

Why poverty grows

When the rich keep getting richer and the poor poorer, there's more at stake than good or bad economic theory.

World poverty is a more pressing issue on the ecumenical agenda than ever before, for the unprecedented way in which poverty is growing challenges our whole way of acting and thinking.

In 1967, the poorest 40 per cent of the population in the non-socialist countries received 2.9 per cent of the total disposable income. By 1978, despite relatively high worldwide economic growth, even that small share had declined to 2.1 per cent — a relative loss of more than one-fourth.

In the 1980s this tendency of increasing impoverishment has not only continued but deepened into an absolute decline.

According to the World Bank, Africa has capita income in sub-Saharan Africa has fallen more than 10 per cent since 1980. In some Latin American countries the decline is even greater — as high as 50 per cent in Mexico.

Meanwhile, in the rich countries per capita income is rising both absolutely and

relatively — except for the lowest income groups.

This process is reflected in the reversal since 1982 of net capital flow between North and South. In effect, the poor nations are now feeding with their own blood the economic swelling of the rich nations.

How could all this happen? The growth of structural impoverishment is exactly the opposite of what leading Western academics and politicians predicted in the 1970s.

They reasoned that development, including development accompanied by fair distribution of means to the poor, is finally a matter of increasing production and productivity.

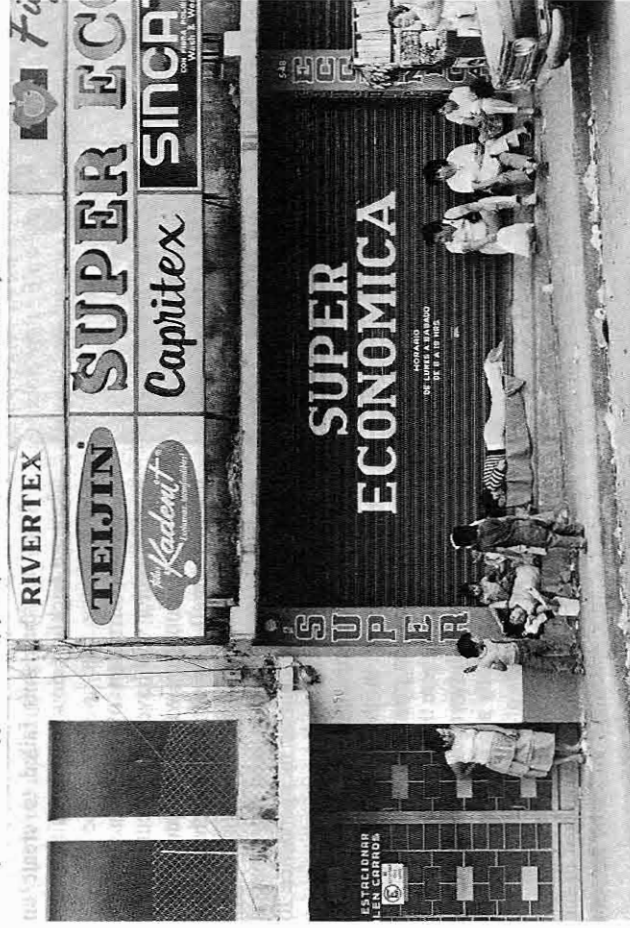
In turn, every rise of production and productivity is a matter of efficient input of factors of production: labour, nature, capital and management.

Thus it follows that if enough money is available, from savings or loans from abroad, and if enough human and material resources are mobilized, the operation of free markets will do the job.

Modern management will create more income for both workers and owners of capital and thus for society as a whole. Within a decade or two, existing world poverty could be dissolved.

Such reasoning sounds quite convincing on the face of it. Even today, there are

Poverty amidst the appearance of plenty: a street scene in Guatemala City.



mainstream economists and politicians who hold to it.

On their view, the trend of growing poverty could happen only because the three conditions were not honoured — enough money, enough resource-mobilization and free markets. Are they correct?

Was there a lack of money in the 1970s? No. In fact, it was overabundant.

