count 'the poor'; in other words; poverty is an attribute some people have and what is necessary is to find the appropriate instrument or methodology to achieve a precise detection. On the other hand, the term 'classifying people as poor' suggests that what researchers are really doing is using indicators and methodologies to define categories, place people into these categories, and construct a sphere of social, academic, and policy concern. By selecting different poverty measures and methodologies researchers are creating different spheres of concern¹⁰

¹⁰ There was a time where being in well-being deprivation was something that happened to people. It was associated to people suffering, being tired and having pain, and having a sense of failure and frustration

The absence of an external validation criteria in the imputation and presumption traditions to contrast poverty assessments to people's well-being deprivation implies that in the end it is impossible to corroborate whether the counting and identifying techniques being used really classify people according to their well-being deprivation. Because in the presumption and imputation traditions measurement methodologies cannot be externally corroborated, the task of choosing among alternative methodologies becomes a matter of tastes, preferences and interests, rather than a matter of scientific corroboration. Of course, there may be substantial debate on technical issues associated to different methodologies, but in the end the best answer to someone working within traditions when asking how many poor people are out there may be: 'It depends on you'. It is for this reason that framing the discussions in terms of whether 'the poor' are being appropriately counted or identified is fruitless.

Furthermore, the study of poverty within the traditions of imputation and presumption creates the false impression of poverty being a feature which is completely exogenous to the researchers. In other words, the epistemological approach which is followed by researchers assumes that criteria, measures, and indices are constructed by researchers in order to better know a phenomenon that is happening to persons and which is completely external to and independent of the researcher. This view of researchers studying an object which is external to and independent of them has dominated science; it is implicit in the methodological objectivism of the physical sciences. However, by lacking any kind of external validation on the basis of people's experience of being well, researchers working within the imputation and presumption traditions are not really studying a phenomenon that is external to them but constructing it on the basis of their measures and methodologies; in consequence, they are not really 'counting' or 'identifying' 'the poor', they are classifying people as poor. By doing this, poverty becomes an academic construct and a label experts place on some people. In consequence, the experts are not really exogenous to the phenomenon they are studying; as a matter of fact experts cannot be

in life. People were aware of it because well-being deprivation was taking place in the realm of people; and the role of the experts was to study it. However, it seems that nowadays poverty studies have become very detached from their original purpose. Now people have to wait for the experts to define the criteria and methodology to measure poverty in order to know whether they are classified as being in poverty or not.

detached from this phenomenon. Being part of their area of study, the role experts play in poverty studies should also be an issue of study. The following sub-section deals with some risks and biases those who are classifying people as poor are exposed to.

5.1.2 Some Risks and Biases ‘The Classifiers’ are Exposed to

Experts working within the presumption and imputation approaches to poverty are exposed to many risks and biases when classifying people as being in well-being deprivation. Some of these risks and biases are:

- *Perspectivism*: experts, like any other human being, have their own life trajectory which places them in a specific position in time and space. It is from this specific position that they have a perspective of their world, and it is from this perspective that they end up classifying other people as poor. Their own life trajectory plays a role in the formation of their tastes and preferences as well as of their interests. For example, some people like mathematics and working with complex models, others may like constructing indicators and working with databases, others are inclined to action, others may prefer working with concepts, and so on. Experts face the risk of classifying others based on how they see others’ circumstance from their own perspective, rather than from people’s own perspective.
- *Ethnocentrism*: experts do also have their own cultural background. It is impossible to detach a person from her culture and from her own values because these are basic constituents of her personality. For example, some cultures may be more materialistic, showing greater value to possessions, fame, power and money (Kasser 2002), while other cultures may be more relational, showing greater value to human relations (Rojas, 2012). Experts are greatly exposed to the values which are predominant in the culture they are raised in; in consequence, experts face the risk of classifying others based on how they see others’ circumstance from their own values, rather than from people’s own values.
- *Disciplinary focus*: experts have their own professions. It seems an essential requirement for being an expert to spend a lot of time and energy studying some issues within a specific area of knowledge. Thus, due to its own nature, experts are highly exposed to Kahneman’s ‘Focusing Illusion’ risk. Kahneman (2011) states that “*nothing in life is as*

