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Can World Poverty be Eliminated?

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Can World Poverty be Eliminated?

Abstract

A review of:

World Poverty: New Policies to Defeat an Old Enemy edited by Peter Townsend and David Gordon. Bristol: The Policy Press, 2002. 454pp.

and

World Poverty and Human Rights: Cosmopolitan Responsibilities and Reforms by Thomas Pogge. Malden, MA: Blackwell/Polity, 2002. 264pp.

and

There is an Alternative: Subsistence and Worldwide Resistance to Corporate Globalization edited by Veronica Benholdt-Thomsen, Nicholas Faraclas, and Claudia von Werlhof. New York: Zed Books. 2001. 288pp.

Keywords

Poverty, Economic rights, Social rights, Globalization, International economics, International financial institutions

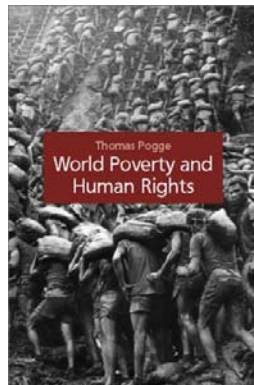
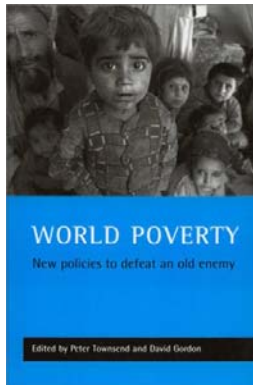
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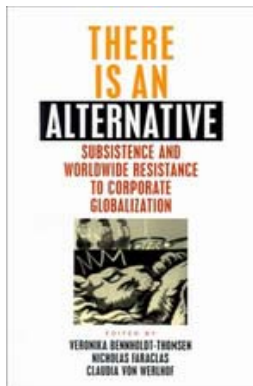
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Can World Poverty be Eliminated?

By William F. Felice

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Since its founding, the member states of the United Nations have again and again, often with great flourish, declared their commitment to the elimination of global poverty. In its *Millennium Declaration* of September 2000, for example, the states of the UN declared that they would “spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected” (United Nations 2000). Similar commitments were made at the 1995 World Summit for Social Development meeting in Copenhagen where the United Nations Development Program (UNDP) presented “A World Social Charter,” which included the following: “We are convinced that it is possible to overcome the worst aspects of poverty in our lifetime through collective effort. We jointly affirm that our first step towards this goal will be to design a global compact that ensures that no child goes without an education [and] no human being is denied primary health care or safe drinking water...” (UNDP 1994: 6). Other leading international organizations make similar declarations. For example, the institutional motto for the World Bank states, “Our dream is a world without poverty” (Stiglitz 2002: 23). Conservatives, liberals and radicals all appear united in a commitment to end the massive avoidable suffering currently plaguing millions of innocents.

The UN has gone beyond merely declaring abstract, rhetorical and aspirational goals to alleviate suffering. There is now in place a large corpus of international treaties negotiated through the UN which seek to define economic and social human rights. Through its “General Comments,” the

Committee on Economic, Social and Cultural Rights (CESCR) has valiantly struggled to elaborate the core content of these often controversial rights claims.¹ This international human rights law is designed to prod states to take actions to end poverty. The treaties plainly enunciate states' obligations and legal duties toward their most vulnerable populations.

The UN makes the following distinction between economic and social rights: economic rights refer to the right to property, the right to work, and the right to social security. Social rights are those rights necessary for an adequate standard of living, including rights to education, health, shelter, and food. The right to education affirms free and compulsory primary education and equal access to secondary and higher education. The right to health ensures access to adequate health care, nutrition, sanitation, clean water and uncontaminated air. The right to shelter provides guarantees against forced eviction and access to a safe, habitable, and affordable home. The right to food requires that states cooperate in the equitable distribution of world food supplies and respect and assure the ability of people to feed themselves (Felice 2003: 52-53).

Despite these treaties and declarations, many observers argue that little has actually been done to push states to change the conditions faced by those trapped at the bottom of the global division of labor. These critics argue that, objectively, there have been minimal actions by the UN and other international organizations to pressure states to meet the duties and obligations outlined in international law to respect, protect and aid the deprived. In Latin America, for example, 44 percent still live in poverty, and the number of unemployed workers has more than doubled in a decade. Tens of millions of people in Latin American countries barely survive in the “informal economy” working as street vendors, begging and so on (Forero 2002). This lack of action by states and international organizations leads to cynicism about the UN, the World Bank, and other intergovernmental agencies. Normative proclamations and declarations to alleviate suffering are continually ignored. This type of diplomatic hypocrisy led Sartre to call such high-sounding principles as liberty, equality, and fraternity little more than “chatter, chatter” (Sartre 1963: 22).

What can be done? Are there realistic policies to help alleviate and eventually end world poverty? The authors of the three volumes under review believe that there are a plethora of policy options to end this suffering, and as a group present a riveting challenge to those who protect the status quo. These three important studies introduce global and local alternatives to the current neoliberal economic model that—they argue—perpetrates economic injustice. Thomas Pogge, Peter Townsend and David Gordon seek fresh insights into how to tackle poverty worldwide. These scholars effectively critique national and international strategies and propose new approaches to achieve global economic justice. Veronika Bennholdt-Thomsen, Nicholas Faraclas, and Claudia Von Werlhof, on the other hand, document local, community-based, initiatives to show that alternatives to hopelessness do already exist. Collectively these books present refreshing and liberating analysis and offer workable alternatives to destructive globalization. If the UN is serious about its many pledges to end world poverty, its members can find helpful policy proposals in these three vital studies.

