

Interpretations of Poverty - A Critical Review of Dominant Approaches

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1. Introduction

Poverty is defined and interpreted in different ways and academic debates on the subject are packed with controversies over how to differentiate the 'poor' from the 'non-poor' and ascertain the different levels and causes of poverty among the former. In describing and conceptualising poverty, researchers, policy makers and activists often employ terms such as vulnerability, destitution, deprivation, hunger, degradation, exclusion and powerlessness. There is no doubt that these words mean or connote a lack of certain things regarded as necessities of life. Yet, Rahnama (1992: 158-159) insists that 'poverty is also a myth, a construct and the invention of a particular civilization... Everyone may think of themselves as poor when it is the TV set in the mud hut which defines the necessities of life, often in terms of the wildest and fanciest consumers appearing on the screen'. Such an extreme construct of relative deprivation assumes that certain TV images alone define everyone's perception of his or her state of well-being. It is true that the TV is a most powerful tool of global capital in demonstrating and promoting consumerist lifestyles. However, current debates on poverty have very little to do with people who feel deprived because they cannot live like the 'wildest and fanciest consumers appearing on the screen'. They are about distributional problems and social justice, about people who are unable to cope with stresses and shocks impacting on them because of their social location and individual susceptibilities. These stresses and shocks may originate in the institutional structures in which they find themselves and the ecosystems to which they are linked through the same structures. Furthermore, none of the current definitions of poverty can be faulted for being so indeterminate as to include everyone. In fact, a major grouse of the critics of the most widely adopted definition of poverty, which is based on the income criterion, is that it is not inclusive enough. There are competing and complementary conceptions of poverty and inevitably the ongoing debates are politically and ideologically charged. Constructions of poverty by researchers and policy advisors vary due to disciplinary biases and ideological values. They also vary over time and space due to differences in the political, economic, cultural and ecological conditions of the contexts in question. These contexts are neither static nor closed to the outside world. It should also be noted that the distinction between absolute and relative deprivation/poverty has been a controversial issue (Sen, 1984, 1985; Townsend, 1985).

While there are sharp differences in views on the relationships between the neoliberal globalisation policies and poverty, there appears to be a consensus that poverty is a much broader and deeper issue of deprivation than having an income below a 'poverty line'. However, this apparent consensus has become yet another point of departure for different analytical approaches to poverty. On poverty and social justice, there have been clear shifts of

focus from income (or purchasing power) alone to broader categories such as a combination of basic material and non-material goods including rights and liberties, best captured by the Rawlsian concept of 'primary goods' (Rawls, 1972); individuals' freedom to achieve valuable functionings, defined as capability by Sen (1993) and; social exclusion, which is interpreted in different ways as a negative state or process but generally around notions of disadvantage, citizenship, social integration, identity, power relations, agency and institutions (Rodgers et al, 1995; Gore and Figueiredo, 1997). The UNDP's conceptual framework on human development has drawn heavily on Sen's capability approach. It has also been inspired by the West European debates on exclusion. Concepts such as entitlement and capability and social exclusion have been adopted and adapted by studies dealing with the political economy of poverty as a process with reference to the structural causes of vulnerability and deprivation from different perspectives. Some of these studies have focused more systematically at the local and meso levels and developed frameworks to map vulnerability and poverty (Watts and Bohle, 1993; Moser, 1998; Rakodi, 1999). There is also a growing emphasis by researchers and social movements on people's own perceptions of well-being (or ill-being) and on assessments of development and poverty reduction policies and programmes from local perspectives (Shanmugaratnam, 2001a).

Today, globalisation has become a major frame of reference for debates on poverty whether the focus is sub-national, national or international. Multilateral institutions such as the World Bank and the UN are actively engaged in the formation and dissemination of paradigms and interpretations of international poverty. Both these institutions approach the questions of poverty and development with reference to globalisation although their perspectives are not identical. Therien (1999) has argued that the perspectives of the two international institutions are competing in paradigmatic terms. While the World Bank has generally adopted a strong optimistic view of the benefits such as poverty reduction that would accrue to developing countries which have adopted its policy prescriptions for global integration, the UNDP has often highlighted the growing inequalities, distributional conflicts and the deprivations of millions of people in the modern era of unprecedented accumulation of wealth and called for 'globalisation with a human face'.¹ Some studies on globalisation have drawn attention to both credit and debit entries while raising concern about the real danger of the rural poor being left behind due to lack of access to knowledge and other assets (Killick, 2001).

There are others who have taken more radical positions on globalisation and its implications for people's well-being. For instance, the mass protests by anti-capitalist demonstrators in the West against the policies of the World Bank, the International Monetary Fund (IMF) and the OECD towards developing countries are based on a rejection of the present global political economic order. Among other things, these protestors keep pointing at the marginalisation and exclusion of millions of people and the destruction of the environment by the forces of globalisation. They also constantly remind the world of the power structures behind the growing global inequalities (Bircham and Charlton, 2001). There already exists a considerable body of critical writings on the neoliberal engineering of globalisation from political economic and sociological perspectives.² These studies recognise the reality that for the first time in history the international order is being reorganised from above around a common set of economic rules based on absolute deregulation and proceed to focus on the consequences of this unprecedented change. The issues they address include the impact of this new phase of

¹ See the Bank's World Development Reports and the UNDP's Human Development Reports since mid-1990s. The UNDP called for 'globalisation with a human face' in its 1999 report.

² Examples of such studies include Dierckxsens (2000); Castells (1998; 2000); De Rivero (2001); and Chossudovsky (1998).

globalisation on what used to be regarded as the 'third world' and on human well-being and the environment world-wide. Some writers have more explicitly argued for 'reregulation' of the global economy in order to make globalisation serve the Common Good (Dierckxsens, 2000).

The foregoing selective overview was meant to give an idea of the diversity of perspectives on poverty as a major global issue. In the sections that follow, we discuss three most widely adopted conceptualisations of poverty – viz. poverty as income deprivation, capability deprivation and social exclusion, and critically review the approaches of the World Bank and the UNDP.

I

2.0 Poverty as income deprivation: Poverty Line and Its Limitations

‘A poverty line is generally taken to be a threshold, in terms of income or wealth, below which people can be considered to be “poor”. . . Poverty lines are generally seen as indicators of poverty, rather than precise measures, because lack of income is not usually thought of as a sufficient definition of poverty.’