important as you think it is, while you are thinking about it". For example, experts focusing on the study of income and consumption would tend to overestimate their importance; in a similar way, academicians studying social class would overestimate its importance, and those studying the axioms some indicators ought to satisfy do also tend to overestimate their importance. Most ordinary people are not economists –or sociologists, or mathematicians-, most of them are not even professionals; thus, it is very likely for ordinary people not to attach the same meaning and relevance to the disciplinary variables which economists -and other professionals- study on a regular basis. It is a common complaint of politicians that ordinary people do not show the same passion for well-being indicators as those who are constructing and using them show. In consequence, experts face the risk of classifying others based on their own disciplinary focus, rather than on people's own life focus.

- *Reductionism*: experts do also simplify. Experts are used to work with disciplinary agents rather than with persons. For example, it is common for economics textbooks to talk about the well-being of consumers rather than about the well-being of persons; however, a person is much more than a consumer, and the life of concrete persons -of flesh and blood- is richer than the abstract and simplified life of a consumer. Furthermore, while it is easier to assume that a consumer is a 'representative agent', it is impossible to ask a concrete human being to behave and think as a clone. Composite indicators have been advanced in an attempt to capture complexity in life; however, a person's life is not only richer than a consumer's life, but there is also richness in heterogeneity across persons –in their personalities, values, culture, life trajectory, and so on-. It is difficult for composite indicators to capture this richness in heterogeneity across people because they rely on universal weights to reduce dimensions. In consequence, experts face the risk of classifying others based on abstract conceptions of human beings, rather than on how these human beings are really living their life.

- *Observability*: experts do need to observe some attributes of a person in order to classify her as poor or non-poor. However, not all relevant attributes are easily observable to a third party; some are only observable at a high cost and some may even be unobservable at all. In consequence, experts face the risk of classifying others based

exclusively on some of those attributes they can (easily) observe, rather than on all factors which are relevant for people's well-being.

- *Personal interests*: Experts do also have their own careers, goals, interests, and aspirations. Jobs, promotions, prestige, publishing, consulting, and so on, are factors which are important to most people, including experts doing poverty studies. Access to financial resources, power, and others are also important to organizations, including those working in poverty issues. Even though there may be a genuine desire of separating professional activities from personal and organization interests, there is a risk for these interests influencing the selection of methodologies and the criteria used in studying poverty. In consequence, experts face the risk of classifying others based on their own interest rather than on these people's interest.

- *Narcissism*: Like anybody else, experts do have their own self-esteem. It would not be surprising for experts to see themselves as the role model to be followed; thus, when looking at others they would tend to contrast others' lives and situation to their own. By using themselves as aspirational standards for the rest of the population, experts would face the risk of trying to transform others into their own image rather than trying to understand others as they are.

- *Lack of external validation*: the previously discussed risks are not exclusive to the study of poverty, as a matter of fact, they may show up in many research processes. However, what makes exposure to these risks especially critical in the case of the imputation and presumption traditions in the study of poverty is that these traditions do not incorporate any kind of external validation. Any external validation would require incorporating human beings –those who are experiencing well-being- into the equation. It is important to remark that this corroboration should be based on studying the well-being of all people and not only the well-being of those who have already been classified as poor.¹¹

¹¹ As a matter of fact, a well-known program sponsored by the World Bank's World Development Report 2000/01 and called 'voices of the poor' did run a cross-country project of Consultations with the Poor. The program is highly regarded and deserves a lot of compliments due to its participatory methodology and its interest in going beyond and income perspective in order to study other important aspects in people's lives (Brock, 1999, Narayan et al, 1999; World Bank, 1999). However, the project took for granted a key aspect: it did not discuss the classification of people as poor, and the survey was applied to those already 'classified as poor'. In consequence, the program should really be called 'voices of those classified –by experts- as poor'.

It is this lack of corroboration (external validation) which allows the other risks not only to show up but also to survive and grow over time.

