2 POVERTY, INEQUALITY AND DEVELOPMENT: THE CHALLENGE FOR SOCIAL POLICY

Summary

This chapter is concerned with the problems of poverty and inequality and their relation to development. The chapter contends that social policies that directly address the poverty problem in the context of development are needed. The chapter is divided into four sections. The first section is concerned with the way poverty has been conceptualized and defined. It examines absolute and relative poverty lines and discusses the role of social indicators in understanding poverty. Attention is given to definitions of poverty that stress inequality and oppression and to behavioural definitions that employ the notion of social exclusion and the underclass. The section concludes with a discussion of recent debates attending the definition of poverty. The chapter's second section examines income studies as well as studies of the quality of life to determine the extent of global poverty. An account of the incidence of poverty in different world regions is provided. This material is related to historical trends that show that, while the incidence of poverty has declined in some parts of the world, it remains a problem of huge and serious proportions for hundreds of millions of people. The final section deals with strategies for poverty eradication. It contends that poverty alleviation strategies are linked to wider values and beliefs. The section outlines several of these strategies from a historical perspective, showing that quite different approaches for poverty eradication have evolved over the last 50 years. These different strategic approaches are outlined and assessed. They are the modernization approach; the developmentalist state planning approach; the critical approach; the community participation and local development approach; and the neo-liberal approach. The chapter's final section contends that the social development approach as articulated at the United Nations World Summit provides the most useful framework for dealing with the challenge of poverty and inequality today.

Acknowledging poverty

There has been a tendency in the academic literature and in social policy circles in recent years to avoid terms such as poverty and inequality. Instead it is more fashionable to talk about 'social exclusion' and the 'capabilities' of poor people. But, poverty and inequality remain central issues in both development and social policy. The fact that millions of people in the world today live in appalling conditions of material deprivation while others enjoy unprecedented prosperity suggests that concepts such as poverty and inequality remain highly relevant.

The avoidance of these terms reflects the dominance of neo-liberal ideas about the nature of poverty. Many political leaders and social scientists today believe that poverty has little to do with wider issues of privilege or structural inequality and they argue instead that the poverty problem can be solved when countries promote economic growth by creating free markets, reducing government regulations and social services, attracting foreign investments and permitting entrepreneurs to pursue profits. By adopting a vibrant form of free market capitalism, governments create employment opportunities, and, in this way, raise the incomes of the poor.

The problem with this strategy is that many countries that have recorded high rates of economic growth still have a high proportion of the population in poverty. While development is indeed needed to reduce poverty, development has no meaning if it does not increase the incomes and well-being of all. Economic growth that fails to raise standards of living for all on an equitable scale cannot be described as development. Unfortunately, economic development in many parts of the world has not achieved this goal. It is for this reason that many development experts today talk about a 'crisis' or 'impasse' in development. After more than half a century of organized development effort, many hundreds of millions of people in the South continue to live in abject poverty and deprivation.

It is here that development and social policy interface. It will be argued in this chapter that the best hope of raising standards of living and eradicating poverty lies in an approach that combines a commitment to economic development with the introduction of social policies that specifically and directly address the poverty problem. This idea is at the core of the social development approach and the theme of the United Nations World Summit that was held in Copenhagen in 1995.

However, social development is only one of many different approaches for addressing the problem of poverty. Indeed, proposals for poverty eradication – as well as the poverty issue as a whole – are controversial. It will be shown that social scientists even disagree about the definition of poverty, and that attempts to measure the extent of poverty are complicated by these disagreements. The idea that poverty is closely associated with inequality is particularly controversial. Another source of contention is whether poverty can best be analysed with reference to income and consumption or in terms of qualitative factors reflecting lifestyles, culture and values.

Despite these disagreements, the stark realities of poverty today are readily apparent. News reports of starvation in Africa, slum dwellers in Asia, child beggars in Latin America and homeless street people in the United States project powerful images that evoke compassion and understanding and transcend academic debates about definitions. That abject poverty persists for hundreds of millions of people at a time that others enjoy unprecedented wealth and prosperity remains a cruel and depressing contradiction.

Understanding poverty

Although poverty has been the subject of popular speculation and religious interpretation for centuries, it was only in the nineteenth century that the first systematic attempts were made to define, measure and understand poverty. Among the earliest were qualitative accounts that described the lives of the poor. An example is Henry Mayhew's voluminous work, *London Labour and London Poor*, published in 1851. The first quantitative studies of poverty, which were based on census data, also emerged at this time. These studies used census reports to estimate the prevalence of poverty but they were subsequently superseded by household surveys that used direct interviews to obtain more detailed information about incomes, expenditures, housing conditions, family size and other relevant factors. One of the first poverty surveys was undertaken by Charles Booth in London at the end of the nineteenth century.

These early studies laid the foundations for the subsequent emergence of quite different definitions and interpretations of poverty. Quantitative studies that define poverty as a lack of adequate income are widely used today but they have been complemented by studies that define poverty in terms of lifestyles, attitudes and behaviours. These approaches have also been augmented by conceptualizations that do not use the term 'poverty' and instead make use of other concepts such as 'social exclusion', 'underclass', 'standard of living', 'livelihood', 'inequality', 'relative deprivation', and other terms that are, nevertheless, closely associated with poverty. This has resulted in a great deal of confusion and disagreement. However, the problem is not merely one of semantics. As will be shown, the way poverty is defined is closely linked to policy proposals for poverty eradication, which are, in turn, rooted in different values and beliefs. To properly understand these issues, different approaches to defining poverty need to be comprehended.

