What will it mean to end poverty?

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Abstract

How we think about development hinges in large part on how we think about poverty. The world community has embraced the goal to end global extreme poverty as a cornerstone of development policy, but we show how success will hinge on how "poverty" is understood. We argue that global poverty will not be eliminated even if the global headcount of poverty, as originally conceived, is brought to zero. This is because much poverty is experienced by people who are not typically designated as "poor"; their deprivations may be substantial, but they systematically go uncounted. We consider poverty in this broader framework and describe what it will mean to end global poverty and the steps needed to truly achieve the goal.

The arguments in this essay draw heavily on our research with data from India (Merfeld and Morduch 2024a and 2024b). We thank the Mastercard Impact Fund, in collaboration with the Mastercard Center for Inclusive Growth, and the KDI School for research funding. We alone are responsible for all views and any errors.

1. Introduction

Reducing poverty has long been central to the imagination of what it means for countries to "develop" (Kapur, Lewis, and Webb 1997; Ravallion 2022). Concern with poverty takes many forms but nowhere is it more visible than in the choice to elevate global poverty reduction as the first of the 17 United Nations Sustainable Development Goals. Even though the goal will surely not be met, its ambition is telling: The first SDG is a commitment to eliminate extreme poverty by 2030, ending "poverty in all its forms everywhere."[1] The declared mission of the World Bank similarly puts eliminating poverty front and center.[2]

Rather than aiming to broaden the notion of "development" beyond the concern with poverty, we keep the focus on poverty. In doing so, we argue that part of the narrowness of the historical notion of "development" stems from a particularly narrow notion of poverty.[3] Others have argued for broadening the idea of poverty beyond the historical concern with insufficient material resources, bringing in deficiencies in multiple social dimensions, including education and health (e.g., Alkire and Foster 2011). Here, however, we maintain the focus on material deprivation to describe how development thinkers have locked onto a limited conception of how households experience poverty. One consequence of that narrowness is that "ending poverty" as measured by the global poverty headcount will fail to actually end poverty.

To see why, we disentangle three concepts that have been blurred in development thought:

1. Poverty
2. "The poor" versus "the non-poor"
3. The poverty rate

Our starting point is empirical. Surveys, ethnographies, financial diaries, and randomized trials all describe how economic life, particularly for people with low incomes, often shifts through the year. Earnings rise and fall with economic conditions and agricultural seasons. Jobs come and go. Health improves and worsens. As a result, poverty is often not a single condition that spans the whole year. Poverty may be experienced for part of the year, for example—a condition of low

[1] United Nations, Department of Economic and Social Affairs. "The 17 Goals." https://sdgs.un.org/goals. Accessed February 24, 2025. Reducing the rate of extreme poverty was also the first Millenium Development Goal, or MDG (https://www.un.org/millenniumgoals/).
[2] World Bank, "Who we are: Our mission is to end extreme poverty and boost shared prosperity on a livable planet." https://www.worldbank.org/ext/en/who-we-are. Accessed February 24, 2025.
[3] We maintain the conventional focus on poverty as a lack of material resources, judged by insufficiency relative to a poverty line. This approach is in line with Atkinson 2019 and Ravallion 2016, for example, but it departs from recent steps to consider poverty in multiple dimensions; e.g., Alkire and Foster 2011.

seasons in rural areas, such as the *monga* season in Bangladesh (Bryan et al., 2014), but not of harvest seasons.[4]

We show how the binary notion of "the poor" versus "the non-poor" fits this reality uneasily. In turn, official poverty headcounts (which rely on the same binary distinction) also fit uneasily. We suggest that understanding poverty requires escaping from the poor/non-poor binary to recognize how the intensity of deprivation and the duration of poverty can vary during the year. The framework makes clearer what it will actually mean to "eliminate poverty."

2. Seeing like a welfare state

On its face, the idea of poverty is simple and intuitive. Conventionally, "poverty" captures the condition of being materially deprived, the inability to meet one's most pressing material needs, including food, health, and shelter.

