

SESSION III – Discussant:

Philip Musgrove: [revised by the author on November 14, 2003]

These are exciting papers and even more exciting presentations because of all the stuff that is either not in the paper or is drawn out very well in the presentation. I have one question for Professor Gordon, and that is, what did you mean by that very strange title?

These two papers differ in two striking respects from most of the other papers here. One is that they are not talking about moving the poverty line; they are talking about people moving back and forth across the line, and this distinction is really important. We sometimes get careless with the language and talk about more people going into poverty, but the people aren't going anywhere. It's the line that moves under their feet, so to speak. Both concepts are important but they surely are not the same thing.

The other distinction that is particularly interesting is to get away from any static notion that somebody is either poor or not poor and that's just their permanent condition. We talk mostly about poor countries, not the United States, not the U.K. There is a presumption that an awful lot of people are in poverty and unless somebody does something about it they are probably going to stay there. Only in the last few years have we begun to worry about how people got there in the first place, or what it might take to push people who are close to poor into poverty. Papers that concentrate on things that make you poor or let you escape from it are an important reminder that poverty is an unstable sort of thing. It's not just that the level goes up or down a little bit; it's that all the time there are people moving back and forth across the line. No matter where you draw the line, the numbers would change but there are always shifts going on. So, we are trying to figure out what you should do to prevent the shifts, which is slightly different from what you could do for a one-time poverty alleviating effect. You can lift people out of poverty, put them up somewhere higher and say, "Now don't fall off", but in fact people fall off and climb back up repeatedly. Even if it's only 1 or 2 percent a month, it's enough to be an awful lot of people who might be affected by social policy, either to prevent these transitions or to reduce the conditional probability; the likelihood that once the transition happens they are going to be poor or going to get out of poverty. Splitting

these two probabilities, as the Ratcliffe paper does, is very important.

Policy to keep families together is different from policy to help female heads of household continue to survive and look after the children. Both of them matter for the likelihood of poverty but they are not likely to be the same policies. In this respect it would be interesting to hear more about what you think the welfare reform in 1996 actually accomplished, because it looks like it made it less dangerous to have the man of the house take off and disappear. It looks as though in that respect the reform actually worked, which is rather important to know.

The only point I want to underscore in Professor Gordon's paper is that the deprivation that matters most for children is probably not whether a child has his own bedroom or whether there is a television in the house. It's very basic things: it's food, it's access to health care and education. The effect of that deprivation might still be working for the child decades afterwards, whereas whether you have a TV or don't when you are an adult, there is some associated deprivation but it probably doesn't cause the same kind of cumulative effects. Ideally, what you want to do is prevent the kind of deprivation that almost guarantees further deprivation later on. This is where directing subsidies to children to reduce these particular kinds of deprivation is so important. This is true probably even if we are using a relative scale and asking people what they think it takes to maintain the Adam Smith standard of appearing decently in public. When you get down to absolutes it matters terribly for children, perhaps much more than for adults. Like most animals, when we don't have enough food we concentrate what there is on the working age adults because we can always make more children in a hurry if we have to, but it is very hard to make a 30 year old quickly. (It usually takes about 30 years and 9 months to do so.) So we are not protecting the most vulnerable part of the population. Probably it isn't very expensive to protect children, but they may be extremely sensitive to some of these transition events.

One more observation on the definitions of poverty that Professor Gordon started out with: there is a passing mention of cultural poverty alongside material poverty, and then nothing much tends to get said about it afterwards. If you think of cultural poverty as something other than not being taken to a museum at least once a year, if you think of it as just not knowing anything about how the world works, what we are really talking

about is ignorance. And if there is one thing we know about health, it's that ignorance is just as dangerous as material poverty.

In fact, most of the gains in health that have happened in the world in the last century have come from knowing much more; and what knowing more does is to make money very, very much more useful. The richest people in the world couldn't buy any decent health care a couple of hundred years ago. In fact the more they spent, probably the sicker they got because they went to blood-letters and other practitioners who would, if any thing, hasten their deaths. Bringing in the question of what people know--which is not very well measured by how many years they went to school--is something worth looking farther at. It's curious how much school does seem to affect both health and income, considering that we never ask very much about the content of schooling. What do people actually know after they have been in school for six years? Do they learn about germs? Do they learn about washing their hands even if they don't know about germs? What things did they think they knew, that aren't true and that schooling makes them stop believing in? It was Mark Twain who said quite correctly, that "It is not only the things you don't know that get you into trouble, it's all the things you know that aren't so". A good deal of the job of education is removing superstition and myth and practices that are in fact extremely dangerous to oneself.

