POVERTY, SOCIAL STRUCTURE, WEALTH DISTRIBUTION AND MARKETS: UNDERSTANDING THE NEXUS

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ABSTRACT

Poverty and distributional concerns for developing economies (Sub-Saharan African in particular) have since the 2000’s re-emerged centre-stage in national and international development. This discourse is re-emerging after the preoccupation with growth and efficiency in the structural adjustment decades of the 1980’s and 1990’s. There is now a solid consensus that poverty eradication should constitute the number one development priority. However, the formulation of appropriate poverty-oriented macro policy seems hampered by a lack of clear understanding of the fundamental causes of poverty. The conventional approach to poverty analysis informed by neoclassical thinking conceives poverty in positionist terms; thus simply as shortfalls in income or consumption below a pre-determined poverty line. Poor individuals or households thus are conceived as those unable to acquire or earn incomes to purchase a pre-determined basket of basic goods, or can get access to the latter at an inadequate degree. An individual or household is thus classified poor if; the disposable income is less than the poverty line. In this perspective, the analytical approach is, typically microeconomic, focusing on individuals and households and their initial endowments albeit abstracted from their institutional setting. This paper adopts an empirical review approach and departs from this positivist conception of poverty, arguing instead, that the poor are embedded in certain structural and institutional constraints, often inherited and caused by political leaders, such as insufficient access to productive assets, which limit or undermine their effective participation in the more dynamic sectors of domestic and global markets where there is scope for benefiting from the opportunities created by economic development. The paper thus seeks to show that poverty is often the result of a number of interactive and mutually reinforcing structural constraints and restrictions in which individuals or households are trapped.

Keywords: Poverty, Wealth, Markets

1.0 INTRODUCTION

The unfinished business of the twenty-first century is the eradication of poverty (Juan Somavia United Nations World summit for social development, 1995). The most important aim of development efforts is to reduce poverty, which can be accomplished by economic growth and/or by income redistribution. Understanding and assessing the nexus of poverty and wealth distributional effects remain issues of considerable importance for economists and policymakers alike. A key reason for this is the growing evidence that economic and financial crises hurt the poor the most, because they often lack the means to protect themselves from adverse income and employment shocks. The poor lack assets (such as land and bank deposits) and often have no direct access to credit markets (or face prohibitive borrowing costs when they do), to smooth the impact of these shocks. For the very poor, unfavorable shocks may be large enough to result in actual declines in consumption, bringing it down below subsistence levels and exerting a detrimental effect on their longer term nutrition and health prospects.
Poverty, social structure, and wealth distributional concerns have taken the centre stage in almost every developmental effort. The formulation of appropriate poverty oriented policies in developing economies seems hampered by lack of clear understanding of the fundamental causes of poverty. Despite significant improvements over the past half centuries, extreme poverty remain wide spread in the developing world close to a billion people live on less than $1 per day at purchasing power parity; and some 2.7 billion-over 40% of the world population; live on less than $2 per day (Todaro and Smith, 2009). However, people who fall within the purview of the above description often suffer from under nutrition and poor health, live in environmentally degraded areas, have little political voice, have little or no literacy, little or no access to justice, are socially excluded and attempt to earn a meager living or small marginal farms or in the dilapidated urban slums.

Understanding and assessing poverty dynamics and distributional effects remain issues of considerable importance for economists and policymakers alike.\(^1\) The poor lack assets (such as land and bank deposits) and often have no direct access to credit markets (or face prohibitive borrowing costs when they do), to smooth the impact of these shocks. Howbeit, for the very poor, unfavorable shocks may be large enough to result in actual declines in consumption, bringing it down below subsistence levels and exerting a detrimental effect on their longer term nutrition and health prospects. Moreover, due to the lack of marketable skills, the poor tend to be less mobile than better-educated workers and are therefore often unable to switch jobs and capitalize on available employment opportunities. Finally, indirect sources of income and public transfers other than unemployment benefits may decline during crises, because during such episodes the ability of relatives (or local communities) to engage in resource sharing and income redistribution may be reduced, while at the same time governments may be forced to adjust drastically their fiscal accounts with across-the-board cuts in expenditure.