-The International Glossary on Poverty, edited by Gordon and Spicker (1999: 105)

The lack of adequate income to command basic necessities is the most widely known definition of poverty. Poverty thus defined is generally related to a poverty line. The origins of the present day concept of poverty line could be traced to the early phases of industrial capitalism in Britain when concerned individuals and groups demanded state intervention to alleviate the deprivations of people who were being pauperised and proletarianised. However, more systematically worked out poverty lines came to be identified much later. Rowntree's study of the poor in the city of York, published in 1910, appears to be one of the early attempts to define poverty lines. Rowntree estimated the cost of obtaining the minimum necessities for the maintenance of 'merely physical efficiency' in the conditions prevailing in York at the turn of the century. His calculations included food, rent and other necessities. He defined poverty with reference to the insufficiency of total earnings to obtain the minimum necessities and arrived at poverty lines for families of different sizes and composition (Rowntree, 1910). The concept came to be technically refined and widely adopted by governments and international agencies over the years.

Today, the most widely adopted poverty line in developing countries is the one prescribed by the World Bank, which has been estimating global income poverty figures based on sample survey of households since 1990. The Bank reports that the number of countries covered by the survey had increased from 22 in 1990 to 96 in 1999. Poverty lines are calculated on the basis of household consumption expenditure per person. The Bank uses its Purchasing Power Parity (PPP) prices to convert national poverty lines to international poverty lines. The median of the lowest ten poverty lines is taken as the poverty line for all developing countries and that line is USD 1.08 – generally referred to as 'dollar a day' in the Bank's publications. The World Bank has also identified an upper poverty line, which is USD 2 a day – twice the figure for the lower poverty line. It has been estimated that 1.2 billion people live on less than a dollar a day. Of this, 43.5% are in South Asia, 24.3 in Sub-Saharan Africa, 23.2% in East Asia and 6.5% in Latin America (World Bank 2000).

The deficiencies of the dollar-a-day poverty line as a measure or an indicator of poverty are now well known. While it is useful as a simple device to count heads and roughly quantify the poor in terms of income poverty, its shortcomings include the following.

- It says nothing about the structural conditions or the personal states of being of the individuals living in poverty. It is used to lump together everyone below a certain level of income or consumption as poor irrespective of the variations among them in incomes, age, gender, health and other personal attributes.
- It captures only goods delivered through the market.
- It disregards differences in cost of living within countries- between urban and rural areas, for example.
- It disregards intra-household distribution of goods and thus differences in deprivation within households.

It may be technically possible to overcome some of these shortcomings if the appropriate data are available. For instance, different poverty lines may be calculated for urban and rural areas. However, the income criterion alone (i.e. poverty line) is an inadequate measure of poverty. Of course, income is an important means to command certain goods but it is equally if not more important to be aware that the same level of income may translate into different levels of needs-satisfaction between two individuals due to differences in personal characteristics and needs. This observation takes us to the ends that a person experiences by using income as a means. The adequacy of income has to be seen in terms of its conversion into the ends valued by the person concerned. Focusing on this issue, Sen (1992: 111) says that to have 'inadequate income is not a matter of having an income level below an externally fixed poverty line, but to have an income below what is adequate for generating specified levels of capabilities for the person in question'. As to what use a person could make of a given level of income depends on a number of contingent circumstances that are personal and social and Sen (1999) lists five distinct sources of variation:

- Personal heterogeneities - Due to age, gender, illness or disability
- Environmental diversities – Variations in environmental conditions affect housing, clothing, health etc.
- Variations in social climate – Social conditions that influence the conversion of incomes and resources into quality of life; these include social capital (community relationships, prevalence or absence of violence) and health status
- Differences in relational perspectives – Variations in commodity requirements between communities due to conventions and customs; Being relatively poor in a rich community could prevent a person from achieving elementary functionings even though her income in absolute terms may be higher than that required for members in a poorer community to function successfully.
- Distribution within the family – Intra-family distribution of income can lead to differences in the states of well-being of individual members.

The limitations of the income-based approach to attacking poverty should be evident by now. Further, as already noted, deprivation has dimensions other than income as well. These include matters such as personal insecurity, lack of rights and freedoms, discrimination on grounds of class, caste, gender, race and ethnicity. In the liberal tradition, Rawls's contractarian theory of justice is often invoked to arrive at a broader conception of deprivation and the institutional arrangements to address it within a political economic order based on private property and free markets. In this approach, poverty can be seen as the result of a lack of access to certain primary goods. Rawls advocates that the basic structure of society should

distribute certain social primary goods equally to all citizens. Such a society would be fair as it is able to distribute the basic goods every rational person is presumed to want. 'The chief primary goods at the disposition of society', Rawls says (1972: 62), 'are rights and liberties, powers and opportunities, income and wealth.' Later on he includes self-respect as the most important primary good.³ However, Sen (1999: 72) points out that the 'broadening of the informational focus from incomes to primary goods is not adequate to deal with all the relevant variations in the relationship between income and resources, on the one hand, and well-being and freedom on the other'. Primary goods, including income, are general purpose resources that are instrumental in achieving particular ends but the actual outcomes (i.e. the ends) are contingent upon the sources of variation mentioned above. Sen's capability approach to development and social justice presents an alternative to the Rawlsian view of deprivation as a result of lack of primary goods.

3.0 Poverty as Capability Deprivation

Sen's conceptualisation of poverty as capability deprivation has been gaining wider recognition among development researchers while being adopted by many agencies including the UN.⁴ The World Bank has shown interest in capability too. Central to Sen's critique of the mainstream approach to poverty is the point that it is almost entirely focused on means rather than ends and that even this focus disregards the wide variations among the individuals counted as poor. It is not the lowness of the means with reference to an externally determined general cut-off point (such as a poverty line) but their adequacy for a person to achieve valued functionings that determines whether or not she is experiencing capability deprivation. The issue of adequacy has to do with personal characteristics. Further, Sen has also paid attention to the social location of individuals with reference to class, caste and gender although his basic philosophical approach, being rooted in liberalism, is strongly individualist.

Conceptually, poverty as capability deprivation is derived from Sen's broader interpretation of social justice and development in terms of capability as freedom of choice. 'In the capability based assessment of justice', Sen (1992: 81) says, 'individual claims are not assessed in terms of the resources or primary goods the persons respectively hold, but by the freedoms they actually enjoy to choose the lives that they have reason to value.' Further, Sen has been consistently advocating that development is best seen as an expansion of people's capabilities, as a process of emancipation from necessities that constrain fuller realisation of human freedoms (Sen, 1984; 1988; 1992; 1993; 1999). Thus the capability approach brings poverty, social justice and development within a common conceptual rubric.

Sen (1993: 31) defines capability in terms of functionings:

Functionings represent parts of the state of a person - in particular the various things he or she manages to do or be in leading a life. The *capability* of a person reflects the alternative combinations of functionings the person can achieve and

³ Rawls enunciates two principles of justice as fairness. The first one deals with rights and states that 'each person is to have an equal right to the most extensive basic liberty compatible with a similar liberty for others'. The second principle (also known as the difference principle), which deals with the distribution of income, resources and opportunities, states that 'social and economic inequalities are to be arranged so that they are both a) reasonably expected to be everyone's advantage, and b) attached to positions and offices open to all' (ibid: 60).