Did the Third World fail to mobilize resources? On the contrary: more land and labour were shifted to the modern sector than ever before.

Are free market possibilities and modern business management lacking? The entry of subsidiaries of Western transnationals proves the opposite.

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There is a growing number of indicators that it is not the absence but the *fulfilment* of these three conditions for rising production which has played the decisive role in the growth of world poverty.

● Consider the first condition — the facilitating role of money.

Again and again we hear that the only relevant question in relation to the financial side of growth and development is the availability of existing money for development — as if money somehow originates outside the domain of financial and political power.

But of course money does not come out

of the blue. And it is exactly *how* new money is created that is one of the main causes of the rise of world poverty.

At issue here is what Charles de Gaulle called the *privilege extravagant* of the “key-currency” countries like the United States.

Because the dollar is the most widely used currency for international transactions, the US can afford to maintain a huge deficit on its balance of payments, knowing that the rest of the world will go on accepting cheaply printed dollars, thus financing that deficit.

Related to this is the enormous external debt of Third World countries. For when internationally used currencies grow mostly via the creation of the key currencies of the rich nations, those nations can create for themselves, at almost no cost, what poor countries have to borrow at real costs — namely the costs of interest and amortization.

Thus, to pay higher energy prices in 1973 and 1979, poor countries had to borrow money. Rich countries could just create their own.

To put it bluntly, were there the slightest element of justice in how money is created in the world, the present debt crisis could have been avoided.

It is not true that money alone facilitates development. Today, in fact, it has precisely the opposite effect, increasingly obliging the South to reduce social investments and income to be able to send more money to the North.

● As to the mobilization of resources, we noted above the enormous shift from the traditional to the modern sector in many Third World countries, especially in Latin America and Asia.

Why has that shift failed to create an adequate trickling down of benefits to the poor?

Any mobilization of resources for the modern sector will have deep effects on the traditional economy, with many people losing their small plots of land and their jobs.

In India, for example, direct access of rural people to their own land has dropped from over 80 per cent at independence to less than 50 per cent today.

The usual argument is that these effects are compensated in the long run by the general increase in productivity.

But it is exactly here that the shoe pinches. For the evidence shows that the first families to lose land and jobs are seldom the ones who reap the benefits of modernization.

The poorest and most-forgotten people today are the millions who have lost in the process of modernization and who are not compensated for these losses.

These are the doubly deprived: the landless unemployed, environmental refugees (an estimated 10 million in Africa alone), street-children without education (an estimated 16 million in Brazil), destitute women.

● In looking at the third condition, expansion of the free market, we begin by noting two limitations of every market in itself: it cannot recognize something of value which has no price; and it cannot recognize human needs where there is no buying power.

Wherever these limitations are ignored — as they are when the growth of the market is made a cornerstone of development — awful things may happen.

When modernization through the market is the ultimate formula of success, the most precious things in life — love, health, community, the ecosystem — are treated as having only instrumental value, with a price of zero.

At the same time, the economic system orients itself more and more to the desires of the rich and almost completely neglects the legitimate needs of those who have no money.

A spiral towards death

We have traced some of the main causes for the increase of poverty in the midst of plenty: the basic injustice of how money grows in our world; uncompensated losses in the process of modernization; and neglect of what is precious and necessary but has no price or buying power.

These three factors tend to reinforce each other, creating a spiral towards death.

Consider military expenditures. If these continue to grow, as they have in the North in recent years, they must be financed. If taxpayers are not willing to do so, governments must borrow money or create it.

Either way, the burden is shifted from the rich to the poor nations. To pay higher interest rates the poor countries have to improve their export position.

That sets in motion a second part of the downward spiral. To increase exports, they must lower costs by reducing wages, eliminating food subsidies and orienting their industry and agriculture to products for export.

Here the real harm for the poor begins. Not only do they lose land, income and jobs, but because the market does not give attention to what has no price or buying power, communities are easily dissolved, health is sacrificed and the ecosystem deteriorates rapidly. Death comes in.

Among the hardest-hit of the poor are refugees, like these Ethiopians in Sudan.



