

## Poverty: A historical context, continued

By the middle of the 19<sup>th</sup> century we see a sustained movement out of poverty for those parts of the world that were industrializing, mostly in Europe. Europe had become the center of accumulation of wealth and power, with the rest of the world progressively being submitted to its rule. The just ending slave trade had devastated Africa, and the Spanish colonization of South America had left its native population barely clinging to survival. The whole of the European imperial project in economic terms creates a vast amount of the world's poor and is the origin of the notion of the third world. These 3<sup>rd</sup> world locations were often exploited by wealthy capitalists for their natural resources, which were then shipped off to other countries; this exploitation left in its wake intense poverty, lack of infrastructure, and massive disease burden for the native populations.

Gradually industrialization began springing up in the late 19<sup>th</sup> in other parts of the world. You see the same things you saw in Europe now in India, China, and Latin America. There is a rise in science and technology, which allows for increased agricultural productivity. With the new form of economy comes a new level of inequality never before witnessed. Fewer people are starving and yet there is still a massive underclass serving the rich, and there is still rampant poverty.

Karl Marx believed poverty was the result of capitalist system that was organized for profit, its main motive was to maximize profit, and he believed you could maximize profit by keeping wages as low as possible. This creates an inherent condition of conflict between the wealthy capitalist employer and the poor working employee. While the rich often seem to want to help the poor, it is never at the cost of changing the capitalist system. Marx said "the rich will do anything for the poor expect stop exploiting them".

In 1876 India experienced a famine, now known as the Great Famine. The famine was preceded by an intense drought which caused crops to fail all over the country. While the drought may have been what initially started the problem, the Indian government (then under British control) failed to respond to the threat. While people were starving the government was still allowing the export of huge amounts of grain, shipped out of India by wealthy English land owners. This grain could have been used to feed the countries starving population, but was not. The death toll from the Great Famine is estimated to be in the range of 5.5 million people. Increasingly it was beginning to be asked whether poverty was a natural condition, or if it was something mankind could do something about.

What gave the question of poverty its urgency was not the fear of social revolution, of hordes of 'dangerous classes' attacking those with property and power, but a profound sense of moral and social disarray. However poverty was viewed – as an inexorable fact of human nature, as an unfortunate by-product of a particular institution, or as the fatal flaw of the entire system – it was seen as primarily, fundamentally, a moral problem. It was a

moral problem for the poor and for society – for the poor as responsible moral agents, and for society as a legitimate moral order. At the beginning of the 20<sup>th</sup> century there is a renewed call to end poverty around the world. The Indian leader Mahatma Gandhi says “poverty is the worst form of violence”.

The early 20<sup>th</sup> century saw World War I come and go, in 1930 the world experienced a severe economic depression known as the Great Depression. The depression originated in the United States with the crash of the stock market on *Black Tuesday*. The Great Depression had devastating effects in countries rich and poor. Personal income, tax revenue, profits and prices dropped, while international trade plunged by more than 50%. Unemployment in the U.S. rose to 25%, and in some countries rose as high as 33%. The Great Depression saw many people forced to live in poverty; the U.S. was hit particularly hard, with tales of breadlines and people selling their children. The recovery would not begin until World War II.

World War II would see the United States economy significantly improve as new industry scrambled to support the war effort. After the war the United States would be in a position of relative global economic superiority, and the difference between rich countries and poor countries would be seen as never before. Many people of the wealthy countries believed it was their duty to help those less fortunate. President Harry Truman responded to this sense of duty in his inaugural speech saying “more than half the people in the world are living in conditions approaching misery. Their economic life is primitive and stagnant. Their poverty is a handicap and threat, most to them, but also to more prosperous areas. For the first time in history humanity possess the knowledge and skills to relieve the suffering of these people”

The United Nations (UN) is an intergovernmental organization established on 24 October 1945 to promote international co-operation. The UN was formed to address modern issues such as the end of colonialism, and the relative wealth of nations. There is an international effort by the wealthy nations to relieve some of the suffering in the poorer nations. This is done in a few ways like providing seeds for food crops and providing medicine and doctors as well. Science and technology provided by foreign aid would help to lift millions from the brink of starvation, and would turn countries like India from a country without enough food for its citizens to a country that exports excess food for profit.