⁴ See Sen (1999) for a comprehensive presentation of his ideas and theoretical position on development, poverty and related issues. I have critically explored Sen's capability approach to development in Shanmugaratnam (2001a).

from which he or she can choose one collection. The approach is based on a view of living as a combination of various ‘doings and beings’, with quality of life to be assessed in terms of the capability to achieve valuable functionings.

Functionings are constitutive of capability, and doings and beings constitute functionings. Functionings can vary from such elementary matters as being well nourished, disease-free, safely sheltered and free from illiteracy to more complex doings or beings such as having self respect, preserving human dignity, being free from stress, taking part in community life and political and social movements and so on.⁵ A person’s functionings depend on his or her personal characteristics (age and physical fitness, for example) and social and economic circumstances which in turn are dependent on the nature of the larger political economic system as well as the power relations and rules and cultural codes of specific institutions such as family, caste, community and work place. Most of the characteristics that determine functionings are captured by the concepts of endowment and entitlement sets which are elaborated below in broader terms than in the writings of Sen and his co-workers.⁶

The *endowment set* of a person consists of all the resources owned by him or her. These resources include tangibles such as physical means of production like land, livestock, tools and machinery and intangibles like the person’s own labour power, knowledge, and the social capital which he or she shares by virtue of being a member of social institutions and networks. Ownership here refers to ownership rights that are valid in law and/ or legitimate according to social customs and conventions. They are constituents of the relations of production. These rights may also be extended to include the rights to resources enjoyed by an individual as a legitimate co-owner of a common property like a pasture, a woodlot, an irrigation tank or a fishing ground. Social capital refers to trust and formal and informal social associations and networks which enable cooperation among individuals on matters of common interest which may involve production and exchange, resource and environmental management, social security, and the cultural life of the community.

In formal terms, the *entitlement set* consists of all the possible combinations of goods that a person can acquire in legitimate ways by using the resources of the endowment set and, wherever applicable, the public financial assistance received, and the goods provided by the state. Thus entitlements may be realised by using the means of production to produce goods of value, by selling the labour power for a wage which enables the purchase of goods, and by availing the assistance provided by the state in the form of financial transfers like unemployment allowance or pension and directly as goods like education and health care. Entitlements may be direct entitlements as for instance when one uses the food produced by him or her for consumption. When realised through markets, entitlements become exchange entitlements. Goods supplied by the state may be referred to as public entitlements. It is not uncommon to find local level social associations engaged in provisioning needy persons at times of distress. This type of intervention is motivated by moral or humanitarian concerns at the community level and it serves as a social net, a form of civil entitlement. Public entitlements include private goods like education and health care as well as public goods like environmental quality, protection of individual freedoms, and prevention of crimes (freedom

⁵ I am paraphrasing what Sen says in various writings (Sen, 1988; 1992; 1993).

⁶ The definitions offered here were originally inspired by Osmani’s (1995) formulations but they have gone through notable changes. I have added access to common property resources and social capital as parts of the endowment set and also broadened the scope of the entitlement set. Gore’s critical review of Sen’s definitions of entitlements has been helpful in this regard (Gore, 1993). The reader is also referred to Shanmugaratnam (2001a).

from harassment and violence of various kinds). It would be pertinent to add here that environmental quality and prevention of crime are not entirely the responsibility of the state. Civil society is responsible for these entitlements too and beneficial effects may accrue to everyone where civil society (non-governmental or community-based) bodies play an institutionalised role in these and any other activities that improve the common good.

From endowments to entitlements

Individuals strive to convert endowments into entitlements in local and larger institutional environments which determine the conditions of their access to the necessary external inputs such as information (see below), credit or material inputs such as seeds and fertilisers, and the final outcome. The conditions of access differentiate the individuals according to their endowment statuses. For instance, a farmer operating a micro holding may be excluded from institutional credit facilities on the ground of 'lack of credit worthiness', or she may not be able to gain access to valuable information because she is illiterate. The conditions of access may also reinforce the disadvantages historically suffered by women and other groups like so called lower castes. In real terms, the goods one actually receives may be subject to informal rules of distribution which are culturally conditioned. This is particularly so where the individual is strongly tied to others through hierarchical relationships justified by kinship and moral codes. The well-known example is that of intra-household distribution of goods, which is mediated by established conventions and priorities. For instance, the amount and type of food or health care received by a member of a household may depend on that person's age and gender or the position in the intra-household hierarchy. Similarly, parents' decision to spend in the education of children or to let them go for higher education may have a gender bias (in favour of sons at the expense of daughters) or may be based on aptitude and performance or the wish of the child concerned. Decisions of this kind depend on the nature of the dominant values at the family level.

Evidently, the translation of endowments into entitlements is not a straightforward process. It is mediated by government policies and public institutions, markets, the local social institutions and the wider networks to which individuals belong⁷, and ecological variables. A vital resource whose importance cuts across all aspects of endowment-entitlement relations is information. Information flows play a crucial role in production, exchange and human security and welfare. People are in need of information about factors affecting production, marketing, employment, career development, human safety and long-term social security. They need information on how laws and government policies affect their entitlements. Therefore, access to sources of diverse information is of significant importance in the endeavour of individuals and groups to enhance the prospects of achieving their desired states of being. Obviously, people are better able to utilise their resources where the necessary information is available more readily and at affordable costs. The sources of information include mass media and state, private and civil society institutions and social networks.

Markets determine the relative prices which in turn determine exchange entitlements. The government is generally responsible for providing the policy environment in which production and exchange take place. Markets may be regulated, protected or free depending

⁷ The role of local institutions and networks in the conversion of endowments to entitlements and the latter's stabilisation and enhancement has not been adequately addressed in the literature on entitlements. This relative neglect becomes more evident when seen against the (well deserved) attention received by the role of public policy in the writings of Sen and his co-workers.

on government policy. Price policies have bearing on exchange entitlements. Price fluctuations in the world market can lead to exchange entitlement enhancement or failure for a commodity producer, depending on the effect of the changes in relative prices on the exchange value of the commodity concerned.

Ecological factors⁸ directly influence certain activities such as farming, pastoralism, forestry and fishing. Favourable weather conditions promote biomass accumulation and a bumper harvest at the end while a flood, a drought or an outbreak of pests can cause crop failure - i. e. a direct entitlement failure. Resource degradation is a longer-term cause of endowment depletion and direct entitlement failure. The quality of the environment is a major variable affecting human health and hence the quality of labour power and the ability of people to do things they value.

