

World Poverty - A Contribution

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The issue of world poverty has never been fully absent from the ecumenical agenda. But today, there is more reason than ever before to make it a part of our ecumenical reflection. For world poverty deepens itself now in an unprecedented way, challenging our whole style of acting as well as our thinking.

Let us firstly listen to some simple facts. Around about 1967, in the non-socialist countries of the world, the poorest 40% of the population received only 2.9% of the total disposable income. That is extremely low. But in 1978, after a period of relatively high economic growth all over the world, that small share of the poorest had declined to only 2.1% - that is a relative loss of more than a quarter of the original slice. That tendency of increasing impoverishment has not only continued in the eighties, but has also now deepened into an absolute decline. The 1988 report of the World Bank, for instance, declared about sub-Saharan Africa, that since 1980 the real income per head fell by more than 10%. In Latin America, some countries even report a decline far higher than 10%, up to even 50% for Mexico. But the opposite trend is visible within the rich countries, where the income per head is rising now absolutely and relatively, except - again - for the lowest income groups. This whole process of combined enrichment and impoverishment is reflected as in a mirror in the net capital streams between North and South in today's world. Since 1982, as we all know, the direction of the net stream has been reversed, which means that the poor nations now feed [25] with their own blood the economic swelling and overdevelopment of the rich nations. It is indeed the world turned upside down; and - as even Mrs. Thatcher noticed - just the opposite of the original intentions of all sincere development aid.

The question of how all this could happen is a very urgent one. For we need to know the causes, the roots, of this kind of evil if we want to know the ways to fight against it. And this is even more true if we realize that this whole development towards structural impoverishment is exactly the opposite of what was predicted and expected by leading western academicians and politicians in the 70s. At that time the prevalent opinion was that under certain conditions the existing world poverty could be dissolved within one or perhaps two decades. And if someone had predicted at that time, that within a decade a reversal could take place in the capital streams between North and South without any solution to the poverty problem, he would not have been taken seriously at all. For the reaction would have been clear and straight: is development, including development which is

accompanied by a fair distribution of means to the poor, not finally a question of the increase of production and productivity? And if that is true, is in its turn every rise of production and productivity not always a question of the efficient input of the factors of production: labour, nature, capital and management? So the conclusion poses itself, that if enough money is available - either by one's own savings, or by loans from abroad - and if enough human and material resources can be mobilized, then the working of free markets will do the job. Modern management will then create an increasing income from the workers and the capital owners, and thereby for society as a whole. Poverty in the end will inevitably diminish.

It is important to notice, that this kind of reasoning sounds quite convincing. Even today, there is still a mainstream of economists and politicians [26] who hold this opinion. Which means that in their view this averse development of growing poverty could only happen because the three conditions were not honoured - the condition of enough money, the condition of enough resource mobilisation, and the condition of free markets. But is that true? Was there a lack of money in the 70s? No, it was in fact overabundant. And was there in the third world a lack of resource mobilisation? No, just the opposite is true: more land and labour was shifted to the modern sector than ever before. And was there a lack of free market possibilities and modern business management? No, the entry of many subsidiaries of western transnational corporations proves the opposite. So, for all these reasons, we have to dig deeper than the superficial consideration of today's neo-classical growth theory.

What has happened, that poverty in the world could grow so intensively? Let us look again with new eyes to the three conditions for rising production and productivity which I just mentioned. For it could be, that not the absence, but on the contrary the presence of fulfillment of these conditions has played a decisive role in the growth of world poverty. That may look too fantastic to be true, just like a devil's story, but unfortunately there is a growing number of concrete indications which point exactly in this direction.

