

## **The Ethics of Anti-Poverty Policies**

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Jonathan Wolff

Blavatnik School of Government, Oxford University

### **Definitions of Poverty**

There are many questions that can be raised about the ethics of anti-poverty policies, but to keep the discussion within reasonable bounds, I am going to consider the question of how poverty policies can be proposed and assessed from the standpoint of recent political philosophy, and in particular, recent work on equality. I will begin by considering definitions of poverty, and why poverty should be a matter of great concern. I will then look at relevant theories of justice, and then some aspects of the behaviour of people who find themselves in poverty, which will allow us to consider a range of anti-poverty policies and their potential problems and justifications.

For the purposes of this paper I will, in part, utilise what has become something close to a consensus definition of poverty: that the poverty line, at least for developed societies, is to be defined as 60% of median net income, usually after housing costs (Joseph Rowntree Foundation, 2009). Variations upon this definition will be used for different purposes, but it is very widely used, and so I will call this the 'consensus definition' of poverty. I shall argue that while there are very good reasons to have a consensus definition that can be operationalized fairly easily, we must keep in mind that this is a proxy measure rather than something that has intrinsic significance. In particular it will tend to direct our attention to social policies that raise incomes and away from those that provide public goods and services, which in some cases are more effective ways of dealing with the underlying harm of poverty. Accordingly we need a detailed understanding of what is objectionable

about poverty, grounded in political philosophy, social policy, and poverty research, in order to distinguish between policies that grapple with the underlying problem of poverty and those that merely change the statistics of who is to be considered in poverty.

The consensus definition, of course, has a history, and to understand the underlying issues it is useful to start with Benjamin Seebohm Rowntree concept of 'primary poverty' (Rowntree 1901). Rowntree attempted to calculate the level of income that would be necessary to achieve 'physical efficiency', by which he meant a life that provided reasonable security against threats to health. This would mean having the resources to live in sanitary accommodation, to purchase nutritious food, and to have adequate clothing. Although any precise specification has an arbitrary appearance, Rowntree seemed to assume that there was a type of 'step-function' of risk. Although no life is free from risks of illness, Rowntree appears to assume that there is a level of lack of access to shelter, food or clothes that makes the risks much more severe. This will define the primary poverty line, and Rowntree calculated the income needed for individuals and different types of family in order to be able to achieve physical efficiency.

Two distinctions will be important to the analysis that follows. The first, a distinction between 'primary' and 'secondary' poverty, was introduced by Rowntree himself, but then was abandoned by him and rarely appears in poverty research. Rowntree deliberately set the primary poverty threshold very low, as he wanted to demonstrate to conservative opponents that poverty existed in the York of his day even though there was virtually full employment. Many of those in work could not support themselves and their families at an acceptable level, however careful they were with their money. Hence, as he pointed out, his own definition of primary poverty does not take into account the resources needed to have a recognisably human life: to buy birthday presents for your children or a stamp to put on a letter to a relative living in a different town. Accordingly, he noted that many of the citizens of York that his inspectors visited had the resources to achieve physical efficiency, but 'for good reasons or bad' chose to spend some of those resources in

other ways. As a Quaker, and like many of today's commentators, Rowntree was especially exercised by expenditure on gambling and alcohol (to which I will return). Secondary poverty is defined as having the resources to achieve physical efficiency but using at least some of these resources for other purposes. Conceptually this makes sense, but operationally it is very difficult to judge whether people are failing to achieve physical efficiency. Rowntree left it to the judgement of his inspectors, who made only very short visits to each house, to decide which families were living in 'obvious want and squalor' even though their financial resources made its avoidance possible.<sup>1</sup>

A second distinction is much more familiar, that between absolute and relative poverty. Peter Townsend famously introduced it in the following terms:

Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, or at least widely encouraged or approved, in the societies in which they belong. Their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs and activities. (Townsend 1979, 31)

It is this that gives rise to the consensus definition as a way of operationalizing the idea of poverty as a form of social exclusion caused by lack of resources.

I mentioned above that there are well-known objections to the consensus definition, such as it confuses poverty with inequality. On this account poverty could, according to the measure, decline simply because median income is falling. Objectively we might think of this as a situation in which ever more people are being sucked into poverty, but given that poverty is defined relative to the median, poverty, as

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<sup>1</sup> Viet-Wilson reads Rowntree as defining poverty in terms of 'obvious want and squalor' with the distinction between primary and secondary poverty being a distinction about the causes of poverty. Viet-Wilson 1986.

measured, could be falling. (Shaw 1988) Politicians, however, tend to be much more frustrated by the reverse problem. When all incomes are rising, but low incomes less so than median incomes, poverty will be recorded as increasing even if everyone is becoming better off in terms of income. The consensus definition does not necessarily track what bothers us about poverty. Therefore it is important to become clear about the philosophical reasons for caring about poverty.