4.0 Social Exclusion and Deprivation: From states to processes and outcomes

‘The term “social exclusion” is so evocative, ambiguous, multidimensional and expansive that it can be defined in many different ways. Yet the difficulty of defining exclusion and the fact that it is interpreted differently in different contexts at different times can be seen as a theoretical opportunity.’ – Hilary Silver (1995: 60)

‘Societies and economies systematically marginalize some and integrate others, and distribute rewards in ways which both include and exclude.’ – Rodgers (1995: 44)

‘Social exclusion is the process through which individuals or groups are wholly or partially excluded from full participation in the society in which they live.’ – European Foundation (1995: 4).

The debate on social exclusion originated in France in the 1970s and subsequently expanded into a wider discourse encompassing different dimensions of the ‘new poverty’ associated with the restructuring of the West European economies in the ongoing phase of globalisation. The term was coined in 1974 to refer to groups that remained unprotected by the French social security system. These excluded groups, which made up one-tenth of the French population at that time, were categorised as ‘mentally and physically handicapped, suicidal people, aged invalids, abused children, substance abusers, delinquents, single parents, multi-problem households, marginal, asocial persons and other social misfits’ (Silver, 1995: 63). In the 1980s, social exclusion came to be conceptualised in broader terms by researchers and policy makers to capture the adverse consequences of deregulation, and the dismantling of the welfare states and the problems associated with increasing international migration in the West. The European debate on exclusion soon drew the attention of analysts and institutions concerned with deprivation and poverty in developing countries. A major reason for this was that the exclusion discourse addressed a wide range of material and non-material aspects of deprivation in a more integrated fashion and showed that lack of income or wealth was not the only reason for which people could be marginalized. Further, the European debate generated interesting and useful theoretical insights by exploring the republican, liberal and social

⁸ Sen and his co-workers have generally failed to internalise ecological variables and the environment into their conceptual frameworks and empirical analysis. However, the concepts of endowment and entitlement sets can be extended to be inclusive of these important aspects. It should be noted that Sen has attempted to address environmental issues more recently (Sen, 1999; Anand and Sen, 2000).

democratic conceptions of exclusion. In 1993, the International Institute for Labour Studies of the ILO convened a symposium to look into the relevance of the social exclusion approach to these countries. The ultimate objective of this symposium, as stated by the Director of the Institute, was to contribute to the design of acceptable and effective policy interventions (Gopinath, 1995). The exercise led to the consensus that ‘more attention should be given to the way social institutions, political rights and economic processes interact to generate better livelihoods, social justice and social cohesion’ (Gopinath, 1995: vii). ‘Social exclusion’ became a widely discussed issue at the World Summit for Social Development held in 1995. The European Commission has adopted the concept to formulate its policy for assisting poverty reduction in developing countries.

Silver’s three paradigms of social exclusion

Based on an analytical review of the literature on exclusion in Western Europe and the USA, Hilary Silver provides three ideal paradigms of social exclusion: the Solidarity, Specialisation and Monopoly paradigms. This paradigmatic typology is helpful in understanding why social exclusion means different things to different policy makers and practitioners. The main points characterising the three paradigms as elaborated by Silver (op.cit: 66-69) are summed up below, often using her own words, while Table 1 gives an overview.

Solidarity:

- Rooted in the French republican tradition, exclusion is the rupture of a social bond (social solidarity) between the individual and society. The paradigm focuses attention on the exclusion inherent in the solidarity of nation, race, ethnicity, locality and other cultural and primordial ties that delimit group boundaries and citizenships. But its applications extend beyond these aspects to cultures of poverty and long-term unemployment.
- Social order is conceived as external, moral and normative, rather than grounded in individual, group or class interests. The individual is tied to the larger society by a national consensus, collective conscience or general will through vertically interrelated mediating institutions.
- Rejects Christian charity, liberal individualism, socialist class conflict and strictly political citizenship as sufficient bases of social integration. Offers another moral approach to unity and equality, which regards individuals more as participants in a communal life of fraternity than as bearers of rights.
- Originally, ‘assimilationist’ in the sense that rather than accepting cultural and political pluralism, separate interests and memberships are reconciled and synthesised into a unitary whole. In recent times, more acceptance of cultural pluralism and the need for the dominant culture to adjust to minority cultures.

Specialisation:

- In the Anglo-American liberal tradition, which is individualist, exclusion is considered a consequence of specialisation: social differentiation, economic division of labour, and the separation of spheres (economic, political, social etc.). The social order, like the economy and politics, is conceived as networks of voluntary exchanges between autonomous and self-interested individuals.
- Citizenship is based on contractual exchange of rights and obligations and separation of spheres of social life. Social groups are voluntarily constituted

by individuals who agree on the rules, rights and obligations of membership. The integration of society is a result of cross-cutting group affiliations and loyalties created by individuals freely choosing, according to their personal values and psychological motives, to engage in social relations.

- Social exclusion may result due to inadequate separation of social spheres, the rules of admission to certain social spheres, inadequate enforcement of rules, barriers to free movement, and discrimination. The same individual may not be excluded in every sphere. Further, social spheres are not necessarily hierarchical in terms of resources or value.
- Specialisation protects liberties and may be efficient as long as the excluded have the right to move across boundaries. Exclusion is a form of discrimination where group boundaries impede individual freedom to participate in social exchange. However, this form of exclusion is countered by the liberal state’s protection of individual rights as well as the group and market competition.

Monopoly:

- Influential among the social democratic left and inspired mainly by Weber and to a lesser extent by Marx, this paradigm views exclusion as a consequence of the formation of group monopoly. The social order is seen as a coercive arrangement imposed through a set of hierarchical power relations. Exclusion involves the interplay of class, status and political power and serves the interests of the included. Monopoly is characterised by social closure which, as described by Weber, is a process of subordination whereby one status group monopolizes advantages by closing off opportunities to outsiders who are regarded as inferior or ineligible. Status groups are manifestations of power relations and they claim social honour and esteem, and have their own consciousness, consumption patterns and styles of life. Material, legal or other forms of monopoly maintain the status group’s exclusivity. The monopoly creates a bond of common interest among otherwise unequal insiders.
- Social closure is achieved when institutions and cultural distinctions not only create boundaries that keep others out against their will, but are also used to perpetuate inequality. Such boundaries may be demarcated within or across nation states, localities, firms or social groups.
- Unlike classical Marxism, which adopts an uncompromising class theory, this paradigm assumes that the unequal power behind group monopolies can be mitigated with inclusive “social democratic citizenship”.