Poverty, income and deprivation

Definitions of poverty based on income reflect the idea that human beings require a minimum level of consumption of food, water, shelter and clothing to survive. By defining these minimum needs, and linking them to prices, it is possible to construct an absolute minimum poverty line which can then be used in social surveys to determine how many people have incomes that fall below this line. This approach was pioneered by Charles Booth in London and subsequently refined by Seebohm Rowntree in his studies of poverty in the

English city of York. In the early decades of the twentieth century, numerous poverty studies based on the minimum income criterion were undertaken not only in Britain but in the United States, India and South Africa.

Many of these studies supported social reform efforts. Rowntree's findings informed proposals for the introduction of social insurance and other social programmes in Britain after World War II (Bruce, 1961) while poverty studies undertaken by Paul Kellogg in the United States (Chambers, 1971) were used to persuade the federal government to introduce social security. Poverty line research also helped to establish the means-tests that were used to determine eligibility for social benefits. It is not surprising that social assistance means-test standards are often used by governments today to define and determine the incidence of poverty.

However, the use of poverty lines based on absolute survival minima have been widely criticized. One difficulty is that absolute poverty lines are very meagre and, therefore, unrealistic. Even Rowntree pointed out that his minimum poverty line was not realistic because people could not survive on the minimum standards he had used (Stitt and Grant, 1993). Another problem is that they engender a degree of complacency. As incomes rise, and the incidence of absolute poverty falls, many have concluded that the problem of poverty has been solved. This happened in Britain when subsequent studies of poverty in York in 1936 and 1951 undertaken by Rowntree revealed that the incidence of absolute poverty had declined significantly since his first study was undertaken in 1899. This conclusion was hotly contested by Townsend (1974, 1979), who argued that it made no sense to talk of absolute survival minima in affluent societies. Poverty in societies such as Britain should not be defined in terms of absolute survival minima but in terms of relative criteria based on social expectations and the standards of living that most people enjoy. A relative definition, he argued, showed that poverty remained a major social problem in Britain.

Townsend's critique has been widely accepted and relative criteria are now widely employed to define poverty in the North. Usually, the poverty line is determined by taking average incomes into account and often they are linked to social security eligibility standards. For example, this is currently the practice in the European Union, which defines poverty as 50 per cent of the median income of a country's population. As will be appreciated, this approach makes explicit reference to the distribution of incomes and raises the issue of inequality and its association with poverty. The concept of 'relative deprivation' has been used to promote this idea (Runciman, 1972).

Nevertheless, absolute poverty lines continue to be useful, particularly in the South where survival needs remain relevant to an understanding of poverty. Perhaps the best known is the one dollar a day poverty line which is widely used by international agencies such as the World Bank and the United Nations. This approach emerged from studies undertaken in the 1970s for the World Bank by Montek Ahluwahlia (1974, 1976) who used two arbitrary poverty lines of \$50 and \$75 per capita per annum at 1971 prices to estimate the incidence of poverty in a number of developing countries. Ahluwahlia's methodology was also employed to make estimates of the incidence of global poverty. In the

World Bank's 1990 *World Development Report*, two poverty lines of $275 and $370 per capita per annum were used. The former denoted the 'extremely poor' while the latter referred to the 'poor'. Following the 1995 World Summit on Social Development, the one dollar a day (or $365 per annum) poverty line has been widely employed by international agencies including the World Bank, the United Nations and the Organization of Economic Cooperation and Development (OECD) not only to estimate the incidence of global poverty but also to set targets for poverty alleviation.

Poverty, social indicators and the quality of life

Income poverty lines are a useful way of measuring poverty but they focus on minimum consumption needs and provide little information about the health, education, housing and other conditions that characterize the lives of poor people. In an attempt to address this problem, the United Nations in the 1960s promoted the study of social indicators. It was believed that these could provide useful insights into social conditions in different countries. It was also hoped that social indicators would provide more useful insights into social well-being than per capita gross national product (GNP), then widely regarded as a useful measure of both economic and social development. Critics pointed out that per capita income was not only an economic measure but that it produced highly skewed results. A country with a relatively high per capita GNP could still have a high rate of poverty and poor social conditions. For example, Ahluwahlia (1974) showed that South Africa's per capita income was twice as high as Zambia's, but that South Africa had almost twice as many people in absolute poverty.

Social indicator research has now become very sophisticated. Governments now routinely collect data about births, deaths, the incidence of infectious diseases, housing conditions, literacy, educational attainments and many other facets of life. As Midgley (1984) noted, these data are both measures of specific conditions such as health or housing or education but they also allude to, or 'indicate', wider social conditions. For example, it is generally agreed that infant mortality and life expectancy are good 'indicators' of a country's standard of living. Indeed, both correlate highly with many other measures including GNP per capita. Using social indicators, a great deal of data about social conditions around the world have been collected, and detailed profiles of social conditions in different nations have been published.

Another important development has been the construction of 'aggregate' or 'composite' indicators. These indicators combine different discreet measures such as life expectancy, school enrolments and access to safe drinking water into a single index which also gives an indication of wider social conditions. The first composite indicators were developed at the United Nations Research Institute of Social Development (UNRISD) in the 1970s (Baster, 1972) but many others have since appeared. They vary in complexity. For example, the OECD (1976) constructed a development index that amalgamated no fewer than 100 separate indicators. A similarly ambitious measure, known as the Index of

Social Progress (ISP), was developed by Estes (1985). On the other hand, Morris (1979) introduced a simpler index known as the Physical Quality of Life Index or PQLI. This was based on only three measures: namely, life expectancy, literacy and infant mortality. Perhaps the most widely used composite indicator today is the Human Development Index (HDI) that was constructed by the United Nations Development Programme (1990). The HDI features in its annual Human Development reports and has more recently been accompanied by the Gender-Related Development Index (GDI).