### **What's Wrong With Poverty?**

If poverty is defined, as Rowntree initially did, in terms of 'obvious want and squalor', then it might hardly seem necessary to dwell further on the question of what is wrong with it, and why, therefore, there is a moral and political imperative to eliminate poverty to the degree we are capable of doing so. The social policy literature is full of accounts of the psychological and physical effects of a life of financial struggle and social exclusion.

However, in thinking about anti-poverty policies it will be helpful to have a more developed conceptual frame, and the best philosophical framework for doing so is probably the capability approach, introduced by Sen and developed by Nussbaum. The key concepts in this approach are 'functionings' and 'capability'. A functioning is what someone is or does: has adequate nutrition, shelter and clothing, or meaningful work, or lives a long life, or has self-respect, or has a supportive social network. A capability is a person's ability to achieve a functioning, and, critically for Sen and Nussbaum, will include capabilities to achieve functionings that the person chooses not to achieve. For example, a person may have the capability for religious practice (religious freedom), in that, were they to want to worship any God they would be able to do so, but, being an atheist choose not to. Nevertheless, this person may rightly value the capability for freedom of worship.

In thinking about poverty, Sen's understanding of capabilities is especially helpful. Sen conceives of a person's capability set as a set of the alternative sets of functionings that the person could achieve (Sen 1980). To illustrate with a very

simple case, suppose someone in very difficult circumstances has enough money either to buy a nourishing meal, or a warm bed for the night, but not both. In that case they are faced with a choice of two distinct functioning sets (meal and no bed, or bed and no meal). Their capability set is the set of those two functioning sets, and the individual has to make a choice between them. For Sen the normal situation for any individual requires a choice between different functioning sets, for even if money is unlimited time is strictly finite. But in this case the position is extremely stark, as it will be for anyone with highly constrained financial resources. In the worst cases of poverty an individual will not be able to achieve any functioning to an acceptable degree, which corresponds to Rowntree's understanding of primary poverty. And secondary poverty can be understood as having a very limited capability set that allows you to achieve either physical efficiency, or something else you value (a modest social life, perhaps) but not both.

Financial resources are a powerful determining factor of an individual's capability set, even if, as the example of religious practice shows, it is not always sufficient, in the face of obstructive laws, cultures, material constraints and social structures. Nevertheless, the absence of financial resources is likely to have a strong adverse effect on capabilities. Those with little money, to return to Rowntree's definition of poverty, cannot achieve adequate housing, nutrition or clothing.

The mention of clothing, however, allows us to see how Sen is able to link the capability approach to the definition of relative poverty. He does this by drawing on Adam Smith's examples that, in the England of Smith's time, an ordinary artisan could not appear in public 'without shame' unless he was wearing a linen shirt and leather shoes (unlike Scotland where wooden clogs were, at the time, acceptable, so Smith suggests) (Smith 1976 [1776]: 869-872. Although linen shirts and leather shoes are not needed from the point of view of 'physical efficiency' they are from the point of view of 'fitting in', or as Sen would put it, achieving the functioning of self-respect. Too little money and one will not be able to achieve self-respect, or at least not without sacrifice to other functionings, such as nutrition. I will come back to this in more detail later, but in the meantime we can note that a capability approach

explains what is wrong with poverty, obvious thought it may be. A valuable human life is one that includes the capability to achieve a range of valuable functionings, and poverty will make this impossible, requiring an individual to make very difficult choices between different important functionings, perhaps even compromising them all.

I want to introduce one further refinement to the capability approach at this point. With Avner de-Shalit (Wolff and De-Shalit, 2007) I used the terms 'corrosive disadvantage' and 'fertile functionings' to capture some inter-relations between different functionings. Some disadvantages are very likely to put other functionings at risk. For example, a hungry child is unlikely to be able to concentrate on school work, and will also possibly suffer health problems. Hence there are always strong reasons to protect against the corrosive disadvantage of hunger, or being bullied at school, which is also likely to have a range of adverse effects (Ridge, 119). More positively, the possession of some functionings, such as early education, soft skills, or a supportive social network, could well have beneficial effects elsewhere, and so resources devoted to the advancement of such fertile functionings may pay dividends in terms of achieved benefits. In social policy, therefore, there are good reasons for preventing the formation of corrosive disadvantages and advancing fertile functionings. Again I will return to this.