¹ The “General Comments” of the CESCR elaborate the obligations of states to respect, protect and fulfill economic and social human rights. General Comments No. 12 on the Right to Food, No. 13 on the Right to Education, and No. 14 on the Right to the Highest Attainable Standard of Health are particularly useful. For a summary of all CESCR General Comments, see Felice 2003, 60-71.

Pogge's Cosmopolitan Responsibilities

In his World Poverty and Human Rights: Cosmopolitan Responsibilities and Reforms, Thomas Pogge seeks to rattle our cage by charging us with complicity in the deaths of millions. He demands that the people of the developed world accept our responsibility for the unimaginable suffering and preventable deaths in the less-developed countries (LDCs). He writes to disturb: “[M]ost of us do not merely let people starve but also participate in starving them” (Pogge, 214). “Extensive, severe poverty can continue, because we do not find its eradication morally compelling” (Pogge, 3). “As ordinary citizens of the rich countries, we are deeply implicated in these harms” (Pogge, 142). Pogge continues in this vein:

Some will wonder how we can possibly be collaborating in the starvation of millions, if we have never chosen to do any such thing and our lives feel perfectly fine, morally, from the inside. Many Nazi sympathizers wondered likewise. They, too, had never chosen to support war and genocide, but had merely continued to do their jobs, to follow orders, perhaps to attend rallies. Yet, by acting in these ways, they did contribute to the massacres. Given what they knew about the ongoing war and genocide and their own causal roles, they ought to have thought, and chosen, and then acted differently. Or we now tend to believe. And if this is how we think about most Germans in the early 1940s, then this is how we must surely think about ourselves, seeing that we enjoy so much more freedom to inform ourselves and to act politically.

The point of this parallel is not to raise issues of blame or guilt...nor to liken our conduct to that of Nazi sympathizers. The common point is thoughtlessness. Poverty so extensive and severe as to cause 18 million deaths a year requires a reflective moral response from each and every one of us. It requires that we morally situate ourselves in respect to it and choose how to act or fail to act in the face of it (Pogge, 145).

To overcome this moral thoughtlessness, Pogge calls on us to situate the problem of global poverty within a framework of international human rights. He links human flourishing and well-being to *global* economic justice and moral universalism. Eradicating systemic poverty, he argues, will involve acting on this new understanding of *global responsibility* by breaking out of stifling conceptions of “sovereignty” and nationalism, and enact a series of modest and feasible reforms in international law and international organization. Since it is fairly safe to say that none of us want to be complicit in the deaths of millions, it is important to examine Pogge’s argument in detail.

Significant developments in international economics and politics since World War II substantially strengthen the moral arguments in favor of economic and social human rights. First, fifty years ago the alleviation of poverty would have required “a major shift in the global income distribution, imposing substantial opportunity costs upon the advanced industrialized societies” (Pogge, 92). Today, given our rising affluence, the required shift would be small and barely noticeable in the developed countries. The UN has produced numerous reports documenting the ways in which the basic needs of the world’s poorest can be met through a reallocation of existing spending priorities. The 1995 UN Summit on Social Development in Copenhagen, for example, elaborated realistic policy options that, rather than requiring major sacrifices on the part of the developed states, focused instead on feasible reforms within existing budgetary boundaries (Felice 2003: 209-217). Given that these proposals to alleviate suffering are doable and realistic, this adds legitimacy to the moral arguments behind economic and social human rights. It is no longer possible

for governments to hide behind the supposed “impracticality” of solving global poverty. Before WWII, one could perhaps make this argument, but today it is false.

Second, the international community of states has affirmed moral universalism through the adoption of international human rights law. Pogge highlights this shift in the modern period and notes that today the “equal moral status of all human beings is widely accepted” (Pogge, 92). This makes our acquiescence to severe poverty abroad hard, if not impossible, to justify. One hundred and forty-four nations have ratified the UN Covenant on Economic, Social and Cultural Rights. Substantive provisions in part three of this human rights treaty include the following claims: an adequate standard of living, including food, clothing, and housing; physical and mental health; education; scientific and cultural life; the opportunity to work; just and favorable conditions of work; rest and leisure; social security; special protection for the family, mothers, and children; and the right to form and join trade unions and to strike. The vast majority of states have thus agreed to take all appropriate means and use the maximum of available resources to fulfill these specific rights. This global embrace of economic and social human rights requires action to alleviate world poverty. Articles 2 and 23 of the Covenant, for example, specifically call for “international assistance and cooperation” and “international action” in order to progressively achieve the full realization of economic and social human rights at the local level. This strong normative human rights framework further strengthens the argument that indifference to the suffering of others caused by the machinations of the global economy is a morally shameful position. Failure to act to help the vulnerable reveals deep seated hypocrisy and moral bankruptcy.

Yet severe poverty continues despite enormous economic and technological progress. Approximately 46 percent of humankind—2.8 billion people—live below the World Bank’s \$2 per day poverty line, with over 1.2 billion living below the \$1 per day poverty line (World Bank 2001: 3). Since the 1970s, world food prices have dropped by 32 to 50 percent, yet millions of people still do not receive an adequate caloric intake in their diet. They are unable to either buy internationally traded food or compete with the market demand for grain to feed the cattle of the world’s wealthy people. They are economically invisible and the structures of the global market economy entrench rather than alleviate this suffering (Felice 2003: 9).

Despite this reality, few act to end this preventable suffering. Pogge believes that part of the problem is that “most people in the rich countries think of our global economic order as basically just” (Pogge, 95). Therefore, the persistence of poverty does not require our moral attention because “there is nothing seriously wrong with our conduct, policies, and the global economic institutions we forge in regard to world poverty” (Pogge, 4). The rich countries interpret both history and current economic and political arrangements in a way that absolves them from any responsibility for existing poverty. It is easier for us to point a finger at the LDCs themselves—at their often corrupt political leaders and harmful internal economic policies—rather than examine those global structures that enhance the position of the powerful over the powerless.