The social indicator approach shares similarities with the income poverty line approach in that it is based on quantitative data. It also facilitates a relatively straightforward conceptualization of poverty. However, the social indicator approach expands the definition of poverty. It augments the idea that poverty is a matter of low income by demonstrating that poverty is associated with a set of negative social conditions manifested in the form of ill-health, inadequate shelter, poor nutrition, low educational attainments and illiteracy, low life expectancy, and limited access to health and other services. Most accounts of the incidence of income poverty are now accompanied by accounts of the extent of these conditions as measured by social indicators.

However, some experts are critical of the social indicator approach because it is primarily concerned with the material conditions associated with poverty neglecting non-material aspects. While it is important to ensure that people have access to schools or immunization or food it is equally important, they contend, to stress the need for political participation, opportunities for self-expression, freedom from economic exploitation and the other dimensions of a wholesome life that transcend income. This issue has attracted increasing attention in recent years and it is now more widely recognized that poor people are disproportionately affected by discrimination, crime, violence and oppression and other problems that transcend a narrow preoccupation with income. Today, poverty is increasingly viewed in both material and non-material terms.

Poverty, inequality and oppression

Attempts to define poverty with reference to social inequalities have also become more cognizant of non-material aspects. Originally, inequality was narrowly defined in terms of income distribution but today inequality is more frequently related to issues of discrimination, exploitation and oppression, differential access to resources and an inability to exercise power effectively and to resist those who oppress. This wider concern does not, of course, negate the importance of income and wealth inequality and their role in creating and maintaining poverty.

Studies of income inequality have long informed the understanding of poverty. It has been shown that countries with high rates of inequality often have high rates of poverty. But, as research undertaken many years ago by Kuznets (1955) revealed, very poor countries with a large subsistence agricultural economic sector are not highly unequal. This is because the vast majority of the population in these countries is poor. However, in countries experiencing economic development, income inequality often increases sharply. Kuznets argued that inequality increases because the incomes of those who are drawn from the subsistence sector into the modern, wage employment sector rise rapidly in comparison with those who remain in agrarian occupations. However, he also postulated in his 'U-curve' hypothesis that income inequalities fall as economic development proceeds. As a result of increased wage employment, the incomes of most people rise and inequalities decline.

Kuznets' pioneering studies facilitated a good deal of subsequent research into income inequality in the South. Many studies used household surveys to show that there were marked differences in the income shares of the highest and lowest earners. In many countries, the richest 20 per cent of the population often earned more than one-half of total income. The Gini coefficient was widely used to represent these inequalities. A Gini coefficient of zero represents maximum equality while a Gini coefficient of one represents maximum inequality. One contested finding, which emerged from this research, was the absolute impoverishment hypothesis developed by Adelman and Morris (1973). Their research revealed that economic development was not only accompanied by high inequality but that it resulted in an absolute decline in the incomes of the poorest groups. They reached the startling conclusion that the poor would have been better off if there had been no economic growth at all.

During the 1960s and 1970s, the issue of income inequality was hotly debated in social policy and development circles. Kuznets' findings were used to justify high income inequality in countries experiencing rapid economic growth on the ground that income inequality would resolve itself and did not require government intervention. Although Kuznets' work engendered a degree of complacency in development circles, studies of gender oppression, the treatment of ethnic minorities and particularly indigenous peoples and other forms of oppression by military and political elites challenged the idea that greater equality would inevitably result from economic progress. Human rights activists, feminist writers and representatives of minority communities such as Rigoberta Menchu have effectively publicized the pervasiveness of oppression around the world. Many other mainstream development writers argue that government intervention is needed to redress these inequities as well as wider income disparities. They contend that inequality, poverty and development are inextricably linked. However, this contention is summarily rejected by those who believe that poverty has little to do with wider structural inequalities in society or even with low income. They argue instead that poverty is a matter of lifestyle, cultural disposition, attitudes and ultimately of choice.

Behaviour and poverty: social exclusion and the underclasss

Henry Mayhew's book, which was referred to earlier in this chapter, focused in some detail on the most disreputable and disagreeable types of poor people in

London in the middle decades of the nineteenth century and his vivid portrayal of drunkenness, immorality, indolence, prostitution, violence and criminality in the city's slums was a precursor to many subsequent depictions of poverty as a behavioural issue. Like Mayhew's book, subsequent accounts of poverty based on behavioural interpretations have paid little attention to income poverty lines or the use of Gini coefficients. Poverty, they argue, should be defined as an undesirable and deviant lifestyle.

This approach reflected popular views about the poor. By the mid-nineteenth century, the expanding wage employment opportunities created by industrialization had attracted many poor rural migrants to the cities but few found the riches they hoped for, and many lived in run-down tenements in unsanitary conditions, working sporadically and earning incomes that were, as Booth and Rowntree discovered, often below subsistence minima. The crowding of poor people in the slums and the high rates of crime, illegitimacy, substance abuse and violence that characterized these areas was regarded by the 'respectable' middle and upper classes of the Victorian era as a matter for grave concern. Their image of the poor was denoted by the widely used phrase 'dangerous and perishing classes'. The poor were not only to be pitied but also feared. In his famous denunciation of the poor, Karl Marx evoked both dimensions when he wrote about the 'lumpenproletariat' as including not only 'vagabonds and criminals' but 'pauper children, the sickly, the widows …' (Herkommer and Koch, 1999: 102).