The capability approach, however, puts the problem with the consensus definition in to sharp focus. Although lack of financial resources is an important source of capability deprivation, we have already noted that it is far from the only source. A woman, or a member of a minority race, may find that the impediment to capability lies in discriminatory laws or customs, independently of anything to do with resource possession. For this reason some capability theorists, including Sen, have argued that theorists should redefine poverty in terms of capability deprivation, given that capability deprivation is our real concern, and lack of financial resources only one cause among several (Sen, 1983).

While I have great sympathy for this argument, it seems for me a mistake to try to

redefine poverty in this way. First of all, much more work would be needed to make a capability definition, so understood, amenable to empirical research and measurement. Second, it would cut off future research from a tradition of thought that reaches back more than 100 years and would thereby make trend analysis problematic. Third, lack of financial resources is nevertheless a very significant determinant of capability deprivation. And finally, capability deprivation caused by lack of financial resources may well need different policy approaches to that caused by other factors such as discriminatory laws and policies. Hence there are good reasons for retaining the consensus definition, even if, once again, we understand that it needs to be used with caution. (For similar arguments see Lister 2004, p. 18-9)

For example, we need to keep in mind that while poverty is a very serious social problem, it is not the only social problem, and we need to think carefully before recommending the diversion of social resources to deal with poverty if those resources will be mean reduced attention in other areas, such as health and disability policy.

### **Poverty and Theories of Justice**

Sen's approach, as I have said, is very helpful for understanding the nature of poverty, and connecting philosophical reasoning with social policy debates. It will be also to useful to set the issue in the context of recent philosophical debates about equality (for a summary see Wolff, 2007). Although many political philosophers claim to be in favour of equality, relatively few argue for strict equality, being mindful of the arguments that in some cases implementing strict equality could make everyone worse off by significantly reducing economic activity or efficiency. Hence John Rawls famously argued that a just society is one that implements the 'Difference Principle' making the worst off as well off as possible, in terms of income and wealth (Rawls 1971, 1999). This is now often referred to as an 'absolute priority' view, giving absolute priority to the income and wealth of the worst off and doing whatever is possible to raise it to as high a level as possible, accepting inequality, if necessary. Others have argued that if all resources are devoted to improving the position of the very worst off, this could rule out highly cost-effective improvements in the

prospects for those who are not all that much better off. Hence some, such as Parfit, have argued that while the worst off should have special priority, it should be not be absolute. We can see that many governments have adopted a weak version of this 'relative priority' principle, devoting particular attention to the worst off, although most philosophers would argue that few, if any, governments have ever done so with sufficient commitment, energy of focus. Finally, we should add the sufficiency view, introduced into this debate by Harry Frankfurt, in which justice requires providing everyone with a high level of sufficiency, but inequalities above this level are of much less, if any, concern.

Arguments are given for and against these different positions, but from the standpoint of the discussion of poverty, it is unnecessary to enter those debates. All these theories, if fully realised, would lead us to a world without poverty. This perhaps is the reason why, with a few honourable exceptions, there has been little discussion of poverty in the philosophical literature.<sup>2</sup> In response, however, it will rightly be said that these utopian pictures ignore the fact that poverty exists to a significant degree, and has been growing in the developed economies in recent years. Hence political philosophers have a responsibility to add their arguments for anti-poverty policies. But still, for practical purposes it remains unnecessary to decide which of equality, absolute priority, relative priority or sufficiency is the most justified approach, for all have the same implication for the real world: identify those who fall into the worst off groups and take steps so that their position is improved (without others sinking to take their place). And this will therefore, provide extra support to tackle poverty.

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<sup>2</sup> There has been much attention to global poverty, understood in terms of such things as 'two-dollar a day' measures, and especially the obligations of the globally wealthy to relieve global poverty. (See, for example, the essays in Pogge 2007). But more generally, the philosophical literature on poverty is sparse (for major contributions see Jones 1990, Keralis 1997, Hull 2007, and Lotter 2011). With co-authors I have speculated on the reasons for this elsewhere (Wolff, et al 2015).