5.2 Not so Small Mercies. A Domains-of-life Explanation

The using of ‘the poor’ term minimizes the fact that people are much more than ‘poor people’ and even much more than ‘the poor’. Persons are human beings and as such they may have plentiful lives even if they happen to be ‘in poverty’ –whatever its meaning is-. It is clear that the term ‘the poor’ not only overstates the importance of income, but it is also reductionist by shrinking the richness there is in human beings into a simple label. This reductionist view of ‘the poor’ leads to apparent paradoxes which what really reflect is the using of partial, limited and even erroneous views about people’s life and their well-being. There are no paradoxes, only the using of inappropriate theories to understand a phenomenon.

For example, Sen (1987) has proposed a small-mercies argument to explain the apparent paradox of the happy poor (happy beggar). He argues that “*a person who has had a life of misfortune, with very little opportunities, and rather little hope, may be more easily reconciled to deprivations than those raised in more fortunate and affluent circumstances. The metric of happiness may, therefore, distort the extent of deprivation, in a specific and biased way. The hopeless beggar, the precarious landless laborer, the dominated housewife, the hardened unemployed or the over-exhausted coolie may all take pleasures in small mercies, and manage to suppress intense suffering for the necessity of continuing survival, but it would be ethically deeply mistaken to attach a correspondingly small value to the loss of their wellbeing because of this survival strategy*” (Sen 1987, 45-6). This argument seems convincing but lacks empirical support. For example, how this process of ‘reconciling to deprivations’ works? How deprivations are defined? What other factors play an important role in the process? Why the described process does not apply to all persons in misfortune (a general term associated to poverty)? As a matter of fact, many persons with low income are unhappy; however, not all are unhappy and it is possible to find some who are very happy. In consequence, what explains the apparent happy-poor paradox? A good candidate for explaining this apparent paradox can be found in the limitations the presumption and imputation traditions have in understanding well-being deprivation.

One of the main problems of income-based poverty measures is that they overstress the importance of income in explaining well-being because these measures are inspired on studying consumer's well-being rather than people's well-being. It has been argued that people are much more than consumers and that there is more to life than income. Table 6 provides an explanation to the apparent paradox based on the domains-of-life approach; this approach states that people's well-being emerges from satisfaction in the economic domain but also from satisfaction in other domains of life where people act as human beings (Rojas 2006b, 2007a). In consequence, Table 6 presents not only the situation in life satisfaction (an overall assessment of life) but also information about satisfaction in many domains of life: health, economic, occupation, family relationships (spouse, children, and parents), friends, free time, spirituality and community. Table 6 also presents information on the affective state of people as well as on how they evaluate their life in terms of reaching what they consider their best possible life.

Column A in Table 6 presents the situation of those persons who would be classified as poor on the basis of their income (World Bank and MDG's criterion) and who have reported well-being deprivation on the basis of their life satisfaction; this case could be coined the unhappy-poor situation. In this case there is consonance between the income-poverty and the subjective well-being classifications. Column B presents the situation of those who would be classified as poor on the basis of their income but who report satisfaction with their life; this case could also be coined the happy-poor situation. There is substantial difference in life satisfaction between cases A and B; while the mean life satisfaction of the happy poor is 5.6, the average life satisfaction of the unhappy poor is 3.2. What explains this substantial difference in well-being? Both the happy-poor and the unhappy-poor cases are associated to similar income levels, on average of about US\$ 0.80 per day. Thus, the huge life-satisfaction difference cannot be attributed to income differences between the two groups. It is observed in Table 6 that the happy poor enjoy greater satisfaction in all domains of life; they get greater life satisfaction because they have better family relations and better relationships with friends, as well as an occupation they are more pleased with, greater satisfaction with their health, and greater enjoyment of their free time and spiritual and community life. They even get more economic satisfaction from their low income. In addition, the happy poor have a more positive affective balance scale

thanks to experiencing less negative affects and more positive affects; this could be explained by the combination of a satisfying occupation, good human relations, better health, better using of their free time and a nicer community environment.

Column C shows the situation of those who are not classified as poor on the basis of their income but who are reporting well-being deprivation. This unhappy-rich case can easily be explained once it is recognized that higher income does not ensure higher satisfaction in all domains of life nor a better affective life. With the exception of earning a much higher income, persons in column C do not show any major difference with respect to persons in column A.