This imagery has persisted for many decades and although many new terms have been invented to characterize the poor, their lives and the areas in which they live, contemporary notions such as 'the underclass' and 'social exclusion' are the direct descendants of nineteenth-century representations of poor people as immoral, indolent, violent and deviant. However, before the idea of the underclass became popular, the negative behaviours of the poor have been interpreted in many different ways. In the early twentieth century, the eugenics movement attributed the negative lifestyles of poor people to low intelligence or 'feeblemindedness'. In the 1920s, prohibitionists in the United States were persuaded that poverty was closely associated with alcohol abuse. In the 1950s, social workers focused attention on what were called 'multi-problem' families who required intensive casework if child abuse, drug addiction, mental illness and many other personal pathologies were to be addressed. In the 1960s, 'culture of poverty' explanations pioneered by Lewis (1966) were used to argue that poverty was transmitted between the generations, and that cultural traits which engendered complacency, a lack of ambition, infantile demands for instant gratification, and a lack of foresight and planning, would persist.

In the 1970s, these ideas were interwoven with racist interpretations. Riots in many American cities in the late 1960s reinforced popular white middle-class stereotypes about poverty, and resurrected older ideas about the dangerous and perishing classes except that the poor were now overwhelmingly believed to be comprised of people of colour. These stereotypes were combined with claims that poverty, race and low intelligence were inextricably linked. Herrnstein's (1973) early work linked poverty to low intelligence and this idea has since been notoriously restated in association with Murray (Herrnstein and Murray, 1994). Although scientifically discredited, these notions have been widely accepted because they express what many ordinary people actually believe. More recently, popular beliefs about the behaviour of the poor in the industrial countries have been reinforced by linking poverty and race with the receipt of welfare benefits (Murray, 1984; Mead, 1992). In these accounts of poverty, poor people are not only predominantly people of colour but they are believed to be exploiting the social welfare system.

The association of poverty and race has been augmented by the addition of a spatial dimension. Poverty has been viewed not only as a lifestyle, but as a lifestyle lived within an area of concentrated deprivation known variously as the ghetto, inner city, slum or squatter settlement (Clark, 1965; Banfield, 1968). The popularization of the term 'underclass' to characterize poor people who live in these areas (Auletta, 1982), solidified this link and recapitulated nineteenth-century images of the urban poor. Subsequent explanations of the underclass phenomenon such as those of Wilson (1987, 1993) and Denton and Massey (1993) have not only emphasized the spatial dimensions of poverty but have sought to explain it in terms of spatially linked causative factors. In Wilson's writing, the absence of employment opportunities and the mismatch of job skills caused by de-industrialization have been stressed. On the other hand, spatial segregation is given high etiological importance in Denton and Massey's work.

However, in both cases, the underclass phenomenon is no longer attributed to low intelligence or culturally transmitted negative behavioural traits but to wider social causes. Poor people are not held responsible for their deviant actions but are viewed as the victims of extrinsic forces. This factor is especially important in understanding the origins of the concept of 'social exclusion' which, despite its ambiguity, has become very fashionable in social policy circles in Europe today. Littlewood and Herkommer (1999) point out that while the idea of social exclusion has only become popular in recent years, its origins are rooted in notions of social solidarity which have historically characterized continental European social policy thinking. The idea of social exclusion accompanied growing concern about the way de-industrialization, global competitiveness and other economic difficulties emanating from the 1970s had produced a large number of unemployed people who were increasingly marginalized from mainstream society. Policy-makers in European countries that value social solidarity began to stress the need for interventions that would address this problem. The idea of social exclusion was in turn adopted by the European Union and, following the election success of the Labour Party, was incorporated into British social policy.

Social exclusion is now one of several key themes in New Labour's advocacy of a 'Third Way' approach to social policy. This approach rejects what the Labour leadership regards as the excessive statism of its predecessors, as well as the radical individualism of Thatcherism. Instead of viewing poverty as the result of the personal failings of poor people, poverty is now attributed to wider exclusionary processes such as inadequate education, de-industrialization and social isolation. However, in several policy statements by Labour officials, the link between the old-fashioned underclass approach and social exclusion is made clear. For example, Geoff Mulgan, a senior government policy adviser, stressed the need to target the 8 to 10 per cent of the population whose lifestyles are characterized by crime, drug addiction, truancy and illegitimacy and who are, as he put it, 'the chronic losers' (Lund, 2002).

New approaches to defining poverty

The British Labour Party's approach to poverty has been significantly influenced by the writings of Giddens (1998, 2000) who is critical of the traditional 'welfare state' which provides services and income benefits to passive recipients. The purpose of his 'positive welfare' approach, which is an integral component of 'Third Way' thinking, is to help people negotiate risk and manage their own problems within a dynamic social and economic environment shaped by globalization and new, powerful forces of change. The excluded, who function on the margins of society and are often dependent on state aid, must be taught how to participate actively in this environment so that they too can function effectively as autonomous actors in the new and volatile world of risk.

However, the idea that poverty can be solved by inculcating attitudes and behaviours that facilitate autonomous functioning and help people to assume responsibility for their own welfare is not a new one. Indeed, it is central to the neo-liberal belief that poverty can be eradicated when free markets thrive and when people have opportunities to pursue their own enlightened self-interest. But while the Third Way promotes individual choice and responsibility, these ideas are encapsulated within a wider context of social care, reciprocity and other communitarian ideals (Newman and de Zoysa, 2001). By linking individualism to communitarianism, the Third Way straddles the collectivism of statism and the radical individualism of free market capitalism.