Table 1: Three Paradigms of Social Exclusion

	Solidarity	Specialization	Monopoly
Conception of integration	Group solidarity/ Cultural boundaries	Specialization/ Separate spheres/ Interdependence	Monopoly/ Social Closure
Sources of integration	Moral integration	Exchange	Citizenship rights

Ideology	Republicanism	Liberalism	Social democracy
Discourse	Exclusion	Discrimination, Underclass	New poverty, inequality, Underclass
Seminal thinkers	Rousseau, Durkheim	Locke, Madison, utilitarians	Marx, Weber, Marshall
Model of the new political economy	Flexible production, Regulation School	Skills, Work disincentives, Networks, Social capital	Labour market segmentation

Source: Silver, 1995

Silver's typology can be useful in developing an understanding of different theoretical conceptions of social exclusion and the specificity of their origins in terms of national traditions and political economy. Citizenship is one of the central concepts in all three paradigms. Exclusion implies incomplete citizenship although the explanation for this and the possible solutions put forward would vary according to the theoretical and ideological positions of the persons and institutions concerned. Further, exclusion is a reflection of the social location of the excluded, i.e. the position in the web of institutions governing persons' access to resources and opportunities. Of the three, the monopoly paradigm seems to be the most useful in ascertaining the structural situation of the included and the excluded.

The currently dominant neoliberal paradigm of development challenges the French republican and the European social democratic approaches to the problem of social exclusion. It challenges the social democratic and the more radical approaches to development and elimination of poverty in developing countries as well.

Types of Exclusion: some examples

- Exclusion from livelihood: Land and other productive resources; Labour market; Regular employment; Credit market
- Exclusion from decent housing and community services
- Exclusion from social security nets
- Exclusion from public goods
- Exclusion from political decision making
- Exclusion from community bodies and networks
- Exclusion from basic human freedoms such as the freedoms of thought, expression, mobility and collective action.

Factors: Class, Ethnicity, Race, Religion, Caste, Gender, Age, Education, Skills..

Relevance to poverty studies in developing countries

Social exclusion has already entered conceptual frameworks used to study deprivation and poverty in developing countries (Gore and Figueiredo, 1997). The notion of exclusion can be conceptualised in different ways to incorporate major theoretical and empirical questions of

poverty that researchers and practitioners want to examine. It may be noted that anti-poverty policies and programmes have been using ideas of exclusion and integration without explicitly adopting those terms or theoretically framing deprivation in terms of social exclusion. Integrated rural development programmes, community development projects and the interventions by NGOs to mobilise the poor at the local level and ‘empower’ them can be seen as examples of efforts to combat social exclusion and promote social integration.⁹ Empirical studies in Asia, Africa and South America have shown that social exclusion occurs in all societies ‘but has different meanings and manifests itself in different forms’ (Gore and Figueiredo, 1997: 8). These studies have used a variety of definitions of social exclusion. This should not be surprising as it has also been the case in the Western countries. What is more significant is that these diverse definitions have a number of common elements. These studies (carried out in India, Thailand, Tanzania and Peru) have also shown that ‘a precise definition of social exclusion depends on the paradigms of social integration and citizenship and the cultural environment in a given society’ (ibid: 8). Further, while various causes of social exclusion could be identified from the studies, some commonalities also became evident. Gore and Figueiredo provide the following tentative list:

- ‘Within countries, social exclusion is the result of policies and institutions, and cannot simply be attributed to individual choices; the attributes of individuals are regarded as being socially constructed; at the individual level, social exclusion is involuntary;’
- ‘The institutions which act to include and exclude are both formal and informal;’
- ‘Such institutions encompass the working of the basic markets, the scope and configuration of citizenship rights, and the patterns of associational life of civil society;’
- ‘Such institutions structure the relationship between the pattern of economic growth, and the changing life-circumstances of individuals, households and groups; adopting a social exclusion approach implies analysing these macro-micro relationship and proposing meso-level and institution centred policies;’
- ‘Social exclusion within countries cannot be explained without reference to international relationships, as these relationships have important effects on domestic economic, social and political institutions and developments.’

The entitlement/capability approach can be incorporated into a political economic framework with reference to the institutional structures that reproduce social exclusion/integration.

II

5. The World Bank’s Approach: Beyond the poverty line but within the neoliberal paradigm

‘When the institution whose self-stated mission it is to eradicate poverty can only hold its Annual Meetings under siege from those who believe its mission is to further the cause of the rich and the powerful, there is clearly a gap to be bridged.’ – Kanbur (2001: 1093), who resigned as Director of the World Development Report (WDR) 2000-2001 on ‘Attacking Poverty’.

The World Bank has addressed the problem of poverty systematically from its own global point of view. Since 1980, poverty has been the special theme of the WDR every ten years.

⁹ See IDS Bulletin, Vol. 29, No. 1 1998, for relevant articles on poverty and social exclusion in North and South.

The WDR 2000-2001 carries the evocative title of 'Attacking Poverty'. The Bank is a major source of funds for national poverty reduction programmes and research publications on poverty and related issues. Its President Wolfensohn has taken a lot of trouble to present the institution as a friend of the poor. Yet the Bank's development policy in general and the poverty reduction policy in particular have drawn heavy criticisms and popular protests from diverse sources in all parts of the world. The controversy surrounding the production of WDR 2000-2001 and the resignation of its Director Prof. Ravi Kanbur due to disagreements over the contents of the final report are now well known (Shanmugaratnam, 2001). A multi-country participatory assessment of structural adjustment carried out by SAPRIN (Structural Adjustment Participatory Review International Network) has held that adjustment policies 'have contributed to the further impoverishment and marginalisation of local populations, while increasing economic inequality' (SAPRIN, 2002: 173).

What is the World Bank strategy for poverty reduction and why has it come under such severe attack from independent academics and activists worldwide?

The Bank's paradigm

The policy of the Bank on poverty cannot be understood in isolation from its paradigm of economic development. The policy prescriptions of the World Bank and other IFIs (International Financial Institutions) are widely known today. For almost three decades the Bank has been consistently advocating deregulation, privatisation, and the minimisation of the state. These are the main ingredients of a market-friendly policy, which the Bank believes will bring economic growth and prosperity to developing countries through closer, more rapid integration into the world economy. In this model, competition in free markets and microeconomic efficiency are key to achieving growth through participation in globalisation. Macroeconomic policies are framed on this premise, which is underpinned by the belief that the market, being the most efficient allocator of resources, is the best problem solver under ideal conditions of perfect competition and the state should intervene only to correct market failures. It is also a fundamental assumption of the model that economic growth will lead to a progressive reduction of poverty into a minor residual problem in the long run. The Bank maintains that the macroeconomic gains from structural adjustment offset any short-term losses suffered by some sections of the population. It views poverty in a country as a domestic problem caused mainly by internal factors such as country-specific imbalances, policy errors (i.e. failure to fully implement the IFI's prescriptions for stabilisation and structural adjustment) or political difficulties (World Bank 1995). However, in many countries at present, a poverty reduction strategy accompanies the growth strategy with the objective of enabling the poor to find their way into the market economy as participants in the labour market.