Pogge presents a compelling argument that since the global economic order causes harm, we have a moral responsibility to act on behalf of the desperately poor and oppressed. He contends that the rules governing global economic institutions and actors perpetuate the power of the rich and consistently undermine the position of the poor. Consider, for example, the impact of the actions of the World Trade Organization (WTO) on the poor. The WTO continues to allow the rich countries to place heavy tariffs on agricultural, textile and clothing imports from poor countries. The UN

Conference on Trade and Development (UNCTAD) estimates that the impact of this act alone is a \$700 billion annual loss in export revenues for these very poor countries. Pogge notes that this figure is “12.5 times annual [Official Development Assistance] from all donor countries combined, or 11 percent of the aggregate annual gross national incomes of all developing countries” (Pogge, 18). There is now a large body of economic literature documenting the many ways in which the present global economic order contributes to the persistence of poverty. Nobel laureate Joseph Stiglitz served for four years on former President Clinton’s Council of Economic Advisers, and then three years as a Senior Vice President and Chief Economist of the World Bank. Stiglitz recently added his voice to those arguing that the main institutions that govern globalization—the International Monetary Fund, World Bank and WTO—must dramatically alter their operations (including, for example, greater transparency) to help the poorest during this time of great change (Stiglitz 2002). There is an abundance of evidence to support the charge that the current global economic order is unjust and harmful to the poorest among us. Since this is true, Pogge argues, we have a moral obligation to act to end this preventable suffering.

Pogge has some ideas on what is to be done. He points us in the direction of global reforms to address the ways in which international laws and institutions contribute to this unjust global economic order. While not ignoring the need for reform within LDCs, he notes that poverty is the result of a combination of local *and* global factors. He accurately documents the ways in which the current global structures reinforce and perpetuate undemocratic and elitist practices in the LDCs. Our responsibility, therefore, begins with measures to change these practices which support oppression. He cites, for example, two “international privileges” that benefit the developed countries and the elites in the LDCs at the expense of the poor populations of resource-rich developing countries: an international borrowing privilege and an international resource privilege. How does this work?

In international law, a state is invested with “international legal personality” if it possesses the following four qualifications: a permanent population; a defined territory; a government; and the capacity to enter into relations with other states. Recognition of a new state may automatically include recognition of the government. The recognition of new governments that come to power illegally and through violence may be lawfully withheld. However, historically the international community has been indifferent as to how governmental power is acquired. Once a regime comes to power it is too often immediately granted certain economic and political rights and privileges. The international community accepts the group in power’s right to speak for and act for the people it rules. Furthermore, it is given the privilege to borrow in the country’s name (international borrowing privilege) and freely dispose of the country’s natural resources (international resource privilege) (Pogge, 112-113).

These international privileges provide powerful incentives to corrupt local elites to seize power arbitrarily. Pogge cites the example of Nigeria, which exports \$6-\$10 billion worth of oil annually. This incredible wealth will flow to whoever establishes himself or herself in power. This has proven to be quite a temptation in Nigeria, where military officers have taken control and ruled by force during 28 of the past 32 years. Furthermore, the current civilian ex-general president, Olusegun Obasanjo, has failed to reform the oil sector. He knows that keeping Nigeria’s military officers content will ward off a coup attempt. Pogge’s point: “Corruption in Nigeria is not just a local

phenomenon rooted in tribal culture and traditions, but encouraged and sustained by the international resource privilege” (Pogge, 114).

The international borrowing privilege is, perhaps, even more insidious. It puts a country’s full credit and borrowing at the disposal of even the most ruthless rulers. It is indifferent to how these rulers came to power, thus providing a strong incentive for coup attempts. And even when the dictatorship is overthrown, the new government is saddled with the huge debts of their former oppressors. Pogge convincingly demonstrates the ways in which the global economic order, through the granting of these two “privileges,” promotes authoritarian rulers and corrupt elites and contributes to the persistence of severe poverty.

Events in July 2003, as reported in the *New York Times*, in the tiny West African nation of São Tomé and Príncipe provided dramatic evidence to support Pogge’s analysis. Exxon Mobil, the world’s largest oil company, and Chrome Energy, a Houston-based oil and gas company controlled by Nigerian investors, secured options for oil exploration in the waters off São Tomé and Príncipe. Some geologists estimate this area could hold up to six billion barrels of oil reserves. Expectations on the small islands, where the average annual income is \$280, have soared. According to Gerhard Seibert, an authority on São Tomé and Príncipe, “[o]il has created dreams of grandeur for a tiny place that has been on the margins of global affairs for many years. The army and the political and business elites sense something coming and want a part of it.” These riches appeared to be irresistible to these elites. On July 16, 2003, President Fradique de Menezes was overthrown by a military coup led by Major Fernando Pereira. Cabinet members, including the oil minister, were held captive. Experts predicted many days of political instability ahead with elites jostling for power ahead of the oil rush. A spokesman for Chrome Energy immediately issued the following statement: “Our contracts are with the government of São Tomé, so we’re assuming that they will be honored no matter what takes place” (Romero: 2003).

Chrome Energy thus audaciously states the rules governing the “international resource privilege.” The only thing that matters to such oil companies is the contract. These firms do not care whether the governments they do business with have come to power legitimately or through violence. These companies do not care whether the benefits from the sale of these natural resources go to help the people of the country or only to the bank accounts of the corrupt elite. These attitudes and policies of transnational corporations provide the powerful incentive that Pogge writes about for malevolent forces in LDCs to seize power. The privileges that automatically come to those who seize power often provide the motivation to do so.