Sen (1992, 1999) has also attempted to synthesize these traditions. He has criticized both the absolute and relative notions of poverty and argued that poverty has less to do with income deficiency than with people's abilities to choose what they want to do and be. In Sen's rather obtuse terminology, functionings refer to different states of existence that people may value. They range from basic states of existence, such as being adequately fed, to more complex states involving lifestyles and cultural choices. To achieve different combinations of functionings, people must have capabilities which are, in turn, determined by wider opportunities, freedoms and entitlements. Freedom, Sen argues, is essential if people are to realize their functionings. Freedom is an intrinsic feature of societies where hunger is eliminated, where educational opportunities abound and where diseases are controlled. But compared to neo-liberal writers such as Friedman (1962, 1980), who have also emphasized the need for freedom, Sen's concept transcends the notion that freedom is the absence of restraint. Instead, action is needed to create positive freedoms that enhance people's capabilities and permit them to realize their functionings.

Sen's work has become influential in development circles and has provided a conceptual basis for much current United Nations thinking on social development. This is reflected in the way definitions of poverty in both UNDP and World Bank documents now transcend income lines. While the incidence of global poverty is still ubiquitously measured in terms of the dollar per day criterion, these accounts are augmented by notions of 'opportunities', 'empowerment', 'security', 'participation' and many other terms that reflect non-material lifestyle issues (World Bank, 2001). However, concepts such as social exclusion and the underclass have not yet been incorporated into definitions of poverty in mainstream development thinking, and it is doubtful whether they have much value in conceptualizing poverty in the developing countries. On the other hand, they remain fashionable and will probably find their way into discourses about poverty and development in the future. Indeed, it seems that the notion of social exclusion has already been introduced into the language of development. Francis (2002) reports that the International Labour Office has begun to use the term to emphasize the increased marginalization of poor people in the South. However, he also points out that the concept remains ambiguous and of limited value. The problem is compounded by the tendency to use social exclusion as a synonym for poverty with the result that the majority of a country's population may be classed as 'socially excluded'. This was the case at a recent conference on social development where a South African scholar (Conradie, 2001) reported that as many as 50 per cent of her country's population were 'socially excluded'.

The extent of global poverty

As was noted earlier in this chapter, disagreements among scholars about the definition of poverty complicate attempts to measure its extent. Because poverty is defined differently by different social scientists, their accounts will highlight different dimensions of poverty. While some will discuss global poverty in terms of income data and use income poverty lines to examine its incidence, others will place more emphasis on inequality and refer to Gini coefficients, income shares and other pertinent data. Yet others will be concerned with the way poverty is manifested in low life expectancy, illiteracy, high rates of infant mortality and other problems that are usually measured by social indicators. Yet others will use qualitative information to focus on the behavioural dimensions of poverty. Although these different approaches compound the task of providing an account of the extent of global poverty, all provide insights into the challenges facing the hundreds of millions of people who live in conditions of poverty and deprivation today.

The incidence of poverty and inequality

Absolute poverty lines are now widely used to report the global incidence of poverty. Using this approach, the World Bank (2001) estimates that about

Table 2.1 Incidence of absolute poverty by world region, 1998

Region	Numbers in poverty (millions)	% of poor	Proportion of population in poverty (%)
East Asia and Pacific	278.3	23.2	15.3
Eastern Europe and Central Asia	24.0	2.0	5.1
Latin America and Caribbean	78.2	6.5	15.6
Middle East and North Africa	5.5	0.5	1.9
South Asia	522.0	43.5	40.0
Sub-Saharan Africa	290.9	24.3	46.3
Global South	1,198.9	100.0	24.0

Source: World Bank (2001).

1.2 billion people or 24 per cent of the world's population of about 6 billion people had incomes of less than one dollar per day or ($365 per person per annum) in 1998. The World Bank also uses the two dollars per day poverty line. Using this measure, 2.8 billion people, or approximately 46 per cent of the world's population, had an income of less than two dollars per day (or $730 per annum) in 1998. Although the one dollar per day poverty line is an arbitrary one, it is intentionally used by the World Bank to dramatize the fact that poverty remains a problem of grave proportion in many parts of the world and, indeed, in the world as a whole. It is an absolute minimum subsistence poverty line and, as the Bank notes, those living below the one dollar a day line are considered destitute.

Almost all of the world's extremely poor people, as measured by the one dollar a day poverty line, live in the South. Table 2.1 summarizes the World Bank data on absolute poverty for these developing countries. The World Bank also provides poverty data for 'transitional' economies, comprising the former communist countries of Eastern Europe and Central Asia. No data are provided for the industrial nations of Western Europe and North America or for Japan, which have very small numbers of people in absolute poverty.

Table 2.1 shows that absolute poverty in the developing countries is not equally distributed among the major world regions. In 1998, fully 43 per cent of the poor in the South, or 522 million people, lived in South Asia. Another 24 per cent, or 291 million, were to be found in sub-Saharan Africa, and 23 per cent, or 278 million, lived in East Asia and the Pacific. Much smaller proportions of the world's poor live in Eastern Europe and Central Asia and the Middle East. Less than 1 per cent of the world's poor are in the Middle East and North Africa, while 2 per cent are to be found in Eastern Europe and Central Asia. About 6.5 per cent live in Latin American and Caribbean countries.