The main opposition to the idea that there is any duty of justice to address poverty comes from a libertarian tradition, represented in the philosophical literature by Robert Nozick, which denies that the state has any right to engage in policies to redistribute resources from one person to another, except in cases of reparative justice where a previous injustice has taken place. Nozick accepts that the rich have moral duties of charity to help those who cannot help themselves, but denies that this is a justified function of the state.

While the philosophical mainstream has not accepted Nozick's position, his arguments have led many egalitarians to focus on the distinction between those who are poor for reasons beyond their control, and those who are poor as a result of their freely made choices. This has given rise to what is now generally called 'luck egalitarianism', introduced by Dworkin. It comes in a number of varieties, but in its clearest form makes a distinction between 'option luck', which is the result of choice, and 'brute luck', which concerns those things beyond an individual's control. The general position is that justice requires complete remedy for bad brute luck, but nothing for bad option luck. Those who have made bad free choices are responsible for their own misfortune, and society has no duty in justice to help (even if individuals may choose to do so as a matter of charity).

It cannot be denied that this theory resonates with some common intuitions about desert and justice. However, it has a number of unfortunate aspects. First, it resurrects older debates about the distinction between the deserving and underserving poor, individualising responsibility and paying no attention to the structural factors that are so fateful for individual lives. Second, and relatedly, it presumes that the distinction between free and unfree choice is clear. Third, it requires a social test for distinguishing between those who are responsible for their low income, and those who are in poverty through no fault of their own, which is likely to be humiliating and costly, and hence in conflict with the values of equality, generosity and efficiency. This is exactly what we see in cases where benefit claimants have to go through the charade of applying for jobs that they have no

hope of attaining, as a condition of continuing to receive benefits. An alternative approach has been suggested by Alexander Brown, who argues that we should reconceive responsibility as a type of virtue of character that can be fostered or impeded by different social arrangements. We have every reason to seek social policies that encourage individuals to take at least partial responsibility for their own lives, both for the intrinsic value of the capability of autonomy, and the beneficial social consequences it may have. (Brown, 2009). It is an empirical question which policies will facilitate the growth of this virtue, and it is not at all obvious that punishing people for their alleged imprudent choices would have this effect.

### **Poverty and Social Equality**

I will shortly return to the issues related to poverty and choice, but first I want to set the issues discussed so far in the context of another recent debate in political philosophy, between what has become known as ‘distributional’ and ‘relational’ egalitarians. The relational egalitarians, including Miller (1997) Norman (1977) Wolff (1998), Anderson (1999), Scheffler (2003, 2015) and Schemmel (2011), have argued against the distributive focus of the egalitarianism of Dworkin (1981a, 1981b), Cohen (1989) and Arneson (1989, 1990). This critique, which also draws inspiration from Young (1990), suggests that the correct way of understanding a society of equals has been distorted by those who focus on distributive justice. Rather than conceiving of equality as a matter of ensuring that everyone has an equal share of some thing, be it income and wealth, preference satisfaction, experienced utility, or even basic capabilities, relational or social egalitarians regard a society of equals of one constituted by the right type of relations between individuals. In my own version of this approach, a society of equals is one that avoids a range of asymmetric and alienating social relations, such as, snobbery and servility (Tawney, 1931), as well as, violence, exploitation, marginalization, powerlessness, and cultural imperialism (Young 1990), hierarchy (Miller, 1997) and social exclusion (Townsend 1989, Wolff 2015a, 2015b, 2017). Insisting on the equal possession of material resources looks, if anything, fetishistic, investing material resources with a moral significance they do

not have. (Wolff, 2010).

Yet to say that the importance of material resources can be exaggerated is not to say that they have no importance. If there are people living in avoidable poverty, and, for example, are forced to take exploitative jobs, then it is fair to say that we have not achieved a society of equals. Hence many relational egalitarians accept a form of the 'sufficiency' view, arguing that everyone is entitled to the level of resources that would provide them with an adequate capability set. But even more significantly, the definition of relative poverty as given by Townsend (as distinct from the consensus definition of poverty that attempts to operationalize it) is set out in terms of social exclusion, and hence is a social equality ideal, not a distributional ideal. Poverty, turns out to be critically important for social or relational egalitarianism as well as distributional egalitarianism, especially once relative poverty is understood.

