

Poor, or just feeling poor?
On using subjective data in
measuring poverty

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Main question

- Despite being as old as the development economics field the questions:
 - “How many people are poor in a society?” and
 - “Who are the poor in a society?”
- do not have a straightforward answer
 - For many reasons, main ones being:

Main question – cont-d.

1. Income is just one of many important *OBJECTIVE* dimensions of economic well-being, but there are many others, such as education, health, engagement in a society, freedom, inequality
 - In creating composite index, how does one generate weights of indicators of different dimensions?
 - Ad hoc
 - How does one draw a line about what is considered poor for the composite indicator or for any of its components?
 - Fairly ad hoc

Main question – cont-d.

2. Whatever the objective dimensions of economic wellbeing are, subjective dimensions seem to be different
 - With the same objective indicators, some individuals in a society feel a lot more, others a lot less well-off
 - With the similar objective aggregate indicators, majority of people in some societies feel different about their well-being

Main question – cont-d.

- So, the paper asks the following questions:
 - Is introduction of subjective well-being indicators into measuring poverty is reasonable
 - the answer seems to be yes, given the importance of subjective component in the overall well-being and the absence of prices to generate weights of different objective indicators of well-being
 - What are the challenges associated with it
 - such variables as personality traits are important for subjective well-being, but seem to be irrelevant for poverty as we understand it
 - measures of subjective well-being are often unreliable as they are subject to cognitive biases
 - the task may be illusive, as at each level of well-being weights that we are after, may be different
- This paper is actually a discussion
 - So my task as a discussant is to discuss a discussion

Overall

- Very important question asked
- What we learn is interesting, important, and insightful
 - In particular, it is useful to state clearly the challenges of using subjective indicators, and this is what the paper is doing
- So, I would like to suggest several other challenges that might be useful to consider

Comments

- In order to frame the discussion, it might be useful to state the purpose of the first-hand exercise
- Why measure poverty? Why do we need poverty line? For which purpose?
 - Positive analysis: As researchers, to understand determinants of poverty
 - Normative analysis: As practitioners, to apply poverty lines to bring as many people out of poverty as possible
- The answer to this question may affect conclusions
 - it seems that in different parts of the paper, different purposes are presumed and they are not explicitly stated

What is the message, depending on the purpose we consider?

- If we are talking to “researchers”
 - Do they need to draw a line? In most cases not
 - any line no matter how carefully drawn, at the end, will be ad hoc
 - Researchers can study the question of determinants of subjective well-being and its relationship with its objective dimensions without reference to poverty line
 - And here the discussions of the challenges of using subjective indicators presented in the paper are most useful
 - This does not mean that the research of subjective well-being is not policy relevant
 - Many meaningful and feasible questions about policy evaluation from the happiness metric point of view are there, but it is not about “drawing lines”

If we are talking to “practitioners”

- The questions of where and how to draw poverty lines become most meaningful
- Yet, this is where the use of subjective indicators starts to be problematic
 - In most societies, there is an understanding who is poor and if we ask people (as researchers), “who is poor in your village?” – most of the time, one can get a pretty accurate answer
 - Once, we try to base policy on such answers, people give strategic answers and the picture is severely distorted
 - To the extent that subjective indicators can not be verified through objective measures (which is the whole idea in the first place) we cannot use them for policy directly
 - Need incentive compatible measures, but as determinants of subjective indicators vary across individuals and societies, incentive compatible measures may not be feasible
 - Incentive compatibility is would be useful to add to the list of challenges discussed in the paper

Practitioners in alleviating poverty may have more pressing issues

- However important subjective well-being is, there is a very large scope for policy action without needing to think about subjective indicators
- Hunger, malnutrition, kids of primary school age out of school (and many others, unfortunately)
 - Real poverty problems that need real action
- The concern itself with subjective well-being (as different from income) is a product of the rich world (see, Easterlin's paradox)
 - This is not to say that there are no poor in rich societies
 - But who is considered poor in rich societies has always been a political issue and politicians just pretend to have “objective” models behind the calculation anyway despite using only objective indicators
 - Example: updates for inflation in almost all countries have in practice been purely political
 - Adding subjective indicators will not make it better

Definitions themselves may affect subjective feeling of being poor

- When politicians fix the poverty line (at whatever level)
 - People who learn about it and find themselves below the line suddenly may feel sorry about themselves and their subjective well-being may go down
 - This might be an important part of the reason why SSPL poverty lines are de facto fairly close “objective” ones

If one thinks about policy more broadly

- Question of how policy affects subjective well-being
 - is informative and the paper is useful to inform us how to do this
- If we think about which policies are most effective in improving subjective well-being in poor countries among the poor (conditional on objective observables)
 - The answer might be indoctrination
 - Vast majority of lower-class individuals in the Soviet Union were sure that they are fortunate to be born there, because everywhere else, they believed, life was much worse
 - used for policy purposes by many autocrats