How to end the “international resource privilege” and the “international borrowing privilege” that accompanies state sovereignty is tricky. One road is to attach human rights “conditionality” onto these privileges, e.g., governments must adhere to basic human rights law in order to attain the rights granted to states in international relations. Pogge wants to “reduce the expected rewards of *coups d’états*” (Pogge, 152). He calls for the creation of some “international analogue to the police,” perhaps a U.N. multinational force, to be ready to intervene in the event of a coup (Pogge, 153). Such intervention should be preauthorized by the fledgling democratic government. He further calls on new democracies to pass constitutional amendments requiring that debts incurred by future unconstitutional governments not be serviced at the public’s expense. A standing UN “Democracy Panel” can be established to determine violations of constitutional rules. The idea here is to take

away the “international borrowing privilege” from authoritarian dictators and reserve it only for democracies (Pogge, 153-158).

Pogge also outlines mechanisms to undermine the resource privileges of authoritarian rulers. He again argues for a constitutional amendment in which the new democracy declares that only its constitutionally democratic government may legally transfer ownership rights in public property. This amendment would make it much harder for corrupt rulers to enrich themselves. They would no longer have the ability to hand over public property to anyone they like. All of this would reduce the attractiveness of a coup attempt. It is morally wrong to grant brutal dictators internationally valid legal ownership rights to a country’s natural resources. Pogge’s constitutional amendment proposal is an attempt to end this practice.

Finally, to help eradicate systemic poverty, Pogge calls for the creation of a Global Resource Dividend, or GRD. This proposal requires governments to share a small part of the value of any resources they decide to use or sell. Pogge calls this payment a “dividend” to highlight the idea that the global poor own an inalienable stake in all limited natural resources. As stakeholders they are entitled to a share of the economic value of these natural resources. The proceeds from the GRD can be used to ensure “that all human beings can meet their own basic needs with dignity. The goal is not merely to improve the nutrition, medical care, and sanitary conditions of the poor, but also to make it possible that they can themselves effectively defend and realize their basic interests” (Pogge, 197). The GRD “incorporates into our global institutional order the moral claim of the poor to partake in the benefits from the use of planetary resources” (Pogge, 207).

Is Global Poverty Getting Worse, or Better?

Pogge’s claim that the international economic order causes harm would be weakened, if not undermined completely, if it could be shown that the condition of the global poor is slowly improving. Some liberal economists argue that, although there is still too much economic suffering in the world, the global capitalist system is slowly helping both the rich and poor nations. According to the latest estimates from the World Bank, for example, the average proportion of people in developing countries living on less than \$1 per day fell from 43 percent to 25 percent between 1990 and 1999. Extrapolating this trend to the year 2015, the world appears on target to reach the UN goal of halving poverty between 1990 and 2015 (Vandemoortele in Townsend and Gordon, 378). Other economists go even further. In a controversial study, Columbia University Professor Xavier Sala-i-Martin attempts to assess the standard of living that \$1 and \$2 per day provides in different LDCs. His estimates of actual purchasing power parity (PPP) differ dramatically from those of the World Bank. From his PPP estimates, Sala-i-Martin finds that the proportion of people living on what amounts to \$1 per day has fallen from 20 percent of the world’s population a quarter-century ago to just 5 percent today, while the \$2 per day poverty rate has fallen from 44 percent to 19 percent (Friedman 2002: 52).

Yet, David Gordon and Peter Townsend believe that these conclusions are false. In their edited volume World Poverty: New Policies to Defeat an Old Enemy, these professors join with other scholars to not only analyze the actual figures on global poverty, but to also suggest policies to

alleviate needless suffering. How do we measure global poverty? What does this \$1 per day standard really indicate? Are conditions improving for the most vulnerable? If they are, then current policy approaches—often labeled the “Washington Consensus”—should be supported. On the other hand, if conditions are getting worse for the poor, then this consensus should be challenged and new policies articulated. The authors of this important study take on these tasks.

Although a growing number of international agencies attempt to measure poverty, including the International Fund for Agricultural Development (IFAD) and the UNDP, the most influential measure is conducted by the World Bank. The World Bank defines poverty as “the inability to attain a minimal standard of living.” The World Bank’s *World Development Report 2000/2001: Attacking Poverty* slightly adjusts the poverty line from \$1.00 to \$1.08 per person per day at 1993 Purchasing Power Parity (PPP). The poverty line of \$1.08 is the median value of the lowest 10 poverty lines among 33 LDCs. (Townsend and Gordon, 63, 380). Is the \$1.08 or \$1 per day norm valid for comparing poverty among countries? Does it accurately establish a universal poverty line that permits cross-country comparisons?

Jan Vandemoortele notes that the main problem with this World Bank international poverty norm is that it violates the standard definition of income poverty, that is, “a person is considered poor when he/she does not reach a minimum level of economic wellbeing set *by society*” (Vandemoortele in Townsend and Gordon, 380; emphasis in original). Economic and social human rights depend upon the realization of a basket of basic necessities and public goods, such as piped water, electricity, urban transport and essential drugs. As a result, more affluent countries set a higher poverty line and that basket is more expensive. The poverty line cannot be disassociated from the average standard of living of a society.

David Gordon explains that the World Bank acknowledges this approach through its statements that a measure of poverty must comprise two elements: “the expenditure necessary to buy a minimum standard of nutrition and other basic necessities and a further amount that varies from country to country, reflecting the cost of participating in the everyday life of society.” The first element is relatively straightforward and can be calculated by “looking at the prices of foods that make up the diets of the poor.” But the second element is much more subjective. For example, “in some countries indoor plumbing is a luxury, but in others it is a ‘necessity.’” Despite this acknowledgment, the World Bank does not take this “second element” into account at all in its \$1 per day determination of poverty (Gordon in Townsend and Gordon, 63).