### **Poverty and Choice: Necessities and Luxuries**

I noted above that luck egalitarianism entails that people have no claim in justice on others for compensation for the adverse effects of their freely made choices. It parallels a populist discourse in which those who make inappropriate choices should have no claim for social support. This takes us back to Rowntree's distinction between primary and secondary poverty, and the thought – that certainly wasn't Rowntree's – that those who are in secondary poverty should change their spending patterns rather than seek remedies for injustice. On such a view, those who spend money on a night in the pub have only themselves to blame if they cannot afford basic necessities. As mentioned above, on the approach taken here the real concern should be such people's diminished range of functioning sets, rather than how they make choices within the functioning sets available to them. Nevertheless, it will be important to consider how poor people spend the resources available to them. I want to emphasise that the reason for doing this is not to make any moral judgement about choices made by people with limited resources, but rather to help understand when anti-poverty policies are likely to be effective and when they run

the risk of failure in terms of improving capability sets.

To set the background for that discussion, I want to return to Rowntree's austere definition of primary poverty, which, I noted, he adopted for political purposes. Broadly it proposed a distinction between spending on 'necessities' and non-necessities, perhaps even luxuries. It draws the category of necessities very narrowly, and then defines primary poverty in terms of not being able to afford necessities. The distinction between necessities and luxuries has been with us a long time. It shows up particularly in sales-tax policy. In fact Smith's discussion of leather shoes and linen shirts was in the context of discussing sales tax, and proposed exemptions for necessities. Smith argued that leather shoes and linen shirts had become necessities in England. And the issue is still with us today. The leading example in the UK is the notorious court case to determine whether Jaffa Cakes are a chocolate biscuit, and hence a luxury good, subject to VAT, or a cake, regarded as a necessity.

It is interesting – and counter-intuitive – that cake is regarded as a necessity. One possibility is that birthday cakes are rightly considered necessities, but as it would be impossible in practice to implement a distinction between birthday cakes and other cakes, all are considered necessities. Alternatively, it might be thought that the occasional luxury is a necessity for any decent human life, and therefore it is important to have some luxury goods available to those on a tight budget. And this brings us back to Rowntree, who observed that a great many people sacrificed necessities in order to purchase other goods. Rowntree was especially exercised, I mentioned, by spending on gambling and alcohol, and for this reason he made a personal investigation into pubs, thereby coming to understand their vital importance as a centre of social activity. (311-2)

Rowntree was clear that there are goods of high importance to individuals that were not valued for their contribution to physical efficiency, but simply made life bearable. Indeed the phenomenon of secondary poverty was very widely observed

in Rowntree's York, and in fact about twice as common as primary poverty. This should give us pause for reflection. In many philosophical accounts of need it is assumed that there is a hierarchy of need, with needs for something like physical efficiency as the most urgent. And it is true that the need to eat and drink enough, and to have clothes to wear, are basic in the sense that without these we will die. But beyond the most basic level there is great diversity in how people will choose to spend their money. Rowntree himself wrote in 1937, in response to the putative objection that poor people wasted their money drinking, smoking and going to the cinema:

[W]orking people are just as human as those with more money. They cannot live just on a 'fodder basis'. They crave for relaxation and recreation just as the rest of us do. But... they can only get these things by going short of something which is essential to physical fitness, and so they go short .... They pay dearly for their pleasures! (1937, pp.126-7).

In the context of considering minimum wages for women Rowntree suggests that a woman living alone, unlike a married woman, has a need for nice clothes for evening and weekends, 'as a girl who cannot dress nicely will be seriously handicapped in the matter of marriage.' (Rowntree 1937, 108) He adds, that 'a girl engaged in a monotonous repetition job in a factory, for fifty hours a week, is in absolute need of some recreation in the evenings.' (Rowntree 1919: 120)<sup>3</sup>

### **Spending Patterns**

In thinking about how people choose to spend their money, there are many ways of dividing the terrain, but a division between personal, social, and status goods will be useful for the purposes of this discussion. A personal good is one that can be enjoyed

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<sup>3</sup> Note that this remark was deleted in the 1937 edition of *The Human Needs of Labour*, but replaced with a general reference to recreation and the need for money for holidays as well as the by-then compulsory unemployment insurance (Rowntree 1937, 109-110.)

independently of social context, such as a warm, dry bed, or tasty food. A social good, as I intend the term, is one that is used in connection with enjoying relationships with, or the company of, others. Rowntree's stamp for a letter, birthday presents and cake, and a night in the pub all fall into this category. Status goods are those the absence of which makes it harder to fit in, and threaten self-respect. Smith's leather shoes and linen shirt are examples. Some goods fall into more than one category, such as a child's school trip. Its educational aspect is, in part at least, a personal good. The pleasure of a trip with one's friends is a social good. And the humiliation of not being able to afford to go shows that it also has an important status function (Ridge 2002, 74-82.)