The concentration of the largest number of poor people in South Asia is obviously related to the fact that the region contains the largest share of the world's population. South Asia includes very sizeable countries such as India, Indonesia and Pakistan. On the other hand, a large proportion of the world's population is also to be found in East Asia and the Pacific, which includes China, but here the proportion of the population with incomes below the one dollar a day line is far lower than in South Asia. While 15.3 per cent of the population in East Asia and the Pacific lived below the poverty line in 1998, no less than 40 per cent of South Asia's population has an income of less than one dollar per day. However, the incidence of poverty expressed as a share of the total population is highest in sub-Saharan Africa where no less than 46 per cent of the region's population lives in absolute poverty. However, only 5.5 per cent of people in Eastern Europe and Central Asia have incomes below this amount. In Latin America and the Caribbean, the proportion of the population in poverty is about the same as in East Asia and the Pacific – roughly 15 per cent. Of course, these regional data mask differences between countries within these regions. For example, the World Bank reported that there were significant variations between poor African countries. Using national poverty data, it reported that the incidence of poverty in Ghana was about 29 per cent while in Nigeria it was 65 per cent. Differences were also to be found between more prosperous regions such as Eastern Europe. While the incidence of absolute poverty in Hungary was less than 5 per cent, the comparable figure in Russia was 19 per cent (World Bank, 2001).

Although the dollar a day poverty line shows that the incidence of absolute poverty remains high, it understates the extent of the problem in those countries where absolute survival minima have been met. While very few people in Europe, North America and other industrial nations have incomes of less than a dollar or even two dollars a day, poverty remains a problem. For example, in the United States, the world's most powerful and, many would contend, wealthy nation, about 12 per cent of the population lived below the poverty line in 1998. This figure translates into 32 million people – equal to about the total population of California, the country's largest state (Burtless and Smeeding, 2001). Similarly, World Bank estimates of poverty in high-income developing countries such as Algeria, Argentina, Jordan and Thailand based on the one and two dollar a day lines are very low when compared to estimates based on national poverty lines. For example, the World Bank estimates that the proportion of people earning less than one dollar a day in Jordan is under 2 per cent. However, studies undertaken by Jordanian researchers revealed that 11.7 per cent of the population live below the country's own poverty line.

For this reason, many researchers prefer to use relative poverty lines based on national criteria which they believe provide a more realistic assessment of the incidence of poverty. In an effort to obtain a more accurate assessment, the World Bank (2001) has also calculated relative poverty lines for many developing countries by estimating the proportion of the population earning one-third or less of the national average. Information about the incidence of relative poverty is provided in Table 2.2. Using this poverty line, the Bank found that in some regions of the world where the incidence of absolute poverty is comparatively low, relative poverty remains a serious problem. In Latin America, for example, more than a half of the population is below the relative poverty line even though the incidence of absolute poverty is only 15.6 per cent. In the Middle East and North

Table 2.2 Relative poverty by world region, 1998

Region	Proportion of population below $1 per day poverty line (%)	Proportion or population earning less than one-third average income (%)
East Asia and Pacific	15.3	19.6
Eastern Europe and Central Asia	5.1	25.6
Latin America and Caribbean	15.6	51.4
Middle East and North Africa	1.9	10.8
South Asia	40.0	40.2
Sub-Saharan Africa	46.3	50.5
Global South	24.0	32.1

Source: World Bank (2001).

Africa, the figure was 10.8 per cent. This is considerably higher than the numbers falling below the absolute one dollar a day poverty line.

As noted earlier in this chapter, the relative poverty line is also a measure of inequality. Although few people in the Latin American countries fall below the absolute poverty level, income distribution is highly skewed. For example, in Brazil the highest income earners (top 10 per cent) receive about 47 per cent of total income. In Mexico, the top one-tenth of income earners receive 42 per cent of income, while in Colombia and Guatemala the top 10 per cent earn 46 per cent of total income. Similar income inequalities are to be found in other regions. In South Africa, the top one-tenth receive about 45 per cent of total income, while in Nigeria the figure is 41 per cent. Income inequalities are considerably lower in the industrial nations. In Denmark, the top 10 per cent earn just 20 per cent of total income, while in Germany the figure is 23 per cent. Income inequality is somewhat higher in Britain and the United States where the top one-tenth earns 27 per cent and 30 per cent respectively of total income. But even here, income inequality is considerably lower than in the Latin American countries mentioned earlier (World Bank, 2001).

Studies of income inequality at the global level have produced some particularly striking conclusions. For example, Mayor and Binde (2001) report that the poorest 20 per cent of the world's population (or more than a billion people), earn approximately 1 per cent of the world's income. To make matters worse, this 'derisory amount', as they call it, is lower than it was in 1960 when the poorest 20 per cent earned 2.3 per cent of the world's income. On the other hand, the richest 20 per cent, who live mostly in the North, now earn about 82 per cent of the world's income. This is a significant increase since 1960 when the comparable figure was only 30 per cent. The concentration of income and wealth is also revealed by the significant increase in the number of very wealthy individuals. As Mayor and Binde (2001) report, the number of billionaires has increased from about 150 in the late 1980s to about 450 by the mid-1990s. They also note that the three wealthiest people in the world today have a joint income that exceeds the combined GDP of the world's 48 poorest countries.

Table 2.3 GNP per capita by world region, 1999

Region	GNP per capita (US$)	Growth in GNP per capita per annum 1998–99 (%)
East Asia and Pacific	1,000	6.0
Eastern Europe and Central Asia	2,150	–0.1
Latin America and Caribean	3,840	–2.4
Middle East and North Africa	2,060	Not known
South Asia	440	4.2
Sub-Saharan Africa	500	–0.3
Global South	1,240	1.4
Global North	25,730	2.1
World	4,890	1.3

Source: World Bank (2001).