According to this analysis, the World Bank’s global estimates of poverty are thus both unreliable and dangerous. Vandemoortele states that the use of the \$1 per day poverty norm “underestimates the extent of global poverty; at the same time it overestimates progress in reducing income poverty.” He argues persuasively that these distortions could be avoided by using national poverty lines which provide more meaningful information (Vandemoortele in Townsend and Gordon, 382).²

Pogge also believes that the poverty estimates provided by the World Bank and Xavier Sala-i-Martin are misleading. Pogge, Howard Nye, and Sanjay Reddy note that the general PPP’s utilized by

² Other scholars reject the very ideas of “poverty” and “development” as defined and elaborated by the World Bank. See, for example, Sachs 1992.

the World Bank and Sala-i-Martin are related to average price levels for all commodities, weighted by their share in international expenditure. However, a poor person is not concerned with commodities such as airline tickets or pedicures. A low-income household must concentrate on basic foodstuffs and other necessities. A household should be determined “poor” not in relation to the local price level of commodities in general, but to the local cost of a basket of necessities (food, water, shelter and so on) (Pogge, Nye, and Reddy: 2002). Complete figures do not yet exist to give us an accurate view to the costs of what poor people actually buy. However, based on the cost of bread and cereals, Reddy and Pogge estimate that the World Bank’s analysis may underestimate the number of the world’s people living in absolute poverty by some 32 to 59 percent (Reddy and Pogge 2003: 30).

If the \$1 per day norm is both inaccurate and misleading, thus overestimating poverty reduction and underestimating actual preventable suffering, is there an alternative, more promising, measure of poverty? The UNDP’s “human development approach” has been particularly helpful in designing new indices and measurements of basic economic and social human rights. Drawing on the work of Nobel laureate Amartya Sen, the human development approach incorporates a capabilities perspective, i.e. poverty is the absence of opportunities to develop some basic capabilities to function. Sen’s capability functions include being well nourished, adequately clothed and sheltered, able to avoid preventable morbidity, and able to partake in the life of the community (see Townsend and Gordon, 62). Poverty thus cannot be reduced to a single dimension, like a \$1 day norm. This change in focus dramatically challenges the argument that “progress” is being made in defeating preventable poverty. For example, in 1996 the World Bank estimated that approximately 900 million people in the developing world—21 percent of the total—were income-poor and lived below the poverty line. The UNDP, on the other hand, calculated the percentage of people who lacked basic human capabilities in health, nourishment, and education. The corresponding figure for capability poverty in 1996 was 1.6 billion, or 37 percent of the people in the developing countries. In Pakistan in 1996, only one-third of the population was income poor, but more than three-fifths were capability poor. That same year in Bangladesh, 55 million people were income poor, but 89 million were capability poor (UNDP 1996: 27-28).

Townsend and Gordon document the ways in which Pogge is unfortunately correct: the international economic order is actively harming the vulnerable and creating intolerable living conditions for the global poor. The global community is not on its way to halving poverty by the year 2015. The UNDP examines deprivations in three basic dimensions of human life in its Human Poverty Index (HPI): a long and healthy life (the percentage of people not expected to survive to age forty), knowledge (adult illiteracy rates), and economic provisioning (percentage of people without access to safe water, health services, and the percentage of children under five who are moderately or severely underweight). For example, in 2000 the UNDP estimated that over 33 percent of all people in over a third of all developing countries surveyed suffered from conditions of extreme human poverty (UNDP 2000: 151). As Townsend and Gordon conclude, “mass poverty is set to persist and, worse still, to increase” (413).

The Failure of the “Washington Consensus”?

A further problem with the \$1 per day poverty norm, according to Vandemoortele, is that it not only overestimates the number of people who escape from poverty over time, but it also tends to reinforce the belief that aggregate growth alone is the best strategy for reducing poverty. Yet we know now that this is a false conclusion. There is no solid empirical evidence to demonstrate a firm relationship between aggregate growth and the income of the poor. While growth strategies may enlarge the economic pie, unless attention is paid to the distribution of that wealth, the poor may not benefit. Thus, more growth may not necessarily mean less poverty. The beneficiaries of economic growth are often the elite of the society, with little “trickle down” to the poor. As only one component to an overall program, growth strategies in theory could serve the poor. But, anti-poverty strategies that focus primarily on growth, while overlooking equity concerns, are doomed (Vandemoortele in Townsend and Gordon, 385-386).

The “Washington Consensus” (also called the “Transatlantic Consensus”) on development policy is based on the idea that economic growth is the key component to poverty alleviation. The articles in World Poverty: New Policies to Defeat an Old Enemy document the ways in which this “consensus” is built around not only a swing from state-led to market-oriented policies, but its focus of attention in the promotion of GDP growth through export-led development, privatization of public services, cuts in public expenditures, removal of state powers to redistribute resources, and the removal of public social security and services with small-scale “safety-nets” (Townsend and Gordon, 416). Evidence is presented throughout this volume that this “consensus” approach has made slow progress in reducing mass poverty (chapters one, fourteen and fifteen) and counter-productive to political and economic control (chapters two and seventeen).

The failure of the Washington Consensus is clear throughout the six chapters in Part III, titled “Anti-Poverty Policies in Poor Countries.” These chapters cover structural adjustment in Ghana, social funds in sub-Saharan Africa, urban water supply and sanitation policy in South Africa, housing policy in urban India, urban poverty in China, and challenges to intergenerational solidarity in South Africa. The experience of Ghana is illustrative. Kwabena Donkor notes that by 1993, at least 40 of the 56 countries of Africa were involved in one or another of the Structural Adjustment Programs (SAPs) of the World Bank or the International Monetary Fund (IMF). The SAPs were designed to implement the Washington Consensus defined above (privatization of public services, removal of public social security, export-led development and so on).