Poverty eradication has become a key component of the structural reform process and among the priority of the millennium development goals (MDG) in developing economies. Several developing economies (especially in Sub-Saharan Africa) have embarked on extensive policy reforms in the last one and half decade or so, as a means of ameliorating poverty and its unwanted consequences, fostering economic growth and attaining macroeconomic stability. In line with the trend worldwide, the spate of research on poverty and its twin sister: wealth distribution has also increased albeit with a micro economic orientation that emphasizes economic growth through poverty reduction. Yet, despite the upsurge in research our knowledge of poverty, social structure, wealth distribution in these economies is limited. Current research is yet to provide the nexus that exist among poverty, social structure, wealth distribution and market in Nigeria, such as the presence of certain structural and institutional constraints, embryonic good leadership style and unpleasing social structure and the manner in which they influence the pace and outcome of poverty reduction efforts.

Nonetheless, analysis of the relationship between economic growth, poverty reduction and distribution has gone through various phases in the literature on development. For example, an important premise of the very early theories of development was that the benefits of economic growth would trickle down to the poor. Since then, questions have been raised on the assumption of an automatic link between growth and poverty reduction, and attempts have been made to understand the mechanisms through which the benefits of growth may get transmitted to the poor. Some of the latter categories of studies do also refer to the role of employment; and yet, a rigorous analysis of the role of employment in the linkage between economic growth and poverty reduction appears to be missing. Following on the Kuznets (1955) hypothesis of an inverted U shape of the relationship between economic growth and income inequality, Adelman and Morris (1973) was one of the earlier studies to question the automaticity of the relationship between economic growth and benefits to the poor. And then came the influential contribution by Chenery, et al. (1974), focusing on the importance of redistribution alongside economic growth. Economic growth, however, came back to fashion once there were studies casting doubt on the suggestion that higher growth could be associated with increased poverty, and re-asserting that growth, almost always, reduced poverty. The decade of the 1980s witnessed renewed emphasis (especially on the part of the international development partners) on economic growth; but studies on growth contributing to poverty reduction again came in good numbers during recent years.
The standard quantitative definition of poor individuals or households proceeds by comparing the disposable income an individual or household has to spend, to a poverty line. While all researchers agree that poverty should be seen as a multidimensional concept, the defence of income poverty measures is that income is a means by which other needs are satisfied. On the other hand, one could argue that poverty should be measured with output indicators, such as infant mortality, literacy, and enrolment rates, rather than with an input indicator such as income. Against this background, one could argue that many social indicators have a distributional element, and may improve although there is no improvement of the well-being of the poorest. A person is considered poor if his/her consumption or income level falls below some minimum necessary to meet basic needs. Thus, poverty lines vary in time and place, and each sovereign nation uses benchmarks, which are appropriate to its level of development vis-à-vis societal norms and values.

Table 1
The conventional approach to poverty analysis informed by neoclassical thinking conceived poverty as a shortfall in income or consumption below a predetermined poverty benchmark. Theory posits that for any given distribution of income, the higher the level of per capita income, the lower the number of the absolute poor. Thus, this paper, therefore argue that the magnitude of poverty results not only from the shortfalls in income and consumptions but also from highly unequal distributions of that of the nation’s income. But higher level of per capita income is no guaranty of lower levels of poverty. An understanding of the social structure and the nature of the size distribution of income should therefore be central to any analysis of the poverty problem in low-income countries. Given the substantial structure and institutional constraints often inherited and caused by political leaders in these economies that are yet to be eliminated, we provide insight into the desirability, feasibility and sustainability of future poverty oriented macro policies. It is envisaged that the policy options suggested in the paper could assist policy makers in correcting the pitfalls embedded in the previous endeavor towards reducing the consequences of poverty in low income countries.

1.1 Objective
The analytical focus of the paper is on the structural constraints and restrictions of poverty, seeking specifically to expose mechanisms through which social structure and associated wealth distribution and markets they sustain, interact to determine the scope of employment and income opportunities open to individuals or households.

Thus, a gap in the literature on the linkage between social structure, wealth distribution and markets is the absence of an analysis of the nexus and dynamics of poverty. Such analysis becomes particularly important in the current context where poverty is viewed differently for a pro-poor growth. This paper intends to use the analysis of the poverty group method to reveal, the structural and institutional constraint that results into poverty. Furthermore, we intend to show the nexus of poverty, social structure, wealth distribution and the market. The overriding objective is to show that poverty is often as a result of a number of interactive and mutually reinforcing structural and institutional constrains. Secondly, is to show the exposition vis-à-vis mechanism through which social structure and associated wealth distribution interact to determine the scope of employment and income opportunity open to individuals.