Let us begin with the first condition, the facilitating role of money. Again and again we can hear the argument that in relation to the financial side of growth and development the only relevant question is the availability of the already existing money for development purposes, as if money somehow originates in the blue sky, and comes into existence outside the domain of financial and political power. But that, of course, is not the case. It is exactly the way in which new money is created, which has to be seen as one of the main causes of the present rise of world poverty. Here we hit what once was called [27] by General de Gaulle of France the "*privilège extravagante*", the exorbitant privilege of so-called key currency countries, like the United States, whose currency - the dollar - *is* most widely used for all international transactions. Because of this situation, such a country can allow itself to continually maintain a huge deficit on its own balance of payments, knowing that the rest of the world will go on in the

acceptance of those cheaply printed currencies as a way of financing that deficit. And so we have reached now the situation, to quote Robert Triffin, that the richest and most capitalised country in the world is actually financed by the poor countries in the world through the way in which international money is created. This is not only true for the present time. It also explains the rise of the enormous debt of the third world countries in the recent past. For what does it mean, when the growth of internationally used liquidities practically takes place via the creation of the so-called key currencies of the rich nations? Well, it means that those rich countries can create for themselves, with hardly any cost, what has to be borrowed by the poor countries at real costs: namely the costs of interest and amortisation. And so, confronted with, for instance, the higher energy prices in 1973 and 1979, the poor countries had to borrow, where the rich countries could just create their own money. So one can say quite bluntly, that if there had been only the slightest element of justice in the way in which more money *is* created in this world then the present debt crisis could have been avoided.

To conclude: it is not true, that the creation of money facilitates development. It is far more true now, that it facilitates de-development. For it increasingly leads to the situation that the social investments and the incomes of the poor in the South have to be brought down to facilitate the financial payments (interest and amortisation) from the South to the North.

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But what about the second condition for the increase of production and productivity - the mobilisation of a sufficient amount of resources? As already said before, an enormous shift of human and material resources takes place from the traditional sector to the modern sector in many countries of the third world, especially in Latin America and Asia. But the main effect of that shift is surely not an adequate trickling down of the benefits to the poor. And the reasons for that are clear. Firstly, no mobilisation of resources for the modern sector can take place without deep effects on the traditional economy. Many people lose their small plots of land and their traditional jobs. In India the direct access of rural people to their own land has, for instance, diminished since the year of independency from more than 80% to less than 50%. Now usually it was said that those side-effects are compensated, certainly in the long run, by the gains of a general increase of productivity. But exactly here is where the shoe pinches. For empirical evidence makes clear that those families, who first lost their land and employment, are seldom the same as the ones who reap the benefits from the process of modernisation. And here we find another main reason for the deepening of poverty in our time. The poorest people are now the millions, who are not only on the losing side in relation to the process of modernisation, but who are moreover not compensated, for those losses. Here we find the doubly-deprived persons: the landless unemployed, the environmental refugees, the street children without education, the destitute, poor

women. The Brundtland report estimates the number of environmental refugees in Africa alone at 10 million, and the number of street children in Brazil is estimated to be about 16 million. Here we find indeed the heart of the fourth, most forgotten world, and the kernel of what the OECD cynically called "the external proletariat" of the rich countries.

But what about the third and last condition for the rise of production and productivity - the expansion [29] of the free market? Here it may be good to notice, that every market by itself always has at least two limitations. The first is, that no market is able to recognise something of value which has no price. And the second is that no market can recognise human needs where there is no buying power. These two restraints flow directly from the essence of the market itself, as a meeting of supply and demand in terms of money. But as soon as these natural restraints of the market are neglected, for instance when the working and expansion of the market is made into the cornerstone of development, then indeed awful things may happen. Just think of the needs of those people, who are so poor that they do not have buying power. And of the many things in life, which are so precious and valuable, that just because they do not have a price - like human love, human communities, human health, and the eco-system as a whole - they have no market worth. In a situation where modernisation by and through the market has become the ultimate formula of success, the most precious things in life will be treated as having only an instrumental value with a price of zero. And at the same time, the economic system will orient itself more and more to the desires of the rich in an almost full neglect of the legitimate needs of the poor. Also, in relation to the third condition for the rise of production and productivity, the shadow *sides are* not only immediately present, but also work with a clear bias to aggravate the fate of the poor.