What was the impact of the SAPs on Ghana? Donkor effectively demonstrates that these policies had an adverse impact on poverty in Ghana. Perhaps the most destructive was the curtailment of public provision of services. The provision of public services had given Ghana a human development level above the sub-Saharan African average. In the mid-1980s, for example, Ghana achieved an educational enrollment ratio of 37 percent, compared to 13 percent in Kenya. Since the mid-1980s, to comply with the terms of the SAPs, Ghana has lowered its level of public provisions for public services. In health care, for example, the per capita health expenditure decreased from \$4.93 in the early 1970s to \$1.63 (in constant dollars) by the late 1980s. Hospital fees, introduced in 1983, were felt most formidably by the poorest who were least capable of paying. The decline in public services was combined with an increase in social and economic inequality, another consequence of SAP policies to stimulate trade. The push for export crops, such as cocoa,

coffee, and cotton, enhanced their price differential compared to non-export food crops. Farmers of non-export foods struggled to survive. This was compounded by the increased salary differential between the enclave transnational sector and the rest of the economy. As a result, agricultural workers remain the biggest poverty group in the economy. The Program of Action to Mitigate the Social Cost of Adjustment (PAMSCAD) was an “admission by both the government of Ghana and the multilateral and bilateral donors that the social consequences of reform were massive and needed corrective action” (Donkor in Townsend and Gordon, 224-226).

Policies in the developed countries have also not adequately confronted issues of equity and economic justice. Part II of this volume, titled “Anti-Poverty Policies in Rich Countries,” consists of four articles examining social and welfare policies in the United States and Europe. It is remarkable that poverty still exists in these rich countries. The authors demonstrate that relatively little national income would need to be transferred to poor families to eliminate child income poverty in these states—using UNICEF’s definition of income poverty (less than 50 percent of the national median income). Gordon notes, for example, that in “Finland, less than 1 percent of GNP would need to be spent on helping poor families with children and, even in the UK, which has very high rates of child poverty, less than 0.5 percent of GNP is needed” (Gordon in Townsend and Gordon, 72). In the US, only .66 percent of GNP is required to end child poverty. Those who argue that ending poverty is not a matter of either a lack of money or scientific knowledge, but rather a lack of political will, are certainly correct (Gordon in Townsend and Gordon, 73).

Strong Public Social Services

What is to be done? Is there an alternative to the Washington Consensus? Another strength of the Townsend and Gordon volume is to highlight the important role that governments can play to offset the rise of inequality accompanying globalization and protect the vulnerable. Strong public social services and welfare policies also contribute to social stability and provide long term value to economic growth (see chapters two, five, eight and fifteen). From this history of success, Townsend and Gordon draft an 18-point *Manifesto: International Action to Defeat Poverty*. Such a vision is critical because it shows how feasible it really is to solve global poverty. The *Manifesto* greatly strengthens the economic and social human rights framework and endorses specific global policies to enhance and promote these legal claims. For example, point four calls for all developed countries to adopt a legally binding minimum level of 1 percent GNP overseas development assistance. Point 12 calls for a revised “Tobin Tax,” i.e., the introduction of an international financial transactions tax to be administered by the UN. While it is certainly possible to disagree with the viability of some of the points in the *Manifesto*, overall the program is clear, helpful and inspiring. Since this *Manifesto* is realistic and doable, it further supports Pogge’s charge that we have a moral obligation to act to end needless suffering.

Local Alternatives to “Corporate Globalism”

While the *Manifesto* outlines a set of creative *international* policies, the editors of *There is an Alternative: Subsistence and Worldwide Resistance to Corporate Globalization* point in the direction

of *local* policy and action to defeat poverty. The seventeen contributors to this volume are united in their belief that there is a multitude of alternatives to corporate globalism. These writers seek to reestablish our sense of individual and collective power over our destiny, hopefully establishing societies based on “use value, abundance, fertility and life and away from the production of exchange value, scarcity, violence and death” (Bennholdt-Thomsen *et al.*, x). Readers are urged to reject our “misguided belief in ideology, science and technology of patriarchal ‘experts’ and leaders...[and]...(i)nstead...look...to ourselves, to our communities and to our everyday existence to find the inspiration, the ideas and the experiences we need to take our present lives back into our own hands in order to create the future of abundance, reciprocity, peace, caring, sharing, enjoyment and love that we all deserve” (Bennholdt-Thomsen *et al.*, xv).

The contributors to this volume draw inspiration and direction from the over 30 years of work by Professor Maria Mies and her colleagues on the “subsistence perspective” (the book is dedicated to Mies on the occasion of her seventieth birthday). Mies focuses the “liberation struggle” on what she calls the three colonies of capital: women, the Third World and Nature. Central to this struggle is an economy based on subsistence. She seeks to combine the goals of the ecology movement, anti-colonialism and women’s liberation simultaneously. She argues for a feminist conception of labor and economics. What does this mean? The predatory relationship of “Man” to “nature” must be replaced by a cooperative one. Work is no longer seen as only a burden (to be done as much as possible by machines or robots), but to have a fulfilling component as well. This, of course, would require a different economy from that which exists today. Mies believes that the main characteristic of such an economy “would be an emphasis on the maintenance of self-sustaining survival systems: ‘a subsistence perspective’. It would be a ‘moral economy,’ based on principle, not merely on supply and demand” (Bennholdt-Thomsen *et al.*, 9).

Part One of *There is an Alternative*, titled “On the Theory of Subsistence,” explores Mies’s paradigm in relation to the theoretical underpinnings of corporate globalization. One of the central theoretical premises of corporate globalism, for example, is something called “sustainable development.” In her essay “Sustainable Development: Rescue Operation for a Dying Illusion,” Saral Sarkar, shows how this idea in practice is in fact the opposite of a “subsistence perspective.” She argues that once it became impossible for economists and politicians to ignore ecological degradation, instead of changing course, they merely “invented a new term” (41). Sustainable development or sustainable growth allowed them to continue carrying on as before with the same economic models and practices, but this time with a green cover. Sarkar exposes the current myth of “sustainable” development. She documents, for example, the resource shortage in the South—e.g. availability of arable land and fresh water—and the inefficiency and non-sustainability of industrialized agriculture in the North (42-43). She exposes the limits to recycling and the myth that environmental protection can be achieved through technological fixes (45-47). Her conclusion: in order to become sustainable, the economies of the industrial societies must “shrink to become low-level steady-state economies,” i.e. the subsistence perspective (51).