2.0 THEORETICAL FRAMEWORK/LITERATURE
2.1 Poverty Dimensions
On what theory is appropriate for analysis of poverty Sawhill (1988) concludes in her survey of the poverty persistent literature, that the literature lacks a widely accepted theory of income distribution that might help one choose competing models specification and their varying result. She finds that few researchers have approached the task of analyzing the effect of different variables on the poverty rate in the context of a coherent overall model of the process by which income is generated and that we are swamped with facts about peoples incomes and about the numbers and composition of people who inhabit the lower tail, but we don’t know very much about the process that generate this result. To the neoclassical school of thought, poverty is absolutely measured by the distance apart between ones income and the predetermined poverty line (the Gini-coefficient analysis of poverty). Howbeit, the analytical framework in the paper strictly departs from the neoclassical approach.
following instead, the Todaro and Smith (2009), approach which recognizes that the poor are embedded in certain structural and institutional constraint. As Duncan (1984) notes, a complete explanation of why people are poor would require many interrelated theories: Theories of family composition, earnings, asset accumulation, and transfer programmes to name a few. Further complicating the task a complete poverty theory would need to be based upon the family, while most theories are based upon individuals (Duncan, 1984). Most theories explaining poverty focus on able bodied, non-elderly adult, whose potential for escaping poverty rests on their ability to work enough hours at a sufficiently high wage rate. This review presents a brief description of Human Capital theories; Permanent Income Hypothesis; Culture of Poverty theory; Dual Labour Market theory and other relevant theories.

Human capital theory is a theory of earnings, one of the major determinants of poverty. First developed by Becker; this theory explains both individual’s decisions to invest in human capital (education and training) and the pattern of individuals’ lifetime earnings. Individuals’ different levels of investment in education and training are explained in terms of their expected returns from the investment. Investments in education and training entail costs both in the form of direct expenses (e.g. tuition) and foregone earning during the investment period, so only those individuals who will be compensated by sufficiently higher lifetime earnings will choose to invest. People who expect to work less in the labour market and have fewer labour market opportunities, such as women or minorities, are less likely to invest in human capital. As a result, these women and minorities may have lower earnings and more likely to be in poverty. Human capital theory also explains the pattern of individuals’ lifetime earnings. In general, the patterns of individuals’ earning’s such that they start out low (when the individuals are young) and increase with age (Becker 1975) although earning tend to fall somewhat as individuals near retirement. The human capital theory states that earnings start out low when people are young because younger people are more likely to invest in human capital and will have to forego earnings as they invest. Younger people are more likely to invest in human capital than older people because they have a longer remaining work life to benefit from their investment and their foregone wages and so costs of investing are lower. Earnings then increase rapidly with age as new skills are acquired. Finally as workers grow older, the pace of human capital investment and thus productivity slows, leading to slower earnings growth. At the end of a person’s working life, skills may have depreciated, as a result of lack of continuous human capital investment and the aging process. This depreciation contributes to the downturn in average earnings near retirement age (Ehrenberg and Smith1991). To the extent that poverty follows earnings, we might predict a similar relationship between age and poverty, with poverty more likely for the young and elderly. Consistent with this prediction, Bane and Ellwood (1986) find that a sizable portion of all poverty spells begin when a young man or woman moves out of a parent’s home an event often associated with getting further education or training and that these poverty spells are relatively short with an average duration of less than three years (p.16-17). This literature also indicates that persons aged 65 and over are especially vulnerable to poverty because once they enter; they are less likely to exit. While much empirical work tends to support the human capital theory, it is a theory of human capital investment and labour market earnings, not poverty. As discussed below, earnings are only one of the main determinants of poverty. Non-earnings income and family composition are other important determinants that human capital theory does not shed light on. Thus human capital theory cannot be considered a complete theory of poverty.