As Palgrave (1901) notes in his entry on "Poverty" in the original *Dictionary of Political Economy*, the idea goes back to the ancients. For Aristotle, writing in the *Ethics*, poverty is the lack of certain things "without which goodness and happiness are impossible" (Palgrave 1901, p. 179). Palgrave translates these needs as "material equipment," and today we can think of them as the content of the baskets of goods used to calculate poverty lines.

Even if this idea of poverty is intuitive in general, the way that it has been applied in policy settings involves choices that are more particular and restrictive. When the modern notion of poverty (based on survey data and poverty lines) entered the policy realm in the 19th century, "poverty" took a specific form and was needed for specific work.[5] In that process, poverty came to be defined formally as an annualized concept (does one have sufficient "material equipment" for the full year?). It was then possible to mark a person as poor for the given year, and it became possible to separate "the poor" from "the non-poor" based on annual survey data. The deployment of "poverty" on these terms could then do much of the same work that designating people as "paupers" did in Victorian England (Himmelfarb 1984, Sherman 2001). It allowed government and charity workers, politicians, and others to target "the poor" with humanitarian and redistributive projects (O'Connor 2001).

The annualization of poverty, tied to the popularization of the headcount poverty measure, also helped to succinctly communicate a version of the policy problem. When the pioneering poverty

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[4] Collins et al (2009) describe income and expenditure variability in low-income settings. Also see the references in Merfeld and Morduch (2024a), including Breza et al (2021), Dercon (2002), Dercon and Krishnan (2000), Devereaux et al (2012), Dostie et al (2002), Fink et al (2020), and Khandker (2012).

[5] The codification of poverty in strictly annual terms is an example of "seeing like a state" in the phrase of Scott (1998). See Gillie (1996) for a description of early poverty lines developed by school boards as a means to target students deserving subsidy.

scholar, Charles Booth, calculated in the early 20th century that one third of London was poor, it sparked outcries (Himmelfarb, 1991)—in much the same way that late 20th century global headcount poverty rates of around one third also mobilized action (Ravallion 2016).

The success in communication is for good reason: the annualized metric highlights deficiencies in people's overall earning power–tied to low wages, the irregularity of work, and chronic social and health problems (Booth 1893, Rowntree 1901). Low earning power, together with the broad lack of community and public support, is indeed an essence of the poverty problem.

Higher frequency data–by months, quarters, or seasons–show, however, that insufficient annual resources is not the entirety of the problem. As a result, viewing poverty only through the lens of annualized data, and only through the headcount and related measures, is limited as the only way—or even the main way—for policymakers to understand and address poverty.

Poverty is more fully seen as a product of (1) low resources in total and (2) instability during the year reinforced by the inability to get hold of resources when needed. The headcount and related measures capture the first part. The broader concept of poverty described here captures the second part.[6]

2.1 Losing sight of poverty

The inability to see the full problem rests with the empirical reality that the experience of poverty often shifts, varying through the year. A household judged "non-poor" in a given year may also, for example, experience poverty in that same year.

Few large nationally-representative surveys have data on the well-being of the same households collected systematically across the year. Surveys from particular regions or particular moments, however, document wide variability (e.g., Dercon and Krishnan 2000) and seasonality (e.g., Devereaux et al 2012). To illustrate the issues here, we turn to data from Jordan which includes quarterly observations of the consumption of the same households. We draw on analyses by Dean Jolliffe and Umar Serajuddin (2018) who analyze household survey data from Jordan in 2010.[7]

Overall, they find that the poverty rate was 14.4 percent in 2010. This is the conventional headcount, measuring the share of "the poor" in the population based on yearly consumption.

The evidence presented by Jolliffe and Serajuddin (2018, Table 2), distilled here in our Table 1, shows how incomplete a view the headcount offers. While the headcount is 14.4 percent, more than double that share (i.e., 33 percent of the population in Jordan) in fact experienced poverty for

[6] As climate change creates greater within-year weather volatility (Santer et al 2018), the second source of poverty is becoming even more salient.