Many empirical studies have shown that many people even with low incomes feel compelled to spend significant sums of money on certain types of status good. The clichéd example for children is having the right brand of trainers (Ridge, 2002 73), or this season's football kit. But the need to spend money to fit in is a global phenomenon. For example, one leading cause of financial difficulty in South Africa is said to be the need to spend large amounts of money on elaborate funerals, which became an increasing strain, in addition to the emotional burden, when deaths from HIV-related causes were at their height (Collins et al 2009: 75-86).

The immediate point of these examples is to explore why it is that individuals put themselves into secondary poverty. We have seen that Rowntree himself fully understood that a human life involved more than physical efficiency. Indeed it has been pointed out that he listed tea as a necessity, even though it has no nutritional value. He fully recognised that the occasional 'treat' and a social life is part of what it is to be a human being. Adam Smith was also clearly sympathetic to the need to purchase the necessary status goods to fit in. Hence there is no mystery why people put themselves in secondary poverty, and this is one of the good reasons for abolishing the distinction between primary and secondary poverty. Indeed, one of the great virtues of the consensus definition is that it somewhat blocks the moralising question of how people are spending their money. However, it also

diverts us from asking the question of how different forms of spending convert into functionings (or preference satisfaction or well-being) in different ways.

To advance the argument it will be helpful to use another distinction, in terminology introduced by Fred Hirsh (1977) between material goods and positional goods. A material good is one for which your enjoyment is unaffected by how many other people consume it (this will have considerable overlap with what I called 'personal goods'). Ordinary experiences of eating, or a warm house, would generally fall into this category. Positional goods are those where enjoyment is likely to depend on the number of other people who also consume or have access to it. Sometimes there are overcrowding effects, such as the pleasures of the beach. Sometimes a good is a 'filter' to another (a university education is a filter for the job market, for example). But, most relevant for the current context, some goods are in whole or part status goods, and the more people who have them, the less they are worth.

Robert Frank (1999) argues that in contemporary affluent societies increasing amounts of money are spent on status competition. As wealth and incomes have risen we have typically not converted this affluence into individual or collective material goods, such as more leisure or a cleaner environment, but have simply increased the cost of not being left behind. Bigger houses and more expensive cars all allow us to keep up with the status competition, but provide very little additional benefit than we would have in a world of cheaper status goods. Frank thinks that almost all would benefit if, somehow, we reduced the cost of status competition, and used the saved resources in other ways. He also argues, in effect, that it is part of the government's responsibility to protect us from these damaging forms of status competition by, for example, forcing us to save for our pensions, rather than frittering away the money on status goods.

It may be that Frank has exaggerated the problem, and it may be wondered how an analysis of the spending patterns of the rich can be relevant in the current context, but equally the point now may well be obvious. How people spend what money they have may be very fateful for their future prospects of overcoming poverty. As we

have already noted, right wing critics have often objected to providing money to people in poverty on the grounds that they often waste the money given to them, by frittering it away on unnecessary goods, including status goods. But sympathetic commentators have also noted that the spending habits of poor people sometimes entrench their poverty. Bannerjee and Duflo, for example, report that the fruit vendors of Chennai borrow working capital each day at an extortionate rate of interest, but also drink several cups of tea. They calculate that if a vendor cut down their tea just by two cups a day for three days, they could reduce their borrowing with miraculous cumulative effects (Bannerjee and Duflo, 2011: 190-191.) Mayhew in 1863 made similar comments regarding the costermongers of London, who also took out high interest short-term loans to allow them to hire barrows and purchase the day's stock, but also spent money on discretionary consumption when they could have saved to build up their own working capital. And of course a literature has sprung up in behavioural economics to try to understand why people under such pressure make such apparently irrational decisions (Mullainthan and Shafir 2013).