The permanent income and life-cycle hypotheses associated primarily with Nobel Prize winners Modigliani and Friedman highlight the important role of unearned income and future earned income, as well as current income (Dornbusch and Fischer 1990). An advantage of the permanent income and life-cycle hypotheses, over the human capital theory is that they incorporate both earned and unearned income. The foundation of the theories is that people have a permanent income stream (from current and future earnings and assists), but that their income can have short-term (transitory) deviations from the permanent stream. Lillard and Willis (1978) propose the components-of-variance method as a link between poverty data and the life cycle framework of these hypotheses. Several researchers use this method to try and measure the permanent and transitory components of income and poverty (Lillard and Willis 1978; Duncan and Rodgers 1991; Stevens 1999). However, the theory is difficult to adapt to poverty (Bane and Ellwood 1986) and results from the empirical model do not reproduce observed patterns of poverty persistence well as other methods (Stevens 1999). In
addition, the permanent income hypothesis does not allow for an individual’s income stream to change if, for example they become disabled. This is a serious drawback for analyzing poverty transitions where one of the primary aims is to analyze the effect of events such as a change in disability or marital status on poverty.

Still other theories highlight the role that character and opportunity play in poverty. Schiller (1976) groups theories focusing on able bodied, non elderly adults into categories of “flawed character” and “restricted opportunity”. The flawed character theories assume that the poor have ample opportunities for improving their economic status, but lack the initiative and diligence necessary to take advantage of them (Duncan 1984). Oscar Lewis (1968) “culture of poverty” theory is an example of a flawed character theory. This theory maintains that a culture of poverty forms among a significant minority of the poor such that people are not psychologically geared to take advantage of opportunities that may come their way (Duncan 1984). Using the panel study of income dynamic (PSID) to examine the earnings of prime-aged white men Duncan confirms the findings of earlier studies and finds no support for the culture of poverty theory: “educational attainment is relatively powerful in distinguishing individuals with levels of earnings while attitudes and a simple measure of cognitive ability are not”. The restricted opportunity theories contend that the poor lack sufficient access to economic opportunities and cannot avoid poverty unless their economic opportunities improve (Duncan 1984). The dual labour market theory is an example. In this theory the market labour is split into two sectors with little mobility between them—the primary sector offering steady employment, higher wages, and better promotion opportunities, and the secondary sector with low wages, poor working conditions, and few promotion opportunities. Using the PSID, Duncan (1984) finds little support for the dual labour market theory: the fact that very few male workers appear to be locked into a given economic position, coupled with the movement found from ‘bad’ jobs to ‘good’ one, contradicts rigid theories of dual labour markets”.

2.2 Wealth Distribution

In the market economy, the distribution of income is determined by the scale of factor services. It thus depends upon the distributions of factor endowment with regard to labour income, this distributions involve the distributions of ability to earn such income, as well as the desire to do so. With regard to capital income, it involves the distributions of wealth as determined by inheritance, marriage, patterns and life saving. The distribution of labour and capital endowment is linked by investment in education which in turns affect the wage rate which a person can command (Musgrave and Musgrave, 2004). Given the distribution of endowment, the distribution of income depends further on factor prices. In a competitive market, this price equals the value of the factors marginal product. In many instances, returns are determined in imperfect market where institutional factors such as conventional salary structures, family connections, social status, sex, race, and so forth, play a significant role. The distribution of income as generated by these forces shows a substantial degree of inequality. The literature on wealth distribution show interesting result.

Huggestt (1996) sets up a life cycle model with idiosyncratic earnings shock to study the wealth distribution. De Nardi (2004) incorporates bequest motive and inheritance of earnings ability into a life cycle model to investigate the wealth distribution Quadrini (2000) incorporates the death rate into a dynasty model and takes into account inheritance of earnings ability. Cagetti and De Nardi (2006, 2009) and Castaneda, Diaz-Gimenez, and Rios-Rull (2003) use probabilities of retiring and dying to mimic the life cycle pattern in dynasty models. Within these works Quadrini (2000) and Cagetti and De Nardi (2006, 2009) include the idiosyncratic investment risk into the model. De Nardi (2004) uses the “Joy of giving” bequest motive and death rate to increase the concentration of wealth. The mechanism of the combination of the “joy of giving” bequest motive, estate tax, and death rate to generate the Pareto tail of the wealth distribution is also illustrated by Benhabib and Bisin (2006). Levy (2003) formulates a general stochastic process of wealth accumulation by capital investment and analyzes the conditions required to ensure convergences to the empirically observed Pareto wealth distribution. Using the Forbes 400 lists during 1988-2003, Klass et al. (2006) find that the top end of the wealth distribution follows a Pareto distribution with an average exponent of 1.49. Champernowne (1953) employs the same mechanism to study the income distribution. Panousi (2008) studies the stationary wealth distribution in a heterogeneous-agent economy with uninsurable entrepreneurial risk. However the right tail of the wealth distribution of Panousi (2008) is much thinner than that of the U.S. wealth distribution. Benhabib and Zhu