[7] We show related findings in rural South India (Merfeld and Morduch 2024a) and describe related findings in national data in other countries.

at least a quarter in 2010. Moreover, most "poor" people were not always poor. The fraction of the population that was poor in all 4 quarters was just 6.4 percent; this is less than half of the officially-designated poor population, and they account for just 35 percent of quarters in poverty. Nearly a quarter of the officially-designated "non-poor" population was sometimes poor (22 percent of the "non-poor"), and it turns out that "non-poor" people accounted for a similar share (35 percent) of all the quarters experienced in poverty.

	Share of population	**Share of months in poverty**
"Poor"	14.4	65
"Non-poor"	85.6	35
Always poor	6.4	35
Sometimes poor	33.0	65

Table 1. Poverty in Jordan across quarters (2010).

Based on Jolliffe and Serajuddin (2018). "Poor" and "Non-poor" are based on annual consumption, independent of the duration of poverty within the year. "Always poor" means poor in each of the 4 quarters. "Sometimes poor" means poor in at least one quarter of the year.

Those 35 percent of quarters spent in poverty by "non-poor" households–which are experienced by a group as large as the officially-designated poor population–disappears from view when looking at annualized data. The data thus illustrate large gaps—conceptually and empirically—between "poverty" seen as a shifting condition and "poverty" as seen only through the binary of "the poor" and "the non-poor."

It is tempting to see the headcount and "the poor" as concepts which capture "chronic" poverty while the broader, shifting notion of poverty instead captures "transient" deprivation. The latter might then be seen as a lesser concern, as a temporary situation that rights itself without intervention. Sometimes that may be so, but "transient" poverty within the year is not necessarily fleeting. It can be systematic and rooted in structural inequality, tied to seasonal downturns and other sources of instability that recur year after year (e.g., Dercon 2002, Khandker 2012). Just as the binary of "the poor" / "non-poor" fits uneasily, so does the binary of "chronic" / "transient". A category is needed that captures poverty that is chronically transient.

2.2 What is the headcount? Poverty in a "perfect" world

The data in Merfeld and Morduch (2024a) and Jolliffe and Serajuddin (2018) show that economic life on a low income is often far from steady. But if economic life is not in fact steady, it can be made steady through what economists call "consumption smoothing" (Jappelli and Pistaferri 2017). One defense of maintaining the annual frame and binary demarcation between "the poor" and "the non-poor" is to interpret the data via a hypothetical scenario—an imagined "as if" situation. The imagined situation is one in which people can freely make use of all their income throughout the year. It is a world without borrowing and saving constraints, and it is a world with well-functioning markets for risk.

Only in that imagined world of perfect markets and rational, forward-looking action can poverty be comfortably defined by each households' annual income or spending. What matters then is simply that households' yearly resources can cover needs through the year. Timing does not matter because the ability to borrow, save, and insure makes it plausible that resources in one period are perfectly substitutable for resources in any other period.[8] This is the essence of consumption smoothing.

However, if households cannot in fact borrow, save, and insure without constraint during the year, this imagined situation is only that: an economic imagination, a mathematical formulation that simplifies accounting but which fails to align with ethical and practical intuitions about what it is to experience poverty. The data in Table 1 are based on households' reported consumption, and they thus already incorporate households' steps to smooth consumption. The wide variability in the data there attests to households' challenges in smoothing, resulting in exposure to variability.

Of course, even if resources are not perfectly substitutable in all ways, they may be substitutable in some important dimensions. For example, it might be (hypothetically) that in the context of children's cognitive development that children can "make up" for the bad times by consuming more in the good times. The only thing that matters, in this case, would be overall resources over

[8] This is the assumption through which seasons of deprivation disappear from the record if followed by seasons of surplus, left uncounted in national assessments of the poverty of residents. Ravallion (1988) shows that improved smoothing will not necessarily reduce the headcount measure of poverty.

a longer time frame. This is a testable proposition, and the most reliable evidence suggests that the timing of consumption matters independently of the yearly totals (e.g. Christian and Dillon 2018).