In general, Table 6 shows that an income-based conception of poverty is a bad approach to understanding people's well-being deprivation. Any classification of well-being deprivation based on income is clearly insufficient to provide an appropriate view of how a person is experiencing her well-being. Income may contribute to raise life satisfaction, but it is not a factor that determines it. Thus, a low-income person who is satisfied with life is not a paradox but a problem of wrong theories; it is understandable once we recognize that a person is much more than a consumer. In consequence, the paradox is apparent and it emerges from working with wrong and incomplete theories as well as from a flawed interpretation of the indicators. It becomes clear that it is possible to have a gratifying life even if income is low because there is more to life than income, and there are other aspects that may be more important to persons, such as their family relations. It would be wrong to categorize these relevant human factors as 'small mercies' because they are important to people, the importance of these factors reflect their values. For example, studies in Latin America and in Mexico show that satisfaction in the family domain is crucial for life satisfaction, health satisfaction is also of great relevance. Satisfaction in the economic domain –where income has a large impact- is important, but it is not the most important; as a matter of fact its importance is not higher than that of the occupation domain.

Table 6 Explaining Dissonances in Well-being Deprivation^{1/} and Income-based Classification of People as Poor US\$1.25 dollars of household per capita income as threshold Domains of life^{2/} and essential experiences^{3/} of being well explanation					
		A	B	C	D
		Mean values			
		Income poor and in well-being deprivation	Income poor and not in well-being deprivation	Not in income poverty and not in well-being deprivation	Not in income poverty and not in well-being deprivation
	Life Satisfaction	3.21	5.64	3.17	5.74
Domains-of-life satisfaction	Health	4.23	5.22	4.51	5.46
	Economic	3.78	4.55	4.13	4.93
	Occupation	4.27	5.11	4.53	5.39
	Spouse relationship	4.89	5.62	5.02	5.87
	Children relationship	5.19	5.80	5.29	5.98
	Parents relationship	5.22	5.78	5.23	5.89
	Friends relationship	4.73	5.19	4.88	5.43
	Free time	4.46	5.04	4.55	5.16
	Spiritual	5.00	5.56	4.98	5.55
	Community	4.62	5.22	4.64	5.26
Affective state	Negative affect	0.52	0.40	0.47	0.33
	Positive affect	0.71	0.81	0.70	0.83
	Affective balance scale	0.19	0.41	0.23	0.50
	Life evaluation	6.62	7.56	6.94	7.95
	Income^{4/}	0.84	0.80	3.94	4.65
	Number of observations	540	1802	2790	14394

^{1/} Persons are classified as being in well-being deprivation if their life satisfaction is in the categories of 'extremely unsatisfied', 'very unsatisfied', 'somewhat unsatisfied' and 'neither satisfied nor unsatisfied'. For descriptive purposes these categories are cardinalized with values going from 1 to 4. Persons are classified as not in well-being deprivation if their life satisfaction is in the categories of 'somewhat satisfies', 'very satisfied', and 'extremely satisfied'. For descriptive purposes these categories are cardinalized with values going from 5 to 7.

^{2/} Satisfaction in domains of life is measured in a similar scale than life satisfaction, ranging from 1 for 'extremely unsatisfied' to 7 for 'extremely satisfied'

^{3/} Positive and negative affects are measured in a scale that goes from 0 (person not experiencing that kind of affect the day before) to 1 (person experiencing all affects the day before). The affective balance scale is computed as positive minus negative affects; it ranges from -1 to 1. Life evaluation corresponds to the well-known Best-Worst Life question; the scale goes from 1 to 10.

^{4/} Income is measured as household per capita income per day, in US dollars.

Source: ImaginaMexico Database 2012 Survey.

Thus, in order to be accurate, what an income-based conception of poverty indicates is the fact that a person has low income, but it is wrong to conclude from here that she has

low well-being. This important point has implications for the design and evaluation of social programs aiming to abate poverty. If the objective of these programs is to raise people's income then current measures of income poverty may provide good insight; however, if the objective of these programs is to raise people's well-being then they can be substantially enhanced.