Let us now look back for a moment. We have traced some of the main causes for the increase of poverty in the midst of plenty, now, today. There is the basic injustice of the way in which money grows in our world; there are the uncompensated losses of the process of modernisation; and there is the deep neglect of what is precious and needed, but what has no price or buying power. But these three factors do not work in isolation. They have a tendency to reinforce each other, and in that way to lead to a kind of circularity of processes, which can be seen [30] as spirals towards death. Let me try to give one example. If the military expenditures in the North continue to grow *as* they did in recent years, they need to be financed. But if taxpayers are not willing to do so, the respective governments have either to borrow money, or to create money. In both cases however the armament burdens are shifted from the rich to the poor nations. For the poor countries have to improve their export-position to be able to pay the higher nominal or real interest rates. Thus a second part of the downward spiral is set into motion. For to increase your exports for the South means that you have to lower your costs by wage reductions, by the

annihilation of food subsidies and by the promotion of the export-orientation of industry and agriculture as a whole. Here the real harm for the poor begins, threatening their lives. They lose land, income, jobs. But not only that. Because the market does not give attention to what has no price or buying power, human communities are easily dissolved, human health is sacrificed, and the eco-system deteriorates rapidly. Also nature begins to die. But in this way, also, the preconditions are created for the third stage, for the closing of the circle. For when in the South the buying power decreases because of those "necessary" economic adaptations, it hits also the North. The ILO has estimated this loss at several million labour places. And such a loss of employment in the North is often seen as a sufficient motive to increase the production of armament, as a way of compensation for the lack of employment, but also that increase of the potential to kill needs to be financed. And so on. Indeed, a spirality of death can so easily be set into motion.

But confronted in this way with the increase of world poverty in the context of a general global tendency towards death, we cannot escape deeper questions. For if these processes are not only working, but also allowed to go on, then there is far more at hand than a distorted way of economic thinking. The [31] institutions of society themselves obviously have a wrong orientation. They become, as formulated by Pope John Paul in his encyclical **Sollicitudo Rei Socialis**, structures of sin. In fact, there is a deep and striking parallel between the way in which western society is structured, and the style and structure of prevailing western economic thought. In both we find the acceptance of the greed of those who already have, as a natural catalyst for all economic processes; and in both the awareness is lacking that there are more values in life than instrumental values, and more entities to be preserved than only entities open for use. But is that accidental within a culture, which is so utilitarian, acquisitive, achievement-oriented as western culture - a culture which so easily substitutes the way of peace for the goal of guaranteed safety, and the ways of shalom for the goal of an always rising material standard of living? In such a culture it is almost inevitable that the necessary means to promote these goals - technology, science, the creation of money and economic growth - will take the lead in the progress of society. This *is* true for the western, capitalist world, but it is also, at least partially, true for the eastern socialist world. And that may mean, on both sides, expansion without preservation and appreciation of instrumental values above the values of human life, culture and nature.

So, especially here in this ecumenical meeting, we cannot avoid a certain kind of self-examination, before we think about possible avenues to fight against the increase of poverty. For that increase of poverty is obviously related to the reign of the kingdom of physical, cultural and ecological death and the societal structures which work in its service. Perhaps a reference to the work of Hannah Arendt, the great Jewish philosopher, may help here. In her book on **The Human Condition** she

explains, that there are at least three essential elements of all human life. The first is our bond with nature. We all have a body, we all need food. The second is [32] our social bond with other people. Without others no humanity really exists. And the third condition is our temporal bond. We all are born, grow up, may reach maturity, and die. Now Hannah Arendt's complaint is, that in modern culture all these essentials of our human condition are firstly changed into limitations or hindrances for what we want to be; and then secondly are seen and valued as barriers, which should be overrun and overcome by our productive achievements. And so a culture with its institutions arises in which we want to overcome our natural limitations, our social dependencies, and the shortage and lack of security of our lives. But all these goals can be translated and are translated in economic needs. And for their fulfillment no price is too high - even if it is the price of a dying nature, and of the increase of poverty within and outside our borders. That indeed seems to be the cultural predicament of the rise of poverty in our days.

What are the consequences of all these reflections for possible practical efforts to reduce world poverty? That is the final question, which we have now to confront. If my analysis has been correct, then at least two things can be said in advance, which characterise at the same time the direction which we have to take.