This recognition of constraints in smoothing does not rest on an obscure corner of economic theory. The foundations of market failure, established in the economics of information, has long been a theoretical basis of modern development thought (Stiglitz 1986, Meier 2005), and it is reinforced by newer insights in behavioral economics which challenge the assumption of rational, forward-looking personal behavior (e.g., Hoff and Demeritt 2023). These ideas are already widely applied in understanding the lives of low-income households (Kremer, Rao, and Schilbach 2019).

Our aim is to create a space–by broadening the vision of poverty to include within-year challenges–through which these modern economic insights have a clearer place in understanding poverty.

3. What does it mean to exit from poverty? Evidence from South India

We showed in Table 1 that "non-poor" people can account for much of poverty. We show this now in a different way, with monthly data from 30 villages across 15 districts in nine states in India, collected between 2010 and 2014 as part of the Village Dynamics in South Asia (VDSA) study of the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT). The survey covers a region that depends on rainfed agriculture, where seasonality is prominent. The VDSA data is a stratified random sample of the villages, but it is not a random sample of rural households in India. Our aim is only to illustrate the ideas above with data from a region where the concerns are particularly relevant.[9]

[9] The data are deflated to 2011-2012 rupees. See Merfeld and Morduch (2024a) for more on the construction of the data set and its limits.

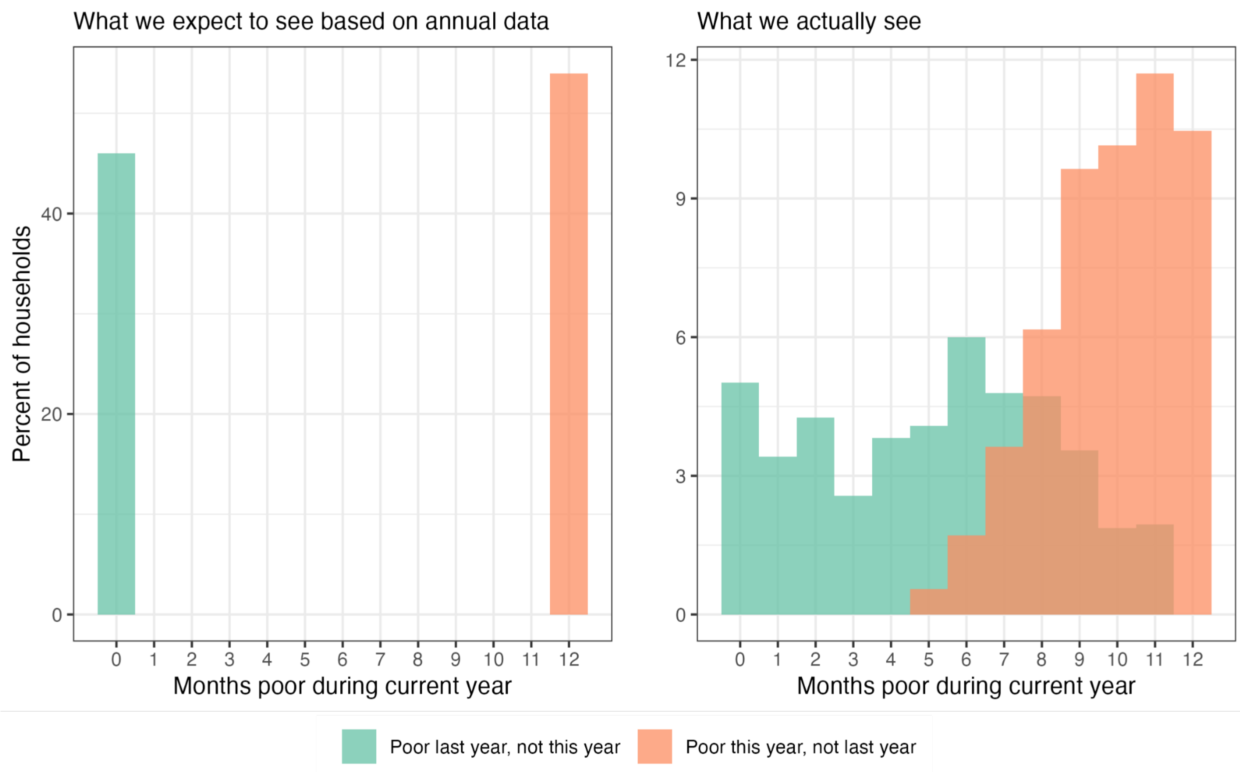

Figure 1

The persistence of poverty after "exit".