Inequality among countries and groups of countries within the different world regions is also very marked. Although it was noted earlier that GNP per capita is a crude measure of social well-being, it provides some indication of the differences in standards of living of people in different parts of the world. The GNP per capita data summarized in Table 2.3 show that there are huge regional disparities. While the high-income industrial nations reported a GNP per capita income of about $25,000 in 1999, the comparable figure for the developing countries of the South was only $1,240. However, within the industrial nations of the North, per capita incomes were not uniform but diverged from a high of $38,000 in Switzerland to a low of $10,600 in Portugal. Significant differences are also to be found among the regions of the South. The Latin American and Caribbean region reported the highest per capita income of $3,840 followed by Eastern Europe and the Middle East that had per capita incomes of $2,150 and $2,060 respectively. Yet per capita incomes in South Asia and sub-Saharan Africa were only $440 and $500 respectively. Within these two regions, per capita incomes were generally very low in the sub-Saharan African countries ranging from $3,240 in Botswana and $3,160 in South Africa to as little as $100 in Ethiopia, $120 in Burundi and $190 in Malawi. Several South Asian countries including Bangladesh, Cambodia, Laos, Nepal and Vietnam had per capita incomes of less than $500 in 1999.

Poverty and the quality of life

These GNP data translate into real differences in the quality of life and in the experience of well-being among people in different parts of the world. As Demery and Walton (2000) point out, it is not difficult to grasp the implications of the fact that an engineer in Frankfurt earns 56 times as much as a woman worker in a textile factory in Kenya and that she, in turn, earns many times more than the country's street vendors and small farmers. While the textile worker's income is far below that of the European engineer, she receives a steady monetary wage and can meet her basic needs and enhance the welfare of her family. Even on her low wage, she is able to enjoy certain comforts and can use her income to secure educational opportunities for her children. On the other hand, for most informal sector and agricultural workers, poverty is a grinding, daily reality that transcends a lack of income. The problem is exacerbated by the risk of losing income. If the textile worker loses her job or if her factory closes she faces destitution. The street vendor and farmer are equally vulnerable. However, the European engineer is supported by a social service safety net of unemployment, sickness and disability insurance programmes. Furthermore, because of his high educational qualifications, he may well find alternative employment if his firm ceases to operate. He has more choices, and his 'functioning', as Sen calls it, is safeguarded.

These real life examples transcend faceless statistical reports on the incidence of poverty and link them to actual human experiences. By revealing the way poverty is linked to ill-health, illiteracy, infant and child mortality and low educational attainment, social indicators also serve this function. They dramatically illustrate the way poverty is associated with social deprivation, disadvantage and suffering and how it affects hundreds of millions of people in the world today. The United Nations Development Programme (2001: 9) reports that 2.4 billion people lack basic sanitation, nearly a billion drink unsafe, polluted and infected water, 850 million are illiterate, 325 million children do not attend school and about 11 million infants a year die from preventable diseases.

While these social indicators reveal the extent of the problem, they are all the more poignant when compared with the social indicators of affluence. For example, World Bank (2001) social indicators reveal that life expectancy at birth is 75 years for men and 81 years for women in the world's high-income countries, but that it is only 59 years for men and 61 years for women in the low-income countries. While the adult literacy rate in low-income countries is only 40 per cent, it is about 99 per cent in the industrialized nations. In low-income countries, more than 100 children per 1,000 die within the first 5 years of life, while in the high-income countries the figure is about 6 per 1,000. As these indicators reveal, the quality of life is closely related to the harsh inequalities that pervade the global community.

The social indicators listed in Table 2.4 show that social conditions in South Asia and sub-Saharan Africa compare very unfavourably with the other world regions. Life expectancy in sub-Saharan Africa is only 51 years while the child mortality rate is about 151 per 1,000 per annum. In South Asia, the rate is 89 per 1,000, which is lower than that in Africa but considerably higher than in other regions. Furthermore, life expectancy in South Asia at 63 years is significantly higher than in Africa. Female literacy is lowest in South Asia where only 41 per cent of adult women can read and write. In Africa, in the Middle East and North Africa just over one-half of adult women can read and write.

Within most countries, the worst health, educational and nutritional standards are concentrated in the poorest communities. Although communicable diseases have the potential to infect everyone, they are disproportionately

Table 2.4 Key social indicators

Region	Life expectancy (years)	Female literacy (% of women)	Child malnourishment (per 1,000 deaths)	Child mortality (% under five)
East Asia and Pacific	69	78	43	22
Eastern Europe and Central Asia	69	95	26	8
Latin America and Caribbean	70	77	38	8
Middle East and North Africa	67	52	55	15
South Asia	63	41	89	51
Sub-Saharan Africa	51	51	151	33
Global South	65	67	79	29

Source: World Bank (2001).

concentrated among the poor. The World Bank (2001) reports that in India, tuberculosis is far more prevalent among the poorest families. Similarly, the child mortality rate in Brazil is three times higher among poor families than among higher-income families. Similar disparities exist for literacy and educational attainments in many countries. Disparities in income inequality between men and women and between people of different ethnic and religious groups also persist on a huge scale not only in the developing countries of the South but in the industrial nations as well where women still earn less than men even when employed in similar occupations. Even in egalitarian Sweden, men in industrial employment earned approximately 16 per cent more than women in the 1990s.