### **Diverted Status Spending**

My concern here, though, is not the general phenomenon of apparently impaired decision-making, but the possibility of people on low incomes spending significant sums on status goods. Let us call this possible phenomenon 'diverted status spending'. Right-wing commentators tend to argue that diverted status spending means that money spent on poverty relief will be wasted, and therefore less should be done. In response I would argue that the possibility that diverted status spending exists forces us to focus on the question of the best way of using collective resources to improve the capability set of poor people. For suppose it is true that many poor people spend a significant portion of their income on status goods, which, as we have seen are positional goods. If so, then eradicating poverty by bringing everyone above the line as set out by the consensus definition will have an uncertain effect on their capabilities and functionings. It is possible that we might see a version of what Frank has claimed to be taking place at higher income levels. If it is true that those with more money will continue to wish to mark their distinction from poorer people



through their consumption behaviour, then once the poor can afford the 'right' clothes, fashions will soon change and become more costly. The cost of fitting in – the right trainers, the right holidays, the right funerals – will rise, and everyone will be back where they started.

I should be clear that I am not attributing any sort of moral failure to people who spend a portion of their income on status goods. I agree with Adam Smith that this is part of what it is to be a human being, at least under current conditions. Narayan et al make a broader point: 'The maintenance of cultural identity and social norms of solidarity helps poor people to continue to believe in their own humanity, despite inhuman conditions.' (Narayan et al 2000, 4-5) And this has many resonances. For example, Ridge points out that for young people wearing the right clothes improves their confidence (Ridge, 2002, 70) and of course how you dress and are groomed will affect your chances of getting a job or being taken seriously in a benefit interview, and so has an intrinsic value beyond mere status. Going to a nail bar or a barber or a pub or a betting shop is a way in which poorer individuals can have their humanity reaffirmed, simply by being treated with the courtesy due to any paying customer. Perhaps most importantly, however, because of the near universal association of (avoidable) poverty and shame, some poor people will take steps to avoid the appearance of poverty, even at great cost to other functionings.

The argument so far, however, has been limited. I have argued for the conceptual possibility of diverted status spending, and have argued that if it exists then raising the incomes of poor people will have an uncertain effect on their capability set. But how significant a phenomenon is it? Many authors would deny that it exists to any great degree in the UK. In *Breadline Britain* Mack and Lansley (2015) propose a concept of 'deprivation poverty' consisting of lacking three or more of twenty-five listed necessities (necessities are defined by a majority of people in a survey regarding them as necessities). Such necessities include, at the highest priority: heating to keep the home adequately warm; a damp free home; two meals a day; ability to visit friends and family in hospital or other institutions; and ability to replace or repair broken electrical goods. Mack and Lansley suggest that the

evidence shows that the main reason why people lack these necessities is simply lack of income. There is no good reason, then, to believe that extra income would be spent on anything other than the missing necessities. This would suggest, for example, that poor families are not typically putting the right brands of clothes and trainers over necessities such as two meals a day for everyone, or heating their home.

In their table of households missing out on necessities, those most commonly sacrificed are 'replace or repair broken electrical goods' (26%) 'all recommended dental treatment' (17%) 'keeping home in a decent state of decoration' (20%) 'regular savings of at least £20 a month' (33%) and 'regular payments to an occupational or private pension' (30%). Very few people are missing out on visiting friends and family in hospital, or attending weddings, funerals or similar events (3% in each case).

In sum, then, to construct a hybrid of Rowntree's and Sen's terminology, according to Mack and Lansley people on low incomes are choosing the functionings related to physical efficiency over the functioning of self-respect. Interestingly, though the high priority given to visiting friends and families in hospital also shows the importance of social connection. This suggests that diverted social spending is not a significant issue in the UK, with people preferring to 'go short' on self-respect, rather than on food or on heating their homes, or on visiting relatives in hospital. Yet even if this is true of the UK (and it is only one study, of course), it is not automatically transferable to other cases.

### **Anti-Poverty Policies**

The early sections of this paper suggested that people in poverty suffer from a radically limited capability set, having to make agonising choices between critical functionings. Poverty, understood this way, is a serious injustice from a wide range of broadly egalitarian positions, and it is clear that governments have an obligation

to try to prevent people falling into poverty, and to help people to escape poverty on a permanent basis, where possible. Few governments have ever shirked that responsibility entirely, but it is clear that many could do more.

What, then, should government do to try to eliminate poverty? One current debate is whether the best strategy is to engage in fairly radical redistribution, as experienced in the Scandinavian economies, or to encourage economic growth to lift people out of poverty, as, for example, is commonly regarded to have taken place in China. At first sight this looks like an empirical question, which may have different answers in different contexts, concerning what will do most to raise the position of people on low incomes. However, while economic growth may well provide people with the means of overcoming absolute poverty, defined along similar lines to Rowntree's account of primary poverty, the effects on relative poverty are uncertain. As society gets wealthier what counts as 'fitting in' is likely to become more expensive, and low income individuals may remain just as excluded as before. If diverted status spending takes place, those affected may continue to suffer from poor housing and nutrition, simply in order to avoid the appearance of looking poor, even if they have more wealth.