Professor Gordon says that poverty tends to follow from a catastrophic loss of income. From the papers we heard in the earlier session, we know it can also follow from a catastrophic expense even if nothing happens to your income. We have actually heard the two sides of this equation this morning, and there is no immediate way to put them together; but one might ask which actually is going to be more dangerous to you. Suppose that your health problem causes an expense that can fix you up immediately, so you don't suffer a significant loss of income. Is that better or worse than suffering a loss of income of the same amount, over some fixed period? Probably it makes a difference to how quickly people go in and out of poverty even if it doesn't make a big difference to the level of poverty at one time.

Concerning the second paper, I find it interesting and very helpful to talk about transitions rather than states; this even has an important effect on how you handle the calculations. Thinking of the problem of lags (which was very adequately discussed,

by the way): if you are trying to find out why some people are poor now, and the event that made them poor might have happened any time in their life time or conceivably even in their parents' life time, it is obvious that lags are very much of a problem. We don't have a very good idea of how far back to go or how to take account of long-ago events. But if you are measuring transitions, this problem becomes extremely manageable. It is not who is poor today because they got sick sometime in the past that matters, but who has become poor because of sickness or job loss or something else. What you can easily do from that, I think, is to estimate how many people are going to be poor at any one time; you've got to measure both the ins and the outs. This is very much like looking at population (level) versus birth and death rates (transitions); you have transitions happening all the while. I think it is very interesting to have pointed out how much churning goes on. I don't know of any studies in poor countries that say anything about the frequency of going in and out of poverty; we tend to have a more static view of that. What we do know is that in the case of health, even among relatively well-off people --in the case of India even people in the third and fourth income quintile-- health events seemed to be the leading cause of becoming poor. That is to say they are probably more important than losses related to income-generating. Trying to figure out how important the churning is and how many people just stay stuck in poverty might make a difference to social policy.

I was glad to see that these models are run both with and without the employment effects, because if one thing seems clear from the variables used, it is that changes in employment could very sensibly be related to changes in family composition, in childbirth, and in disability. An obvious connection, for example, is that the birth of a child might mean that one of the parents stops working to take care of the child. Whether that pushes them into poverty or not depends on how much income they had without that person's earnings. The child's birth isn't a catastrophe by itself, but it may trigger one--of course it may trigger the kind of antisocial behavior of men who father a child and then take off, not wanting to hang around and take care of their offspring. The neutral language in which social scientists talk about these things tends to hide that sort of stuff, but in fact it's probably extremely important; and it is very important then what policy is available to protect families or the survivors of families that suddenly rupture that way.

The interactions probably are even more general than those involving employment and I hope it will be possible to push this analysis a little farther and see whether single events are most important or whether they are linked in real upward or downward spirals of connected events. For example, is the loss of a job likely to lead to divorce? Is the loss of a job likely to mean dropping out of school? Is not finishing school likely to affect these other things? Some people probably get caught in downward spirals and then to get out of poverty they have to spiral their way all the way back up. They have to accumulate again the things that they lost on the way down. One thing that doesn't work symmetrically is education, because while people can get stupider and more forgetful you can't actually have your years of schooling taken away from you--but everything else in this model can work in both directions. It is very good that there was no assumption made about symmetry, that the authors separated the equations for these transitions; there is no reason to suppose that everything goes back just where it was when an effect is reversed. What's interesting is that getting out of poverty isn't so terribly difficult if the right things happen to you, so there is no a necessity of being in a poverty trap.

Finally, the fact mentioned toward the end of that presentation that changes in health have been related to poverty even on the official definition of poverty shouldn't be surprising--but the only real measure there is moving in or out of disability. I think there may be a question here, and it would be worth checking if the data would allow it, whether short term acute illness that causes a good deal of expense and temporary inability to work because of disability is important for poverty or not. In poor countries it may very well be that short-term disability is catastrophic, because the expense is catastrophic or the income loss is. Thinking back now to the Peruvian study we heard about earlier, it matters greatly whether one is insured or not. You can bridge a short-term income loss if you're not also paying out of pocket for the health care, and then maybe the disability is in fact the more important thing if it's crippling permanently or least for a fairly long time. It would be interesting to compare this situation with the other kinds of health effects that could be happening, and to control the analysis for the presence of insurance.