Poverty Trap

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In the good old days, the poverty line was a relatively simple concept. By and large, it was just a statistical benchmark for making "poverty comparisons" – for instance, to track poverty over time, or to compare poverty levels in different parts of the country. Many of these comparisons are not particularly sensitive to the choice of poverty line, within a reasonable range. There is even a situation going by the odd name of "first-order stochastic dominance", which arises when the relevant comparison holds for any poverty line. For instance, Bihar is clearly poorer than Punjab, wherever one draws the line.

The choice of poverty line, therefore, was not particularly controversial. One widely-used initial benchmark was the level of per-capita expenditure required to meet pre-specified calorie norms. One may or may not like this benchmark (the calorie "norms" themselves are quite shaky), but at least it was fairly transparent. There was no claim that reaching the poverty line was a guarantee of being well nourished (since good nutrition requires much more than calorie adequacy), let alone healthy or well educated.

Then came the whole idea of "BPL targeting", that is, of restricting various social benefits (in particular, the Public Distribution System) to households "below the poverty line". This quietly transformed the poverty line from a statistical benchmark into a real-life social division. The division was all the more artificial as the identification of BPL households was highly unreliable. Indeed, the Planning Commission uses one method to count the poor, and the Ministry of Rural Development uses a different method to identify them. This cannot work. And this is just the beginning of a series of conceptual flaws and implementation problems that plague the BPL Census. It is not surprising that, according to the National Sample Survey (among other sources), about half of all poor households in rural India didn't have a BPL card in 2004-5. The "real-life" poverty line not only divides people, it divides them in a cruel and destructive manner.

The Tendulkar Committee Report further complicated matters by claiming, for the first time, that the poverty line ensures "*adequacy of actual private expenditure… on food, education and health*" [sic]. That Rs 32 per person per day (the Tendulkar poverty line for urban areas at today's prices) is wholly insufficient for this purpose is self-evident from a common sense point of view. This is all the more glaring when one looks at the breakdown of the Rs 32 packet, which includes, for instance, just about one daily rupee for health expenditure. Yet the experts managed to rustle up technical arguments to substantiate their startling claim.

Consider, for instance, the argument they invoked to establish "food adequacy" at the poverty line. Briefly, it consists of observing that food expenditure at the poverty line is typically

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higher than "normative food expenditure". The latter is defined as follows (hold your breath): "When estimated population from NSS [National Sample Survey] is ranked according to ascending size of food expenditure per capita, normative food expenditure per capita is defined by that level of food expenditure per capita that corresponds to cumulative share of population from NSS that equals the index of malnutrition derived from NFHS-III [third National Family Health Survey] for that state." The "index of malnutrition", for its part, is an unweighted sum of the proportions of underweight children, adult men with low BMI, and adult women with low BMI.

If you didn't understand that, relax – because it makes no sense. However, this woolly-headed argument (somewhat tangential in the Report) serves the government's purpose quite well, since it helps to justify BPL targeting. Indeed, the adequacy argument is the central plank of the Planning Commission's recent affidavit to the Supreme Court, defending the use of official poverty lines for PDS allocations.

To be fair to the Planning Commission, it is not quite saying (at least not explicitly) that the PDS should be restricted to BPL households. It is just saying that the Central Government's commitment ends there. But the writing is on the wall, not just for the PDS but also for other social programmes that are being quietly ear-marked for BPL targeting, conversion to cash transfers, and "self-liquidation" as the official poverty estimates go down.

The way forward is not to "fix the poverty numbers" but to find a way out of this bankrupt approach of BPL targeting. That is the appeal of universal entitlement programmes such as school meals, ICDS, and the National Rural Employment Guarantee Act (NREGA). Many states are now moving away from BPL targeting in the PDS too: not only states like Tamil Nadu and Himachal Pradesh that have a long-standing commitment to universalism in social policy, but also, increasingly, other states (such as Andhra Pradesh and Chhattisgarh) where the PDS extends well beyond the BPL category. The PDS tends to function much better in those states, because everyone – or almost everyone – has a strong stake in it. This approach is expensive, but at least, it tends to work.

Beyond this, there is a need for informed debate on the future of social support in India. Do we want a divisive, unreliable and exclusionary system of targeted transfers that self-liquidates over time, or to build a comprehensive social security system inspired by constitutional principles, fundamental rights, and ideals of solidarity and universalism? The whole experience of the last twenty years is that over-reliance on economic growth for social progress is a recipe for disappointment. Even Bangladesh and Nepal (starting way behind, and with much slower economic growth) have made far more progress than India during this period, in terms of a wide range of social indicators. Greater attention to social support and economic redistribution is long overdue. Poverty lines, for their part, are best sent back to their statistical kennel.