2.3 Social Structure
Most economists and sociologists believe that social structure is naturally developed. Nonetheless, it may be caused by larger system needs, such as the need for labour, management, professional and military classes, or by conflicts between groups, such as competition among political parties or among elite and masses. Others believe that this structuring is not a result of natural processes, but is socially constructed. It may be created by the power of elite who seek to retain their power, or buy economic systems that place emphasis upon competition or cooperation.

The early study of social structures informed the study of institutions, culture and agency, social interaction, and history. Alexis de Tocqueville was apparently the first to use the term social structure; later, Karl Marx, Herbert Spencer, Max Weber, Ferdinand Tonnies, and Emile Durkheim all contributed to structural concepts in sociology. Weber investigated and analyzed the institutions of modern society: market, bureaucracy (private enterprise and public administration), and politics (e.g., democracy). The notion of social structure was extensively developed in the 20th century, with key contributions from structuralist perspectives drawing on the theories of Claude Lévi-Strauss, Feminist or Marxist perspectives, from functionalist perspectives such as those developed by Talcott Parsons and his followers, or from a variety of analytic perspectives (see Blau 1975, Lopez and Scott 2000). Some follow Marx in trying to identify the basic dimensions of society that explain the other dimensions, most emphasizing either economic production or political power. Others follow Levi-Strauss in seeking logical order in cultural structures. Still others, notably Blau, follow Simmel in attempting to base a formal theory of social structure on numerical patterns in relationships analyzing for example, the ways in which factors like group size shape inter group relations. The notion of social structure is intimately related to a variety of central topics in social science, including the relation of structure and agency. The most influential attempts to combine the concept of social structure with agency are Anthony Giddens’ theory of structuration and Pierre Bourdieu’s Practice theory. Giddens emphasizes the duality of structure and agency, in the sense that structures and agency cannot be conceived apart from one another. This permits him to argue that structures are neither independent of actors nor determining of their behaviour, but rather sets of rules and competencies on which actors draw, and which, in the aggregate, they reproduce. Gidden’s analysis, in this respect, closely parallels Jacques Derrida’s deconstruction of the binaries that underlie classic sociological and anthropological reasoning (notably the universalizing tendencies of Levi Strauss’s structuralism). Bourdient’s practice theory also seek a more supple account of social structure as embedded in, rather than determinative of, individual behaviour.

Lopez and Scott (2000) distinguish between institutional structure and relational structure, where in the former, social structure is seen as comprising those cultural or normative patterns that define the expectations agents hold about other’s behaviour and that organize their enduring relations with each other. Whereas in their later, social structure is seen as comprising the relationship themselves, understood as patterns of causal interconnection and interdependence among agents and their actions, as well as the positions that they occupy.

3.0 STRUCTURAL CONSTRAINTS AND RESTRICTIONS
The analytical framework of our analysis is anchored on a further analysis of poverty groups and their economic characteristic as against the orthodox conventional approach to poverty analysis informed by the neo-classical thinking. Before we can recommend effective policies and programmes to attack poverty at its source, we need some specific knowledge of the poverty groups and their economic characteristic. The focus is on those structures and institutional constraints or rigidities that work against effort towards eradicating poverty.

3.1 Women and Poverty
According to Todaro and Smith (2009), women make up a substantial majority of the worlds’ poor. If we compare the lives of the habitant of the poorest communities throughout the developing world you would discover that virtually everywhere, women and children experience the harshest deprivation; they are more
likely to be poor and malnourished and less likely to receive medical services, clean water, sanitation, and other benefit. The prevalence of female-headed household, the lower earning capacity of women, their limited control over their spouses’ income all contribute to this distributing phenomenon. In addition, women have less access to education, formal sector employment, social security and government employment programme. Todaro and Smith combined this fact to show that poor women’s financial resources are meager and unstable relative to men’s. However, a portion of the income disparity between male and female headed households can be explained by the large earning differential between men and women. In urban areas women are much less likely to obtain formal employment in private companies or public agencies and are frequently restricted to illegality, low-productivity job. In like manner, rural women have less access to the resources necessary to generate stable income and are frequently subject to laws that further compromise their earning potential.

