

Measuring and understanding poverty

Daniel Kolář*

Institute of Economic Studies, Faculty of Social Sciences,
Charles University in Prague, Czech Republic.

Abstract

To fight poverty, one must first define it. I discuss various income-based poverty measures, focusing on the distinction between absolute and relative poverty. I then provide a new perspective on the evolution of poverty in Czech and selected EU regions using different poverty ratios. These ratios, interpretable as a welfare measure, uncover uneven progress in poverty reduction. I then look at predictors of poverty status using machine learning models: classification trees and random forests. Compared to the standard literature, the reference group is not every non-poor household, but only those with income close to the poverty threshold – the "lower middle class."

Keywords: poverty, welfare, classification, random forests

JEL Classification: C38 , D31 , I32

*E-mail: daniel.kolar@fsv.cuni.cz.