The WDR 2000-2001 proposes three ways as the components of a strategy to reduce poverty: promoting opportunity, facilitating empowerment and enhancing security.

- Promoting opportunity: The poor need jobs, credit, roads, markets for their produce, schools, water, health services and skills. Market reforms and overall economic growth are central to generating opportunity. Where inequality is high, the state should take action to support the build-up of human, land and infrastructure assets that poor people own or to which they have access.
 - Encourage effective private investment
 - Expand into international markets

- Build the assets of the poor people
 - Address asset inequalities across gender, ethnic and social divides
 - Provide infrastructure and knowledge to poor areas
- Facilitating empowerment: Promote active collaboration among the poor, the middle class and other groups. This can be facilitated by changes in governance that make public administration, legal institutions, and public service delivery more efficient and accountable to all citizens, and by strengthening the participation of poor people in political processes and local decision-making. Remove social and institutional barriers resulting from distinctions of gender, ethnicity and social status.
 - Lay the political and legal basis for inclusive development
 - Create public administration that foster growth and equity
 - Promote inclusive decentralisation and community development
 - Promote gender equity
 - Tackle social barriers
 - Support poor people's social capital
- Enhancing security: Reduce vulnerability to economic shocks, natural disasters, ill health, disability and personal violence; National action to manage economy wide shocks and to reduce risks faced by poor people. Build assets of poor people, diversify household economic activities, provide insurance mechanisms to cope with shocks;
 - Help poor people manage risk
 - Develop national programmes to prevent, prepare for and respond to macro shocks (financial and natural)
 - Design pro-growth social risk management systems
 - Address civil conflicts
 - Tackle the HIV/AIDS epidemic

Claims and Critiques

The Bank's general perspective and the thinking on action to 'attack poverty', as summed up above, appear to be pragmatic. However, critics argue that behind this apparent pragmatism is a dogmatic commitment to market fundamentalism and a drive to impose a common set of policy principles on all recipient countries (Mawdsley and Rigg, 2002; Shanmugaratnam, 2001a; Dierckxsens, 2000).

The Bank has often claimed that the rich-poor gap had begun to narrow and poverty was being reduced with the progress of implementation of its policies. However, the reality is more complex and empirical evidence against the Bank's claims is growing. While the proportion of the population living under the absolute poverty line of dollar-a-day (fixed by the World Bank) has marginally declined in some regions, the total population of the world's poor has been steadily increasing in absolute terms. Poverty shares are also rising in many regions. Recently, the Bank has tempered its claims as studies by its own staff have generated results that cast doubts on the validity of the earlier claims. Further, a general weakness of the Bank's claims is that they are based on an international poverty line, the limitations of which have already been discussed.

- From an analysis based on data from the Bank's Global Poverty Monitoring Database, Chen and Ravallion (2001) found that in the aggregate, and for some large regions, 1990s did not see much progress against consumption poverty in the developing world and that progress in raising real incomes and alleviating poverty has been disappointingly slow in many countries. They further noted that even though 1990-97 was a period of aggregate growth for the low- and middle-income countries, rising inequality was a factor that worked against reduction of consumption poverty. Drawing attention to other sources, they pointed out that there was evidence of quite sharply increasing interpersonal income inequality in the 1990s and that this 'could easily wipe out the gains to the world's poor from global economic growth' (op cit: 18).
- Data provided by Chen and Ravallion (2001) and other sources such as Weller et al (2002) clearly show that consumption poverty remains a major problem in Latin America and Caribbean, Sub-Saharan Africa and South Asia. Table 2 reproduced from Weller et al (2002) gives an overview of the global situation regarding consumption poverty. The authors have drawn heavily on the work of Chen and Ravallion (ibid). The relative poverty lines are based on mean consumption or income levels in each country. A highly disappointing finding is that the maximum daily consumption level of the world's poorest 400 million has been below a dollar a day for the period 1987-1998.

Table 2: Share of People Living Below Relative Poverty Lines (percentages)

	1987	1990	1993	1996	1998
East Asia	33.01	33.69	29.82	19.03	19.56
East Asia excluding China	45.06	38.68	30.75	23.16	24.55
Eastern Europe & Central Asia	7.54	16.19	25.34	26.08	25.60
Latin America & Caribbean	50.20	51.48	51.08	51.95	51.35
Middle East & North Africa	18.93	14.49	13.62	11.40	10.76
South Asia	45.20	44.21	42.52	42.49	40.20
Sub-Saharan Africa	51.09	52.05	54.01	52.80	50.49
Share of the world:					
Living under \$1.08 a day	28.31	28.95	28.15	24.53	23.96
Living under relative poverty line	36.31	37.41	36.73	32.79	32.08
Maximum daily consumption of world's poorest 400 million (nominal)	\$0.79	\$0.79	\$0.56	\$0.84	\$0.75

Notes: The drop in 1993 reflects sharp decreases in per capita GDP in Nigeria, Ethiopia, Myanmar, and the Democratic Republic of Congo that, combined, made up 58% of the sample population in 1993. Calculations for the world's poorest 400 million are based on average nominal per capita GDP.

Source: Weller et al 2002, Table 1 (reproduced in full including the notes).

- The SAPRIN study covering nine countries in Asia, Africa, South America and Eastern Europe¹⁰ has identified four basic ways in which adjustment policies have contributed to impoverishment, marginalisation and increasing economic inequality through:

¹⁰ The countries studied are Bangladesh, Ecuador, El Salvador, Ghana, Hungary, Mexico, Philippines, Uganda, Zimbabwe.

i) the demise of domestic manufacturing sectors and the loss of gainful employment by the laid-off workers and small producers due to trade and financial-sector reforms;

ii) the declining viability and incomes of small farms and poor rural communities, and declining food security in rural areas;

iii) the retrenchment of workers through privatisations and budget cuts, in conjunction with labour market flexibilisation has led to less secure employment, lower wages, fewer benefits and an erosion of workers' rights and;

iv) the reduction of the role of the state in providing or guaranteeing affordable access to essential quality services.

6. UNDP's Approach: Human Development to fight poverty

'A poor person is not only one who is hungry but also one who is oppressed, humiliated and manipulated.' – UN (1995: 38)

As noted earlier, the UN does not share the World Bank's optimistic view of the impact of globalisation on poverty. The UNDP has been consistently highlighting the growing global inequalities and the need to focus more consciously on narrowing inequalities and reversing social exclusion. Since the launch of the first Human Development Report (HDR) in 1990, the UNDP has viewed poverty as being caused by the denial of opportunities and choices most basic to human development, which has been defined as a process of widening people's choices as well as raising the level of well-being achieved. Human development thus defined is about expansion of human freedom to choose different lifestyles and hence can be seen as a process of expansion of individuals' capabilities.