Is such a move possible? Can modern societies overcome their total fixation on export-led economic “growth” and instead focus on real human development in a sustainable context? Herman Daly and John Cobb Jr. see “growth” as signifying the quantitative expansion in the scale of the economic system ultimately exhausting natural resources. They argue that “development,” on the other hand, should refer to an increase in the benefits derived from *the same quantity of resources*. This

is what Sarkar means by “steady-state” economy, i.e. a sustainable society (Sarkar in Bennholdt-Thomsen *et al.*, 50-51).

The seven scholars and activists who contribute to Part II of this volume are working hard to move their societies toward the subsistence perspective. For example, Vandana Shiva, in her essay “Globalization and Poverty,” presents a hard-hitting, moral case for rejecting corporate globalism and embracing indigenous, localized solutions. She notes that there has been an epidemic of suicide among farmers in Punjab, India. While Punjab used to be a prosperous agricultural region, today every farmer is in debt and despair. “As an old farmer pointed out, even the trees have stopped bearing fruit because the heavy use of pesticides has killed the pollinators—bees and butterflies” (Shiva in Bennholdt-Thomsen *et al.*, 57). The ecological and social disaster extends across India. Shiva documents the social devastation and ecological damage caused by the introduction of genetically engineered seeds to her country. She links the cause of drought and desertification to chemical intensification, genetic engineering, and monoculture productivity (what she calls the “monoculture of the mind”) (Shiva in Bennholdt-Thomsen *et al.*, 58). She shows how biodiversity based productivity is higher than monoculture productivity. “Planting multiple crops in a mixture will have low yields of individual crops, but will have high total output of food.” Examine, for example, the Mayan peasants in Chiapas who are often characterized as unproductive because they produce only 2 tons of corn per acre. “However, the overall food output is 20 tons per acre when the diversity of their beans and squashes, their vegetable and fruit trees are taken into account (Shiva in Bennholdt-Thomsen *et al.*, 58-59). Yet these facts are rarely acknowledged. The productivity of the small farmers (usually women farmers) are made to disappear by the way in which “yields” are defined. Shiva argues that all the empirical evidence available shows us that genetic engineering does not produce more food and often leads to a net decline in yields.

Shiva believes that economic globalization has become a “war against nature and the poor” (Shiva in Bennholdt-Thomsen *et al.*, 65). While more food is being traded, the poor are consuming less. “In India, food prices doubled between 1999 and 2000, and consumption of food grains dropped by 12 per cent in rural areas, increasing the food deprivation of those already malnourished and pushing up the mortality rates” (Shiva in Bennholdt-Thomsen *et al.*, 61). She calls on us to live by the rules of the biosphere which has enough for everyone’s needs “if the global economy respects the limits set by sustainability and justice” (Shiva in Bennholdt-Thomsen *et al.*, 65).

Building on Shiva’s analysis, Nicholas Faraclas points out that corporate globalization is neither “inevitable” nor a natural phenomena. He asks: “Can the most massive transfer of wealth in the history of humanity from the poor to the rich...be considered natural?” Faraclas argues, instead, that what is “natural” is the subsistence perspective. Competitive market economics, which valorizes individualized consumption, is only a recent development in human history. Almost all of our ancestors lived in the “abundance of subsistence” and co-existed in relative peace while fostering and celebrating diversity. Faraclas calls on us to reclaim this past (Faraclas in Bennholdt-Thomsen *et al.*, 67).

Faraclas points to the current example of the indigenous Melanesians who make up more than 95 percent of the 4.5 million inhabitants of Papua New Guinea, the Solomon Islands and Vanuatu. These three nations recognize the rights of the indigenous peoples to their land. The norms of

traditional Melanesian society continue in the 21st century. This culture promotes a collective norm which provides for full food, housing, employment and land security. Melanesians believe in internal equity and do not believe it is normal for one person to have enormous wealth while others have nothing. These indigenous people are a living example of an alternative to corporate globalism. The Melanesian society challenges us to reread our past for evidence of the possibility for transcending current systems of maldevelopment and poverty in order to create a society of subsistence and equity (Faraclas in Bennholdt-Thomsen *et al.*, 67-76).

In a similar vein, Susan Hawthorne reminds us that one of the most important aspects of indigenous culture is “its depth of understanding about a particular place, a particular environment and its ecology” (Hawthorne in Bennholdt-Thomsen *et al.*, 79). She identifies a “clash of knowledge systems” (81) between indigenous and Western/European cultures. For example, she claims that no indigenous population can sell or transfer ownership of resources which are the property of the people to be safely transferred to the next generation (Hawthorne in Bennholdt-Thomsen *et al.*, 81). Such a statement blatantly conflicts with current trade law and western models of development. Trade Related Intellectual Property Rights (TRIPS) establish a patenting system designed to override sovereignty and establish property rights to indigenous property, biodiversity, life-forms, and ideas. Hawthorne notes that the trend in all these trade agreements is towards a “false universalization of laws” establishing “trade rules [that] specifically ignore context and local conditions” (Hawthorne in Bennholdt-Thomsen *et al.*, 84).