However, household income alone fails to describe the enormity of women’s relative deprivation because a higher proportion of the female headed household are situated in the poorest areas, which have little or no access to government-sponsored services such as pipe borne water, sanitation, and health care. Household members are more likely to fall ill and are less likely to receive medical attention. More so, children in female headed household are less likely to be in school and are more likely to be working in order to provide additional income. Similar studies reveal that in India, girls are 4 times as likely to suffer from acute malnutrition and boys are 40 times more likely to be taking to a hospital when ill. Moreover, empirical research has shown that this gender biases in household resource allocation significantly reduce the rate of survival among female infant.

3.2 Rural Poverty
Perhaps the most valid generalization about the poor are that they are disproportionately located in rural area, that they are primarily engaged in agriculture associated activities, that they are more likely to be women and children than adult male, and that they are often concentrated among minority ethnic group and indigenous people. We find for example, that about two-third (2/3) of the very poor scratch out their livelihood from subsistence agriculture either as small farms or low-paid farm workers. Some of the remaining one-third are also located in rural area but engaged in petty services, and others are located in the fringes and marginal areas of urban centers, where they engage in various forms of self-employment such as street hawking, trading, petty services and small-scale commerce. On the average, we may conclude that in African and Asia, about 80 per cent of all target poverty group are located in the rural areas, as are about 50 per cent in Latin America.

However, it is interesting to note, in light of the rural concentration of absolute poverty, the largest share of the most less develop countries (LDC) government expenditure over the past several decade has been directed towards the relatively affluent modern manufacturing and commercial sectors. We need to point out here that in view of the disproportionate number of the very poor who reside in rural areas any policy design to alleviate poverty must necessary be directed to large extent towards rural development in general and the agricultural sector in particular.

3.3 Ethnic Minorities, Indigenous Populations, and Poverty
A final generalization about the incidence of poverty in the developing world, particularly Sub – Saharan Africa is that it falls especially heavily on minorities’ ethnic groups and more than 200 minority ones. Often time, some of these ethnic groups (both majority and minority) face serious economic, political, and social discrimination. In Africa, domestic conflicts and even civil war have arisen out of ethnic group’s perceptions that they are losing out in the competition for limited resources and jobs opportunities. Todaro and Smith opined that poverty problem is even more serious for indigenous people whose numbers exceed 300 millions in over 5,000 different groups in more than 70 countries.

4.0 POVERTY AND DISTRIBUTIONAL CONCERNS
Traditionally, a body of opinion held that rapid growth is bad for the poor because they will be bypassed and marginalized by the structural changes of modern growth. Beyond this, there had been considerable concern in policy circles that the public expenditure required for the reduction of poverty would entail widening the scope for benefiting from the opportunities in available markets. In particular, if there were redistribution of income or
assets from rich to poor even through progressive taxation the concern was expressed that savings would fall. Suffice it to say that the poor came to spend additional income on improved nutrition, education for their children, improvements in housing conditions rather than consumption.

In Sub – Saharan Africa, we acknowledge the fact that widespread poverty creates conditions in which the poor have no access to credit, are unable to finance their children education, and in the absence of physical or monetary investment opportunities, have many children as a source of old-age financial security. Together these factors cause per capita growth to be less than what it would be if there was greater equality. Raising the income level of the poor will stimulate an overall increase in the demand for locally produced necessary products like food and clothing. It is obvious that the rich tend to spend more of their additional incomes on imported luxury goods. Elementary economics posits that rising demand for local goods provides a greater stimulus to local production, local employment generation, and local investment such demand thus, create the conditions for a broader popular participation in the market.

4.1 Policy Options
For developing economies, efforts towards reducing poverty and excessive inequality in income distribution should aim at understanding the structural and institutional constraints that induce poverty. The paper identifies the following broad areas of possible government policy interventions.