Not every country accepted economic aid though. The communist leader Mao Zedong believed that China did not require foreign aid or the help of capital investment from other countries. Mao was concerned with the poverty of his nation as a whole, and did not like the idea of accepting help from others. Zedong believed that because China had such a large population, if he could put all the people to work on large-scale projects the country would be as productive as other industrialized nations. And so he initiated the Great Leap

Forward. The Great Leap Forward of the People's Republic of China (PRC) was an economic and social campaign by the Communist Party of China (CPC) from 1958 to 1961, which aimed to rapidly transform the country from an agrarian economy into an industrialized one.

In order to make China productive in steel, Mao Zedong ordered everybody to have their own steel furnace in their back yards, and the people were under strict orders to produce a certain amount of steel. This led to the peasants melting down pots and pans in order to meet quotas; with most of the steel being non usable it was of such poor quality. The peasants could not use their pots and pans anyways, as there was nothing to eat. By turning to industry instead of food production China was struck by a famine, known as the Great Leap Forward Famine. This famine would prove to be a cataclysmic even resulting in the death of over 30 million people in just a few years.

So while China's Great Leap Forward is seen as a huge disaster, accepting foreign aid is not always the best thing to do either; take for example the West African country of Ghana. During the 50's and 60's Ghana accepted enormous amounts of foreign aid, millions of dollars in the form of high interest loans. The belief was if you just gave more resources to these poor countries so they could build factories and other infrastructure projects trickle-down economics would work, the economy would grow and the benefits would go to everybody. Ghana borrowed money for one of these projects and built the huge Akosombo dam, at a cost of a quarter billion dollars. The damn was supposed to provide power for the countries newly formed aluminum industry, however the industry crashed and the people of Ghana were stuck with a near worthless dam and a huge debt to pay off. Paying the interest on this debt would prevent Ghana from growing economically for decades to come.

Africa and much of the developing world would accumulate debts in this fashion, by borrowing money to help build their countries; this is money that should have been given as grants. When these countries can't repay the debts they are put through the squeeze by the IMF and World Bank, harsh economic sanctions are installed which prevent much of the population from escaping poverty.

We live in a world of contradiction. There are incredibly wealthy countries bordering very poor ones, there are skyscrapers that overlook vast slums, there are homeless people begging on streets packed with new luxury cars. There is incredible inequality almost everywhere you look, especially in the United States. So what can we do about it?

The most important way of getting out of poverty is making sure everyone can earn their way out of it, one way or another. Geographic /social mobility is welcome even by very poor an opportunity to better their circumstance. Brazil had a problem with widening inequality; the government responded by investing heavily in public education, they provided incentives to ensure parents sent their children to school, and provided free

education at the federal and state colleges and universities. Education is very important when breaking the cycle of poverty, by providing more opportunities; a much higher percentage of the uneducated live in poverty compared to the educated.

China has also made progress in its fight against poverty. In the last 30 years several hundred million people have moved out of poverty in China. But while an important number of people have been lifted out of poverty in China, you need to also take into account the fact they have had to migrate from traditional communities in order to work in inhuman conditions in factories in cities. Working in such conditions is not something anyone in their right mind would call getting richer.

Today, globalization offers a new way of dealing with poverty, it could be good, or it could be bad.

Globalization itself isn't a bad thing; it is a matter of who is controlling the system. Right now we have a system designed by the rich, for the rich. Capital can flow everywhere it can move about freely and be invested all over but labor can't do that. A poor Indian hairdresser who wants to work in Germany or America will not be able to.

Today we have begun a new chapter in the history of poverty, because all the poverty today is totally avoidable. The poorer half of humanity earns less than 3% of the global household income, that in itself shows that poverty could be eliminated. If the world could be redesigned in such a way that the poorer half would receive just 5% of the global household income, that would significantly improve the situation and at least get rid of the most extreme poverty in the world. As of 2008, the World Bank has estimated that there were an estimated 1,345 million poor people in developing countries who live on \$1.25 a day or less. We still have a lot of work to do.