In their discussion of forms of subsistence in practice, the contributors to Part III of this volume focus on context and local conditions. Farida Akhter describes the cultural movement of small ecological farmers in Bangladesh and the vibrant network of women united against reproductive technologies. Gustavo Esteva reports on the attempt to create a vision for the future by a broadly based network of grassroots activists associated with the Zapatistas in Mexico. Christa Müller from the International Gardens movement in Germany discusses how the emergence of local control over food production helped create relations of reciprocity and interdependence between refugee women and German women. These are just three examples of the types of “subsistence activities” documented in this section titled “Subsistence in Practice.” Cumulatively these illustrations help the reader to envision alternative models of “development.” There is no one overriding vision of a future society. Rather, these scholars and activists reaffirm that any sustainable future must be located within a society respecting context and local culture. The universalizing theology of the “free market” runs counter to this perspective (Bennholdt-Thomsen *et al.*, 153-231).

Realizing Bold Initiatives: Creating a UN Economic Security Council

The policy proposals outlined in these three studies effectively demonstrate that there are local, national and global policy alternatives to current economic structures. Pogge’s moral critique of the global economic system is compelling. Since we now know conclusively that the structure of international economics causes suffering, we have a moral duty to act to end that suffering. The issue then becomes, how do we generate the political will to implement some of the bold initiatives these authors propose? How do we get nations to agree to establish Pogge’s proposed “Democracy Panel” or the “Global Resource Dividend”? How will Townsend and Gordon’s *Manifesto: International Action to Defeat Poverty* be implemented? How will nations be supported when they take

actions to adopt the “subsistence perspective” outlined by Bennholdt-Thomsen, Faraclas, and Von Werlhof?

There is currently no adequate institutional framework for world economic and social governance. Neither markets nor national governments satisfactorily take into account what happens beyond individual state borders. For example, even the success of the localized policy proposals within the “subsistence perspective” depend, to a significant extent, upon the international regulation of markets, capital and labor. Interest rate policies and capital flows cannot currently be controlled nationally, and often work in opposition to local efforts to alleviate poverty. Governments often lack the resources and power to act. In this interdependent world, these countries depend upon support from outside to buttress themselves from the vicissitudes of global finance. The most powerful international finance organizations are the IMF and the World Bank. These institutions operate on a country by country basis, not globally. The Economic and Social Council (ECOSOC) has a global focus, but is weak and has an unwieldy structure.

Tinkering with existing international organizations that work on global economic affairs (from the UNDP to the IMF) is not adequate. Strong, bold action by the international community is necessary. As the late Mahbub ul Haq, the chief architect of the UNDP’s annual *Human Development Report*, wrote: “Often, a courageous step helps focus the collective human mind, while minor adjustments in arrangements go unnoticed and have little impact” (Haq 1995: 187).

Haq was among the first to propose such a bold step in arguing for the formation of an Economic Security Council (ESC) within the UN. Perhaps through such a daring feat, the political will necessary to enact the reforms outlined above could be generated. At a minimum, an ESC could provide a forum for these reform proposals to be discussed by the key states and global economic actors. The ESC could potentially be the critical body to call the world’s attention to the astonishing brutality of our unregulated global economic system and lead us toward a new framework for economic cooperation.

Haq envisioned an expansive ESC that would implement a program based on security in its fullest sense: security for people, from food security to ecological security. Haq’s ESC was conceived to provide leadership in resolving global economic crises. This proposed ESC would also provide an “early warning system” to plan assistance in internal conflicts. The UNDP mentioned five quantitative indicators for an early warning system for human security: income and job security, food security, human rights violations, ethnic and other conflicts, and the ratio of military to social spending (Haq 1995: 186-199).

An ESC focused on economic and social human rights fulfillment could provide a flexible forum at a high, prestigious level. Such an institution could pressure existing institutions, including the IMF and WTO to be more attentive to the human rights implications of their policies. The ESC could establish regulatory mechanisms to ensure that current investment and capital flows actually help the long-term human development of the impacted country.

The composition of the new ESC should reflect the new balance of economic and political power in the world today with all important geographical regions or political constituencies represented. Permanent members of the ESC could be the most populous and those with the largest

economies. This would include the United States, Japan, China, Germany, France, Russia, India, Italy, United Kingdom, Brazil, Indonesia, Pakistan, Bangladesh, and Nigeria. Other nations and regions could be represented on a rotating basis. For example, rotating members of the UN Security Council are elected from the following regions: three from Africa; two from Asia; three from Europe; and two from Latin America. The ESC could establish a similar scheme to ensure global representation. It would be important to keep the membership relatively small and manageable—thirty members or less would be ideal. Decisions should be made only in a way that reassures both the developed and underdeveloped countries. Thus, a majority of the representatives of both areas would be required to agree. And finally, the ESC would need a competent professional secretariat. The final composition of the ESC will have to be carefully negotiated. But the establishment of a balanced and functional ESC is feasible, practical, and necessary (Felice 2003: 212).

A promising new structure within international organization that balances the interests of the North and the South is being attempted in the Global Environment Facility (GEF). Compared to the traditional composition and decision making of the Bretton Woods institutions (IMF/World Bank), the final GEF structure gives much more voice to the South. In the GEF Governing Council, for example, decisions are made on a double-majority basis. Sixty percent of the votes of all countries (UN system/ one nation = one vote) and 60 percent of the votes of the contributors (IMF/World Bank system) must be obtained (Sjöberg 1996: 157-158). Such schemes for more democratic governance of international financial institutions can be incorporated into the structure of the ESC.

The creation of a UN ESC is only the beginning. The local, national and international actions necessary to end world poverty will clearly take time to concretize and implement. But the creation of such a body can provide an institutional focus for the international community's efforts to eradicate world poverty. Its very creation alone will be a clear statement that the international community understands the gravity of the situation of the world's poor and is committed to finding solutions to ease their plight. An empowered ESC, guided by international law, can act to facilitate national efforts to respect, protect and fulfill economic and social human rights. Through the ESC, the proposals in these admirable studies can be acted upon. Hypocrisy and cynicism can be overcome. Systemic poverty can be eradicated.

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