- Altering the functional distribution of incomes through policies designed to change relative factor price.
  Because factor prices are assumed to function as the ultimate signals and incentives in any economy, correcting these prices (i.e., lowering the relative price of labour and raising the relative price of capital) would in general not only increase productivity and efficiency but also reduce inequality by providing more wage paying jobs for currently unemployed or underemployed, unskilled and semi-skilled workers. It would also lower the artificially high incomes of owners of capital. It is argued that as a result of institutional constraint and faulty government policies, the relative price of labour is higher than what would be determined by the free interplay of the forces of demand and supply. Policies should focus on the price of capital equipment is “set at artificial low level “institutionally” (below what supply and demand would dictate) through various frameworks such as investment incentive, tax allowances, subsidized interest rate, overvalued exchange rate and low tariff on capital goods inputs such as tractors and automated equipment relative to tariffs set on consumer goods. The removal of such factor price distortions would therefore go a long way towards combining more growth efficiently generated, with higher employment, less poverty and greater equality.

- Modifying the size Distribution through progressive redistribution of Asset ownership.
  The ultimate cause of the unequal distribution of personal income in Nigeria and other Sub- Saharan Africa is the unequal and highly concentrated pattern of asset ownership (wealth). The principle reasons why twenty (20) per cent of Nigerians often receive over fifty (50) per cent of the National income is that this 20 per cent probably own and control well over ninety (90) per cent of the productive and financial resources, especially physical capital and land and also financial capital (stocks and bonds) and human capital in form of better education and health. The policy option being recommended here is that effort towards reducing the concentrated control or asset, the unequal distribution of power and the unequal access to educational and income earning opportunities in developing economies should be intensified. A classical case of such redistribution policies as they relate to the rural poor, who comprise 70 per cent to 80 per cent of the target poverty group, is land reform. For a country like Nigeria, the basic purpose of land reform is to transform tenant cultivator into small holders who will then have incentive to raise production and improve their income. However, land reform may be a weak instrument of income redistribution if other institutional and price distortions in the economic system prevent small farm holder from securing access to much needed critical input such as credit, fertilizers, seeds, marketing facilities and agricultural education. In addition to the redistribution of existing productive asset, dynamic redistribution policies should be gradually pursued. For example, Sub-Saharan countries could facilitate the transfer of a certain proportion of annual saving and investments to low income groups so as to bring about a more gradual and perhaps politically more acceptable redistribution of
additional asset as they accumulate over time. This is what is often meant by the expression “redistribution from growth”.

Human capital in the form of education and skills is another example of the unequal distribution of productive asset ownership. Public policy should therefore promote wider access to educational opportunity (for girls as well as boys) as a means of increasing income-earning potential for more people. This investment in human capital as a principle strategy for alleviating poverty has been widely promoted by the World Bank and other agencies.

- **Direct transfer payment and public provision of goods and services**
  Direct transfer and subsidies can be highly effective, but they need to be designed carefully. In doing this, four significant issues require attention. First, resources for attacking poverty need to be directed to people who are genuinely poor. Second, it is important that beneficiaries do not become unduly dependent on the poverty programme. Those who are truly poor should be given adequate incentive to build the asset, such as education that can enable them to stay out of poverty. Third, those who are productively engaged in alternative economic activities should not be allowed to participate in the poverty programme. When a subsidy of goods consumed by the poor is planned it should be targeted to the geographical area where the people are found and should emphasize goods that non-poor people do not consume. This helps to conserve resources for the programme and minimizes effort (free riding) by non-poor people to benefit from the programme.

**5.0 SUMMARY AND CONCLUSIONS**

Positivist conceptions of poverty do not give a clear understanding of the fundamental causes of poverty, but analyzing the poverty groups and their economic activities is a more informative approach. Furthermore, it has been able to demonstrate that the poor are embedded in certain structural and institutional constraint such as insufficient access to productive asset, which limit or undermine their participation in the domestic and global market, where there is scope for benefiting from the opportunities created by economic development. It is based on this note that the foregoing policy options and complementary measures where suggested.