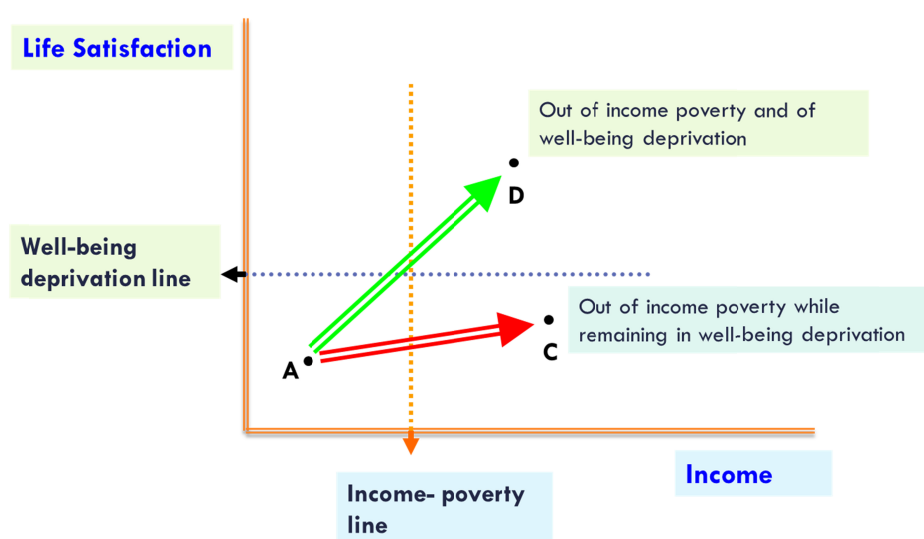
6. ENHANCING POVERTY ABATEMENT PROGRAMS: FROM INCOME TO WELL-BEING

The subjective well-being approach states that public policy should not only be concerned with getting people out of income poverty, but also with placing them in a life-satisfying situation (Rojas 2009). In other words, getting people out of poverty is not enough to ensure that people have a satisfactory life; it is necessary for public policy not only to be concerned about where people are getting out from but also about where they are being placed in. Furthermore, the subjective well-being approach states that by focusing on income poverty-abatement programs may neglect other relevant impacts it may have on people's well-being. Thus, social programs aiming to abate income poverty can have a greater impact on people's well-being if they recognize that human beings are much more than mere consumers and if it is acknowledged that these programs also impact other domains of life besides the economic one. By acknowledging this, social programs could rise their efficiency in using scarce resources to attain the desired goal.

The dissonance analyses presented in section 4, as well as the domains-of-life explanation provided in section 5 shows that there may be different well-being paths for people to get out of income poverty.

There is an out-of-income-poverty path that leads people to have more income but not more life satisfaction. This is illustrated in Graph 1 by the arrow from point A (associated to column A in Table 6) to point C (associated to column C in Table 6); by focusing only on the vertical line –the income variable- it would easily be concluded that the program is successful: people have more income and they are now over the income-poverty line. This situation represents what in Table 6 would be a move from column A to

C while focusing on the income row: in column A people have an average income of 0.83 while in column C they have an average income of 3.94; thus, there is greater income and people in C are out of income-poverty. However, a look at the vertical axis provides better information about the situation of this people; even if they have more income their life satisfaction is not higher, and this happens because the program would be raising income but having little impact on satisfaction in most domains of life. In Table 6, people in column A have an average life satisfaction of 3.21 while people in column C they have a life satisfaction of 3.17.



Graph 1: Patterns out of Income Poverty

There is also an out-of-income-poverty path that leads people to more income as well as to more life satisfaction. This is clearly a superior path, and it is illustrated in Graph 1 by the arrow from point A (associated to column A in Table 6) to point D (associated to column D in Table 6). It is not only to raise income but to do so in a way that also raises satisfaction in many and the most important domains of life, leading to experiencing a better affective balance as well as to greater life satisfaction. In Table 6, people in column A have an average income of 0.83 while people in column D have an average income of 4.65. In addition, there is a substantial difference in life satisfaction, and this emerges thanks to large differences in satisfaction in all domains of life and even in the affective and evaluative assessments of life. In Table 6, people in column A have an average life satisfaction of 3.21 while people in column D have a life satisfaction of 5.74.