Calling for a new paradigm of development, the HDR of 1994 states that: 'Such a paradigm of development enables all individuals to enlarge their human capabilities to the full and to put those capabilities to their best use in all fields- economic, social, cultural and political. It also protects the options of unborn generations' (UNDP, 1994: 4). Advocating sustainable human development based on intragenerational and intergenerational equity, the same Report observes that a major restructuring of the world's income distribution, production and consumption patterns may be a necessary precondition for any viable strategy to achieve it. Subsequent HDRs have drawn more focused attention to the ever-widening gap between the rich and poor countries and to intra-national distributional issues. It has been a concern of the UNDP and other UN bodies that increasing global inequalities are aggravating the deprivations and consequently denying the right to human development for the majority of the world's population, which exceeds 5.5 billion. Only about a quarter of this population may be enjoying economic security let alone the other types of security such as food, health, personal, political, environmental and community.¹¹

Obviously, human development is an open-ended concept with various dimensions and, as a process, it operates within globally linked political, economic and cultural structures that differentiate the endowment and entitlement statuses of individuals and determine the actual

¹¹ See UNDP (1994) for a detailed discussion of 'New dimensions of human security'.

freedoms enjoyed by the people. At a given national or sub-national level, the factors that characterise these structures include the nature of the political regime (whether it is authoritarian or democratic, and provides social security or not - for example), class and gender relations, and ethnic diversity and inter ethnic relations. Caste is another important structural factor that cannot be ignored in many parts of South Asia. An individual's state of human development or deprivation has a lot to do with his/her location in the larger environment outlined above and in the micro level institutions such as the family.

The human development approach to poverty places deprivation in a broader structural context of the development process. As already discussed, when seen as a consequence of capability failure or of the denial of opportunities for capability expansion, poverty is no longer regarded as a state that can adequately be defined with reference to a static poverty line expressed purely in terms of a minimum income to meet basic consumption needs. Further, since poverty elimination is about human development, income has to be seen as a part of other means (such as access to quality education and health care, freedom from discrimination, personal security, and freedom of mobility) that serve the struggle against poverty.

However, while defining human development in broad and dynamic terms, the UNDP has primarily been focusing on a narrow range of quantifiable variables in order to compute the aggregate Human Development Index (HDI) as an alternative to GNP for measuring the relative socio-economic progress of nations. Longevity (measured by life expectancy), knowledge (measured by a combination of adult literacy and mean years of schooling) and standard of living (measured by purchasing power parity- PPP) are the components of the HDI. As noted by the UNDP, a long and healthy life, acquisition of knowledge and access to the resources needed for a decent standard of living are the three essential choices for people at all levels of development. Where these essential choices are not available, many other opportunities remain inaccessible (UNDP 1990). However, how useful is the HDI as an indicator of development? It cannot be denied that it has gained worldwide recognition as a more informative measure of development than GNP, especially for global comparisons. The HDI ranking of 174 countries listed in the HDR (1999) shows that only 45 countries belong to the class of 'High human development' and 35 to that of 'Low human development'. Further, China and India, the two most populous countries in the world, ranked 98 and 132 respectively, are in the category of 'Medium human development' countries. The rankings of HDI and GDP per capita, show that there is no automatic positive correlation between the two and that countries with similar income per capita can have very different HDI values depending on how effective they have been in converting income into human development as captured by the HDI. To cite some examples, for countries such as Angola, Namibia, Saudi Arabia and the UAE, the income rank is far ahead of the HDI rank while for China, Madagascar, Costa Rica, Cuba, Colombia and Sri Lanka the HDI rank is far ahead of the income rank. The overall rankings show that the majority of the countries have a long way to go if they were to reach the current levels of human development enjoyed by the countries in the class of 'High human development'.

The usefulness of the HDI is limited to such levels of generality, as intended by its authors. The late Mahbub Ul Haq himself, the originator of the Human Development Report, did not regard it as anything more than an equally crude but more useful alternative to GNP as an indicator of development. In a 'Special Contribution' to the HDR 1999, Sen recalls that Ul Haq had said the following about the HDI: 'We need a measure of the same level of vulgarity as GNP – just one number – but a measure that is not as blind to social aspects of human lives

as GNP is' (UNDP, 1999: 23). In the same contribution, Sen, who had also participated in devising the HDI, refers to GNP as an 'overused and oversold index'. But it would seem that the same might be happening to the HDI, although the HDR is not just about this aggregate statistical indicator. The national HDI says practically nothing about freedom of choice and it is possible for a country to show continuous growth in HDI while its record of human rights and the quality of life of substantial sections of the people continue to worsen. Moreover, the adult literacy rate used by the UNDP as an indicator of knowledge may be almost totally irrelevant as an indicator of the quality of the knowledge and employability.¹² In fact, the underdevelopment of knowledge is a major problem in poor countries in this age of high technology, and the growing gaps in knowledge creation between rich and poor countries, which are greater than the gaps in income, are not captured by the HDI (Sagar and Najam, 1999).¹³

Indeed, each year the HDR provides informative materials on distributional issues, human freedoms and deprivations that the HDI is not capable of reflecting. Yet the Reports have for several years avoided going beyond highlighting global and intra-national inequalities and mild statements on the need for more equitable distribution. Recent Reports, especially since 1999, have attempted to address distributional conflicts more comprehensively although they have not gone deeper into the relations of power that deny basic freedoms to millions of people.¹⁴ Since the early 1990s, the UNDP has been trying to introduce adjustments in the HDI to internalise aspects such as gender and income inequalities for countries that have the relevant data. Further, the Human Poverty Index (HPI) has been developed as an indicator of deprivation.

UNDP's definitions of HPI, GDI and GEM:

Human Poverty Index (HPI): Measures deprivation in basic human development in the same dimensions as the HDI. The variables used are the percentage of people expected to die before age 40, the percentage of adults who are illiterate, and overall economic provisioning in terms of the percentage of people without access to health services and safe water and the percentage of underweight children under five.

Gender-related Development Index (GDI): Measures achievements in the same dimensions and variables as the HDI does, but takes account of inequality in achievement between women and men. The greater the gender disparity in basic human development, the lower the country's GDI compared with its HDI. The GDI is simply the HDI discounted, or adjusted downwards, for gender inequality.

Gender Empowerment Measure (GEM): Indicates whether women are able to actively participate in economic and political life. It focuses on participation, measuring gender inequality in key areas of economic and political participation and decision-making

¹² Sri Lanka is a case that amply illustrates these points (Shanmugaratnam, 2001b; 2002).

¹³ See World Bank (1998), for information and discussion on knowledge gaps.

¹⁴ 'While the Reports raise the equity issue often', as noted by Sagar and Najam (1999: 748), 'there is little effort to uncover the underlying causes for the persistent and increasing inequities nationally and globally.'