Marc van Appelhien

This creates the conditions for closing the circle. When employment shrinks in the North because of the lack of buying power in the South — and the International Labour Office estimates this loss at several million jobs — increasing armaments may seem as useful compensation for the lack of employment.

But armament needs to be financed... and so the spiral goes on.

The increase of world poverty in the context of a general global tendency towards death is a matter of more than bad economics.

If these processes are allowed to go on, the institutions of society themselves have become, in the words of Pope John Paul II's encyclical *Sollicitudo rei socialis*, structures of sin.

In fact, the style and structure of prevailing Western economic thought offer a striking reflection of Western society and culture as a whole.

The acceptance of the greed of those who already have as a catalyst for all economic processes is hardly an accident in a culture that is so utilitarian, acquisitive and achievement-oriented as Western culture.

It is a culture that has replaced the way of peace by the goal of guaranteed security, the way of *shalom* by the goal of an ever-rising living standard.

Almost inevitably, the means that promote these goals — technology, science and economic production — are dominant in society.

To a lesser extent, this is also true in the Eastern socialist world. For both East and West it may mean growth without preservation and appreciation of instrumental values above human values.

Ecumenically, then, self-examination must precede thinking about possible avenues for the struggle against poverty. For the growth of poverty is obviously related to the reign of the kingdom of physical, cultural and ecological death and the social structures that work in its service.

A spiral towards life?

What are the implications of this for practical efforts to reduce world poverty? At least two things can be said at the outset.

First, merely technical solutions will not really help. The primary causes of the growth of world poverty are monetary injustice, institutionalized greed and general neglect of our human condition. The solutions should begin from a sincere desire to correct those sins.

enemy; awareness is growing that the world needs joint efforts.

In these times of intercontinental *perestroika*, there is a real chance to stabilize and diminish military expenses on both sides and, beyond that, to redirect financial resources from armaments to aid, "beating swords into ploughshares".

Economist Wassily Leontieff has considered three scenarios, showing the consequences for different regions of the South of an increase, stabilization or relative decrease of armament expenditures in the North.

Leontieff's third scenario is one in which the relative decline of military expenditures is partly used to decrease Third World debt and increase the transfer from North to South.

The results of that scenario are astonishing. Precisely in the poorest parts of the world the real consumption begins to rise — in poor Asia by about 50 per cent within 20 to 30 years, in parts of Africa by as much as 133 per cent.

Leontieff's analysis shows that a spirality of life is indeed possible. But it starts with the willingness of rich nations to begin to walk on the way of peace and to hear the cries of those who suffer.

A possible second way is this. We have emphasized monetary factors, especially the role of the "key currencies". These privileges of the rich countries are maintained because the majority of their people do not accept any lowering of their standard of living.

It is clear that justice now calls for a new dialogue between North and South about how money grows internationally.

But all these efforts will be in vain if people in the rich nations are not willing to abandon the illusion that ever-growing material production can spare them from their own human condition.

Real solidarity with the poor thus means that churches in the North have to take the lead in their own societies to make feasible a lifestyle of "enough" and to pave the way for stabilizing material consumption so that the international monetary system can also give room to the needs of the poor.

The Bible says God does not want the sinner to die but to live. We have to confess here and now that justice to the poor has become the only way for rich nations to gain and keep that life.

Bob Goudzwaard



WCC/Peter Williams

More than 7,000 families eke out an existence on Manila's Smokey Mountain, the world's largest garbage dump.

What is needed is not a new blueprint but practical obedience to norms and values long neglected, opening up a path on which we can walk step by step.

The call of Christ to follow him is usually seen in only personal terms. Could it be that we now have to follow the path of his commandments primarily as churches, as nations, as a whole generation?

Second, the existence of spirals of death is not a sufficient reason for despair. If problems are interconnected in a kind of spirality of death, it may also be true that their solutions are interconnected.

I think signs or suggestions of this twofold kind of approach can be found. Let me mention just two.

The first suggestion is linked with the current new relationship being built up between East and West. Profound historical tensions are relaxing; a willingness is arising to correct the image of each other as

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