Household data from rural South India. ICRISAT VDSA Survey, 2010-2014

The data show that even for "poor" people who "exit" poverty based on their annual expenditure, the experience of poverty continues. We split households into those who were poor last year but are not poor this year ("exit") and those who were not poor last year but are poor this year ("entrance"). The conventional view of poverty would suggest that these are completely different states, but the two panels in Figure 1 make clear that the terms are not as well defined as they might seem. An expectation based on strict definitions would be that people who have exited poverty last year should be free of poverty now. Similarly, people not poor last year but poor this year should experience a full 12 months of poverty. The panels should thus have a single green spike at zero and an orange spike at 12, as shown in the left panel of Figure 1.

The right panel in Figure 1 shows something very different, however, with substantial overlap of the two distributions. The mode for the green bars is at six or seven months. For households who exit poverty, a substantial proportion continue to experience poverty. Households who have "exited" poverty, still experience, on average, more than five months of poverty.

Almost 90 percent of all “exited” individuals experience at least one month of poverty. Almost half of all individuals experience at least six months of poverty despite having officially “exited” poverty. Even two years after “exit”, households still experience poverty for more than a quarter of the year on average.[10] The evidence reinforces the notion that eliminating poverty as measured by the headcount does not necessarily eliminate the experience of poverty.

4. When will extreme poverty be eliminated? A clearer answer

Merfeld and Morduch (2024a) introduce the *timecount*, P_T, a simple poverty rate based on the time that households spend in poverty. In its most basic form, when applied to the entire population, it is the average share of the year that households spend in poverty. It thus serves as a complement to the conventional headcount, which depicts households as if they are poor (or not poor) for the entire year.[11]

The timecount is at its maximum when applied to just the subpopulation of households that are always poor during the year, i.e., $P_T = 1$. When limited to just the subpopulation of households that are never poor during the year, $P_T = 0$. For the group that is sometimes poor, $0 < P_T < 1$.

As argued above, the experience of poverty in the population will not necessarily be eliminated when the headcount is zero because non-poor households may still experience times of poverty. The end of poverty is better captured by the timecount. *The end of poverty will only occur when $P_T = 0$ for the entire population.*[12]

5. How to end poverty

In a world of instability, the experience of poverty is a product of (1) insufficient resources overall and (2) vulnerability caused by the inability to get hold of resources when they are needed. Ending poverty requires success on both fronts.

One push is thus the conventional drive to raise average earning power and redistribute resources, elements of poverty emphasized by the headcount and related measures. The second part, requiring steps to create greater stability and protect households from downturns during the year, entails efforts to create steady incomes, interventions targeted to low seasons, and improvements in

[10] When we calculate entry and exit using expenditures smoothed for durables, similar conclusions remain.
[11] Merfeld and Morduch (2024a) describe versions of the idea that also capture the depth of deprivation in periods within the year, incorporating, for example, the insights of Watts (1968) and Foster, Greer, and Thorbecke (1984).
[12] Merfeld and Morduch (2024a and 2024b) show how the measure P_T is in fact approximated by measures of poverty already used in some low-income countries.

households' abilities to borrow, save, and insure. These efforts are seen in the timecount but not the headcount.

Our focus has been on competing concepts of poverty, rather than on debates around measurement, but Merfeld and Morduch (2024a and 2024b) argue that the concerns here also prompt a return to questions about how to measure and interpret poverty rates. Some national poverty rates in low-income countries approximate headcounts, others approximate timecounts, and many are neither. As the conceptual basis of poverty is revisited, the need also arises to bring measures into line with concepts.

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