Graph 1 shows that it is important to get people out of income poverty, but it is important to be sure that people end up at point D rather than at point C. Unfortunately, an income-based poverty conception tends to overstress programs that focus on ways to rise income –probably increasing economic satisfaction- but that neglect what these actions do in other domains of life. For example, many poverty-abatement programs, such as conditional cash transfer programs, which are very popular in Latin America, emphasize an income-based conception of poverty and, in consequence, tend to accentuate human-capital strategies that allow people to have the skills to generate greater income. By focusing on income, these programs tend to neglect the impact they may have on satisfaction with family relations, availability and gratifying use of free time, enjoyment at work, community satisfaction and so on. There could be trade-offs between the pursuing of higher income and the attainment of other qualities and attributes in life. Because persons experience well-being as entire human beings rather than as compartmentalized academic agents, it is reasonable to assume that even if a poverty-abatement program focusses on the economic domain of life alone it will inevitably affect all other domains in a person's life –for good or for bad-. In consequence, there may be substantial well-being costs and benefits that are hidden to policy makers and evaluators because the concept of poverty is dominated by an income-based conception and because there is no information on people's well-being.

Rojas (2009) discusses the important contribution that subjective well-being can make to enhancing poverty-abatement programs by forcing policy makers to address -in an integral way- the well-being of people. Many issues become important when the objective of social programs is not only to get people out of income poverty but also to place them in a life-satisfying situation; and it is important to contemplate these issues in the design, implementation and evaluation of social programs, even if these programs focus on rising people's income. For example, when designing social programs that aim to get people out of poverty and to place them in a life-satisfying situation it is important to keep in mind issues such as: the important role of leisure and the relevance of recreational infrastructure for the using of free time. The crucial role that satisfaction in family relations (with spouse, children and rest of family) plays in life satisfaction, as well as the inputs which are required for having satisfactory interpersonal relationships; people need time and community infrastructure as well as education to enhance their human relationships. It is

also important to go recognize that getting a job that provides some earnings does not ensure having job satisfaction; thus, it is not only a matter of finding a job but of finding a gratifying one. Furthermore, an education that looks only at providing skills for people to work and earn money falls short of its greatest potential of contributing to people's well-being; education can play an important role in providing values to live in society and to relate with other persons, it can also contribute to provide habits that contribute to good health and to enjoy free time.

7. CONCLUSION

This chapter has argued that greater attention needs to be placed in the well-being conception which prevails behind any measurement of poverty. Not doing so would imply facing the risk of conceptualizing poverty on the basis of its measurement rather than measuring poverty on the basis of its conceptualization. It has been argued that well-being must be conceptualized as a living experience of being well people do have. People do experience well-being and they are in a privileged position to report what their situation is; it is for this reason that subjective well-being provides useful information about people's well-being situation. By following a subjective well-being approach to poverty, social programs could not only aim to abate poverty but they could also aim to raise people's well-being.

The chapter has shown that there are important risks in following the imputation and presumption traditions when assessing the well-being of people. The lack of corroboration in these traditions implies that risks and biases in the classification of people as being in well-being deprivation cannot be identified nor corrected. An important problem in these traditions is that a third-party (the expert) ends up judging people's life and classifying them on the basis of uncorroborated criteria.

The imputation and presumption traditions have generated a huge literature on methodological techniques, but there is a risk of ending up with measures that do not reflect people's well-being situation; furthermore, there is a risk for social programs to have little impact on people's well-being as they experience it.

Poverty studies would benefit from placing greater attention to the essential experiences of being well people do have as well as to their overall evaluation of life: Are

people having pain (sensorial experiences)? Are they suffering (affective experiences)? Are they experiencing a sense of failure and frustration (evaluative experiences)? Are people dissatisfied with life? A better theory of well-being can be constructed on the basis of this information; and this would reflect, in the end, in better social programs that do really impact on people's well-being.

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