Hence to avoid relative poverty it is important to ensure that the inequalities of income and wealth between those towards the bottom, and those living a 'typical' life are not too severe. This, of course, is the motivation of the consensus definition. And it seems very unlikely that reduction in poverty so understood can be achieved without redistribution. Still, we should be clear that redistribution is always a second best policy. Ideally we would arrange society so that as part of its natural functioning no one falls into poverty, but given how far away we are from that redistribution seems critical.

Nevertheless we have noted that raising income, under some circumstances, will not always improve the capability sets of people on low incomes because it can simply make achieving self-respect more expensive. In such cases an alternative way of improving the capability sets of people classified as poor is to spend money on public

services rather than raising income. The suggestion is that an important anti-poverty strategy is to take at least some necessities out of discretionary spending, as the UK has done with education and health care, or at least mitigate their expense such as not levying VAT on children's clothes. Subsidised decent housing, effective cheap public transport and affordable child care are other similar strategies. Although these changes will not register as an improvement according to the consensus definition of poverty, they will, nevertheless, address the issue that makes us care about poverty.

Equally, bearing in mind that much of the secondary poverty observed by Rowntree was a matter of people spending money on social goods, the government can also make these cheaper by providing community centres, evening classes, public parks and sports facilities and so on. Yet to preserve individual choice, autonomy and self-respect, there needs to be a limit to public provision, and retention of significant scope for discretionary spending. The general theoretical point is not that all goods should be provided by the state, but that a particular amount of money, such as 60% of median income, will go further under some social conditions than others.

It is also worth returning to the concepts of 'corrosive disadvantage' and 'fertile functionings' introduced earlier. Generally both society and individuals will benefit if resources are spent to avoid the formation of corrosive disadvantages and to encourage the generation of fertile functionings. Where the government is providing services directly this is certainly within their power. For example, breakfast clubs at schools not only provide nutrition but also put children in a better position to learn. Insisting on a cheap school uniform and heavily subsidised school trips makes it easier for children from low income families to fit in. Taxing unhealthy consumption choices (such as minimum alcohol pricing) could also be considered, yet there is a real need to be careful here, as an analogue of diverted status spending is possible, especially where the goods involved have an addictive quality. It could be that putting up the price of alcohol simply means that there is less money to spend on other things, rather than reducing alcohol consumption. But in any case there are

many 'nudge' style policies that could be considered.

A different solution to diverted status spending would be to change norms of status so that people no longer feel the need to spend their money on status goods. Welcome though this would be I assume it is not within a government's power. Very likely any attempted government policy would be subverted. Hence the solution of providing more necessities and social goods either as public goods or at a subsidy could in some circumstances be the best way of ensuring a richer capability set than an increase in income. However some may worry that this is a slippery slope to very intrusive and paternalistic policies, such as food stamps that stigmatise and infantilize poor people. However, on the whole I am suggesting that the government provides public goods for all, not just those certified as falling below a particular income threshold. And it is not normally regarded as paternalistic for governments to provide public goods in circumstances where individuals cannot achieve those results for themselves through collective action. This, of course, is Frank's argument regarding positional goods, and the importance of reserving resources to serve other purposes than increasingly expensive status competition.

## **Conclusion**

In considering the ethics of anti-poverty policies, it is necessary to understand the nature of poverty and how it affects people's lives. I have tried to illuminate these issues by drawing on a range of material from social policy and political philosophy. The central idea is that to be in poverty is to face a capability set that is severely limited owing to low financial resources, and therefore forces very difficult choices. Structural and individual factors will mean that the exercise of some choices may reinforce poverty while others could possibly help secure a pathway out. This is not, however, to attempt to blame poor people for their own poverty, but rather to point to the highly constrained circumstances in which they often find themselves. Generally, however, changes to reduce the potentially damaging effect of some choices need to be at a structural rather than individual level, and this will mean a balance has to be struck between redistribution through transfer payments, and

making some goods free at the point of consumption. For this reason I have cautiously adopted the consensus definition of poverty as 60% of net median income after housing costs, while emphasising that overcoming the underlying difficulty of poverty – limited capability sets – will not necessarily track bringing people out of poverty so defined.

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