The first is, that solutions which are only technical and organizational will not really help. For if the causes of the present growth of world poverty lie primarily in the field of monetary injustice, of institutionalised economic greed and a general neglect of our human condition, then solutions should, in one way or another, start from a sincere desire to correct those sins. Or to say it otherwise: what primarily is needed, is not a new blueprint with far-reaching goals. What we need primarily is a practical obedience to long neglected basic norms and values - like justice, absence of greed, and respect for our human condition - within [33] our socio-economic life, so that a path, a way can open itself on which we can walk step by step. The calling of Christ to follow Him is usually seen as only a personal calling, but it could be that in this time we have to follow primarily the path of his commandments as communities, as nations, as a whole generation.

The second remark in advance is that referring to the existence of spirals of death is not a sufficient reason for despair. For if problems are in fact interconnected in a kind of spirality of death, then also the opposite may be true: that also the solution, the ways out are interconnected. Or, said differently: if there is a spirality of death, then there is also a spirality of life. If problems reinforce each other, then also their solutions. The way to go has to be a way of a process of healing. And especially the church should be aware of that possibility, which confirms her trust in the living Lord.

If we look around us to see if there are any concrete suggestions which

combine the two elements just mentioned, I think that they can be found and are available. Let me mention just two of them.

The first suggestion is connected with the fact that just now in world history a new relationship is built up between the blocks of East and West. Deep historical tensions are relaxed; a willingness arises to correct the image of each other as the enemy; and an awareness grows that the world is in great need of joint efforts. In these times of international perestroika there is a real chance for a stabilisation and a diminution of military expenses on both sides. But not only that - it offers also a possibility to re-direct those financial means from armament to aid, and to transfer spears into ploughshares. In this context, the calculations of Leontief for the Thorsson Commission of the United Nations **On the Relationship Between Disarmament and [34] Development** are still of great importance. In this study, three scenarios are mentioned which show the respective consequences of an increase, a stabilisation and a relative decrease of the armament of the North for different regions in the world. Leontief's last scenario is one in which the relative decline of military expenditures is practically used to decrease the debt of the third world and to increase the transfer from North to South. And 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% within 20 to 30 years, and in arid Africa even by 133%. This careful analysis of Wassilij Leontief proves that indeed a spirality of life, a process of steps out of the threat of death is possible. But it begins with the willingness of rich nations to begin to walk in the way of *peace*, and to hear the cries of those who deeply suffer. A very recent echo of this scenario can be found in the report of the Helmut Schmidt Commission, published on July 11 of this year, also in which a direct connection is proposed between the diminution of the military expenditures and the reduction of the debts of the third world. That is indeed the way to deal with your own social sins! It is only a pity, that usually politicians and leaders come to those conclusions when they are already out of office.

A second example may be a second way out, of this. In my contribution, I have laid much emphasis on the monetary factors, especially on the role of the so-called key currencies. These privileges of the rich countries however are ultimately based on the fact that the majority of the population of the rich countries do not accept any diminution of their rising standard of living. Their economic, progress simply presupposes a continued monetary expansion. Therefore, also, the plan of Triffin collapsed in the seventies - a plan to end the supremacy of the dollar within the international monetary system - even though it was supported by the so-called Commission [35] of Twenty, a joint commission of industrial and developing countries. It is clear that the norm of justice now asks for a new dialogue between the countries of North and South about the way in which money grows in the international circuit. But those new efforts will be in vain if the population of the rich nations do not show any willingness to stop the impossible fight against

their own human condition by an ever growing material production and consumption. Real solidarity with the poor of today means, therefore, that the churches in the North have to take the lead within their own societies to accept a lifestyle of enough and to pave the way for a stabilisation of material consumption. So indeed, room can also be given to the needs of the poor in the international monetary system, for instance by a decrease of the quota of the rich nations in the creation of world money, which creation should preferably take place via the emission of special drawing rights (SDRs) instead of key currencies.

The Bible correctly says that God does not desire the death of the sinner, but more that he lives. But we have also to confess here and now that justice to the poor has now become the only way for rich nations to gain that life, and to keep it.

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