Effort towards alleviating poverty indeed lies in understanding the actual causes of poverty. We have also demonstrated that the conventional approach to poverty analysis informed by the neoclassical thinking which simply conceive poverty as a shortfall in income or consumption below a predetermine poverty line is no longer most sophisticated. Analyzing the poverty group and their economic characteristic as we have done in this paper becomes a more detailed and informative approach. More so, our analysis gives credence to the fact that a policy or set of policies designed to correct factor price distortion under pricing capital or over wages so as ensure that market or institutions established prices provide accurate signals and incentive to both producers and suppliers. Correcting distorted prices could contribute to greater productive efficiency, more employment and less poverty.

We can conclude that the accumulation of physical and human capital, efficiency in resource allocation, and acquisition and application of modern technology are necessary to set the opportunity needed for the poor to climb out of poverty. The question, then, is how the policy environment should be organized in order for it to facilitate the accumulation of production factors and their efficient allocation, as well as the introduction of enhanced technologies. Economic policies at the micro level should clearly aim to develop and sustain efficient markets, while macro policy should be geared towards guaranteeing macroeconomic stability. It has also become increasingly clear that a supportive environment of efficient institutions is crucial for wealth distribution and functioning of the economy. Such institutions can lower transaction costs, while raising the supply of information and services to economic actors. The general uncertainty of property rights dissuades economic actors from entering into long-term contracts, and thus constrains large investments in fixed capital: Given incomplete markets for capital goods, fixed investments might be irreversible, and actors want to guard themselves against this eventuality.
What is thus required for pro poor growth supporting institutions to develop? It is not enough to instill the relevant skills in civil servants, only to put them into institutions where outsiders determine outcomes. A government primarily concerned with its own survival will not necessarily set up the institutions and establish codes of conduct necessary for economic growth. With special interest politics at centre stage, there is bound to be inefficiency, which will make investors cautious, while elsewhere in the economy resources are wasted on rent-seeking activities.

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**Table 1**: Summarizes Advantages and Disadvantages of various Techniques in Poverty Measurement.

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<tr>
<td><strong>Consumption or income poverty-measures</strong>: The measurement of poverty is here based on consumption expenditure or income data from household surveys, usually large-scale, statistically representative surveys, mainly implemented by the Statistical Bureau or other official institution.</td>
<td></td>
</tr>
<tr>
<td>Advantages: simple result, presentation, and interpretation; since it is based on monetary value, it is easily linked conceptually to GDP, so the link with the economy is seemingly straightforward; yields a statistically representative national picture.</td>
<td></td>
</tr>
<tr>
<td>Disadvantages: for policy, slow, measurement error may be high; link between raw data and results not simple, limited transparency; in practice, linking data with the economy is not self-evident; distant from the poor, etc.</td>
<td></td>
</tr>
<tr>
<td><strong>Non-monetary measures of poverty</strong>: Typically, there are health indicators and education statistics. Data is from large household surveys, statistically representative. Implemented by the Statistical Bureau or other government agency.</td>
<td></td>
</tr>
<tr>
<td>Advantage: yields direct measure of well-being, more easily understood than consumption.</td>
<td></td>
</tr>
<tr>
<td>Disadvantages: health status is largely influenced by long-term factors such as health history, health endowments, etc.; child health is strongly influenced by the long-term health status of the mother; consequently, while health is also influenced by current services and income, the link is not easy or direct, so for short-term policy analysis at least, it is problematic.</td>
<td></td>
</tr>
<tr>
<td><strong>Qualitative studies on poverty</strong>: Often based on participatory techniques. Experiences, perceptions, livelihood issues, social conditions, political issues, etc. Quite often implemented by non-government organization or research centers.</td>
<td></td>
</tr>
<tr>
<td>Advantages: rich, direct, detailed, contextual findings; not necessarily cheaper, but faster results; ownership externalities are possible.</td>
<td></td>
</tr>
<tr>
<td>Disadvantages: not representative, not straightforward to replicate or check, etc.</td>
<td></td>
</tr>
</tbody>
</table>

*Source*: Dercon (2000)

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1 A key reason for this is the growing evidence that economic crises hurt the poor the most, because they often lack the means to protect themselves from adverse shocks

2 This minimum level is usually called the “poverty line”. What is necessary to satisfy basic needs varies across time and societies.

3 Data from a broad cross section of developing nations support this generalization.

4 This clearly shows the nexus of poverty, social structure, wealth distribution and the market.