7. Topics for Discussion

- Beyond HDI: disaggregating national level performance in human development; limits to quantifying quality of life.
- Linking capability and social exclusion: can we develop a framework?
- A livelihood framework for mapping vulnerability and poverty at local level (Figure 1)

Livelihood Approach¹⁵

Livelihood has become a widely used concept in analytical writings on poverty, food security, human development and post-disaster reconstruction (Chambers and Conway, 1992; Rakodi, 1999; Ellis, 2000; Cernea, 2000; Jacobsen, 2002; Moser, 1998).

Definition of Livelihood (based on the definition of livelihood by Ellis, 2000: 10 and extended to include more elements)^{16, 17}

Livelihood comprises the assets and activities that together determine the living gained by individuals or households in particular social, institutional and environmental settings.

Assets include material means of production (private and common property), labour power (physical qualities, knowledge and employable skills) and non-material assets such as formal and informal social associations and networks¹⁸ to which individuals/households belong. Livelihoods are located in social and institutional contexts that shape the process of livelihood construction and its outcome in particular biophysical environments. This process is inclusive of production, distribution and consumption as well as other individual and collective pursuits of human security, self-esteem and identity. Living refers to the totality of states of being a person experiences as a result of this.¹⁹

Livelihood construction is a dynamic interactive process carried out by actors as individuals and groups with consciously chosen strategies to make a living. In constructing their livelihoods, the actors seek opportunities, information and knowledge and form coalitions to deal with uncertainty and adversity (vulnerability context). This takes place in social environments characterised by unequal power relations embodied or reflected in the formal and informal institutional arrangements that enable or constrain access to resources and the ways in which the actors act individually and collectively, and by the operations of government's policies. Livelihood construction in these environments involves cooperation, competition and conflicts. The institutions include property rights to resources such as land, water, forest, grazing lands and fishing grounds, the rules and norms governing collective bodies to which the actors belong, and relevant state, cultural and religious institutions. Government policies impact on the social context of livelihood construction through the incentives and disincentives that affect the actors' decisions regarding allocation of resources and choices of activities. The incentives/disincentives relate to factors such as price policy,

¹⁵ This topic will be taken up for further discussion in EDS 360

¹⁶ Ellis (2000) is a very helpful source on rural livelihoods. See References for information regarding the publication.

¹⁷ Students of EDS 360 are also advised to visit the DFID website on sustainable livelihoods <http://www.livelihoods.org/>.

¹⁸ Referred to as 'social capital' in many writings.

¹⁹ This idea of living has come to be associated with Sen's notions of entitlement and capability.

access to information, markets and social services, subsidies, restrictions on particular practices, obstacles to people's physical mobility, displacement due to appropriation of land for new projects etc. Further, the presence of non-governmental organisations (NGO) actively engaged in livelihoods-related work also adds certain features to the social context.

Macro, Meso Policy & Institutional Environment

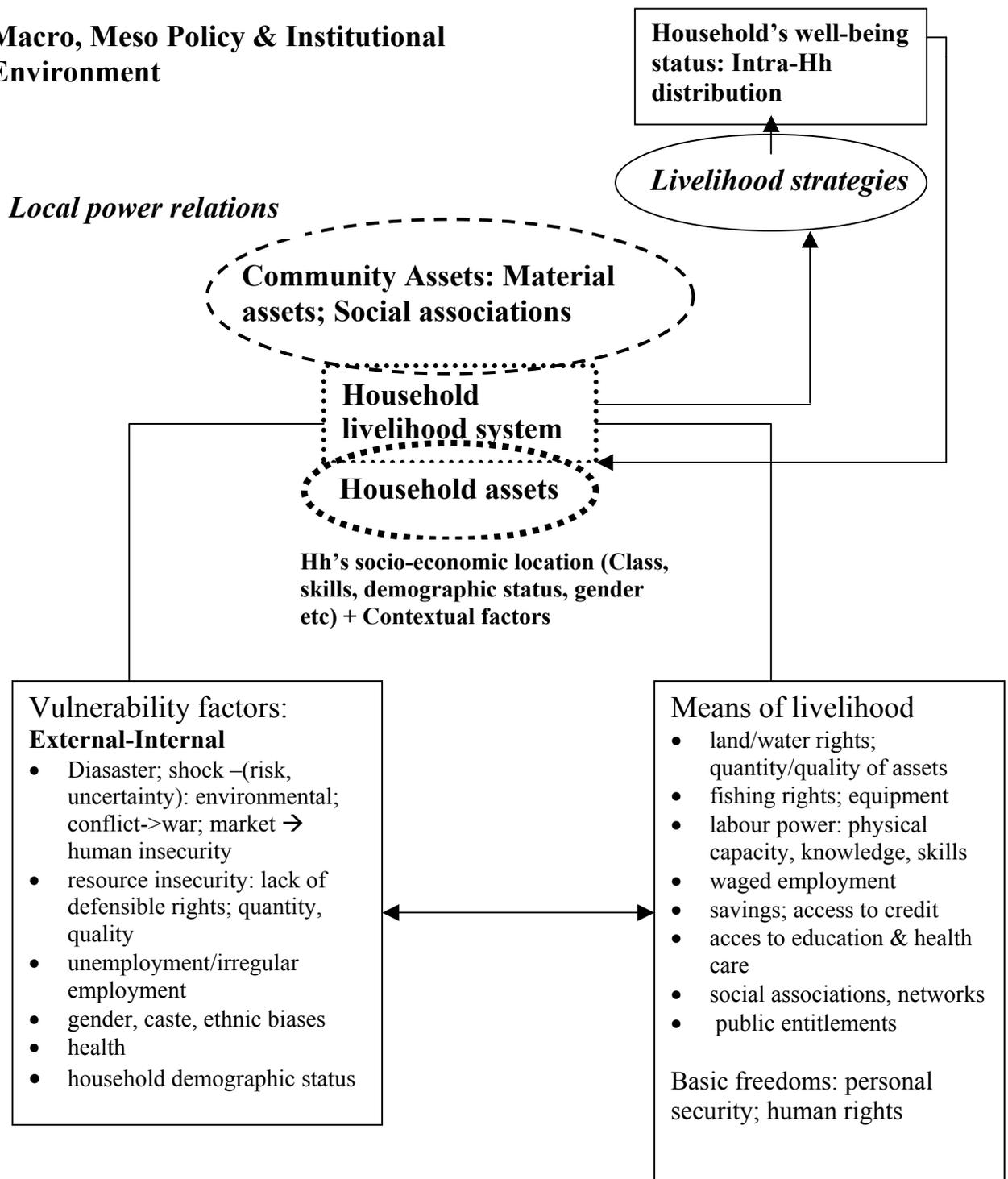


Figure 1: Household Livelihood System
(Source: Adapted from Shanmugaratnam, 2003)

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