In all regions of the South, the most disadvantaged people are concentrated in rural areas. In some countries, disparities in social indicators and in the poverty rate between rural and urban areas are striking, and in some places they are exacerbated by rapid economic growth in the cities. For example, the World Bank (2001) reports that China's recent impressive rates of economic growth have been concentrated in urban areas with the result that urban–rural income inequalities have increased. As in many other countries, poverty rates are highest in the most remote regions. In China, the most mountainous provinces have the highest poverty rates and the worst social indicators. This is equally true of other countries. In Peru, two-thirds of the poorest households live in the mountain regions, while in Thailand the poverty rate in the country's rural North-East region was twice as high as the national average (World Bank, 2001). A different picture emerges in many industrial countries where poverty is often higher in urban than rural areas. For example, the United Nations (2001) reports that the poverty rate in Washington DC is about 23 per cent while in rural New Hampshire it is only 8 per cent.

Women, children and minorities are over-represented among the poor and socially disadvantaged. The literacy rate among women is generally lower than among men, and primary school enrolment rates among girls are frequently but not always lower than for boys. In some countries, including low-income ones such as Madagascar, Zambia and the Philippines, gender differences in school enrolment are negligible, while in others, such as Benin, Nepal and Pakistan, the gap in enrolment rates between boys and girls is about 20 per cent (World Bank, 2001). In India, for example, members of the lower castes and the indigenous tribal people are the most disadvantaged, having lower literacy and school attendance rates and poorer health status than the rest of the population. Indigenous people in Latin America face similar disadvantages. In Guatemala, for example, indigenous people have an average of 1.8 years of schooling while the average for the rest of the population is about 5 years (World Bank, 2001).

Poverty, deprivation and social progress

These indicators reveal that poverty and social deprivation remain widespread and that the situation for many hundreds of millions of people in the world today is desperate. However, despite these gloomy realities, there is ground for optimism. In an attempt to garner support for global poverty eradication, the international development organizations have redoubled their efforts to enhance awareness of the problem. Although some governments in the North (and particularly the current administration in the United States) remain sceptical, poverty eradication targets have for the first time been adopted by the international organizations. At the Millennium Summit in September 2000, the United Nations committed member-states, as its first Millennium Development Goal (MDG), to halving the number of people living on less than one dollar per day by 2015.

In addition, there is evidence to show that significant social progress has been made, particularly in some regions of the world. For example, the World Bank (2001) reports that the incidence of absolute poverty in the world, as measured in actual numbers, declined by about 80 million people between 1990 and 1998. Although this is not a large decrease in absolute numbers (from 1.27 billion to 1.19 billion), the proportion of the world's population living below the one dollar a day poverty line has fallen from 29 per cent to 24 per cent. These trends are summarized in Table 2.5. The fact that the absolute numbers of people living in poverty remains high is due primarily to continued population growth. The World Bank also points out that the current rate of decline is not sufficiently rapid to meet the global poverty reduction targets set by the international organizations.

Nevertheless, the fact that the absolute number as well as the proportion of the world's population living in absolute poverty has fallen since 1990 is encouraging. Table 2.5 shows that there were regional gains as well. The proportion of the population in absolute poverty in East Asia and the Pacific declined significantly from about 28 per cent to 15 per cent during the 1990s. Rising incomes in China contributed disproportionately to the overall decline in absolute poverty in the region and, indeed, in the world as whole. Smaller declines were recorded in Latin America and the Caribbean, the Middle East

Table 2.5 Change in the incidence of absolute poverty by world region, 1990 and 1998

	Numbers in poverty (millions)		Proportion of population in poverty (%)	
Region	**1990**	**1998**	**1990**	**1998**
East Asia and Pacific	452.4	278.3	27.6	15.3
Eastern Europe and Central Asia	7.1	24.0	1.6	5.1
Latin America and Caribbean	73.8	78.2	16.8	15.6
Middle East and North Africa	5.7	5.5	2.4	1.9
South Asia	495.1	522.0	44.0	40.0
Sub-Saharan Africa	242.3	290.9	47.7	46.3
Global South	1,276.4	1,198.9	29.0	24.0

Source: World Bank (2001).

and in sub-Saharan Africa. In South Asia, the proportion of the population in poverty fell from 44 per cent to 40 per cent during this time. Yet the proportion of people in absolute poverty in Eastern Europe and Central Asia increased significantly during this period. There were more than three times as many poor people in this region in 1998 as in 1990. The problem is also acute in sub-Saharan Africa where the proportion of the population in poverty declined by only 1.4 per cent during this time. It should also be noted that, despite a decline in the proportion of the population living in poverty, the absolute numbers of poor people actually increased by almost 50 million.

When social indicators are taken into account, the trend is also mixed but there are some encouraging signs. For example, the United Nations Development Programme (2001) reports that many more people today live a longer and healthier life, are better nourished and better educated than ever. There has been progress towards greater gender equality and environmental sustainability. Improvements in human rights and democratic participation have also been recorded. The organization notes that children born at the turn of the twenty-first century can now expect to live to the age of 68 years – eight years longer than those who were born in 1970. The global infant mortality rate has fallen from about 97 per 1,000 in 1970 to about 52 per 1,000 today. The number of undernourished people has declined from over 900 million to about 820 million during the same time period. The literacy rate among adults rose from 47 per cent in 1970 to 73 per cent in 1999, and the number of rural households which now have access to safe drinking water has increased by about 500 per cent since 1970.

The World Bank (2001) reports that progress has been made even in the low-income developing countries. For example, average infant mortality rates have declined from around 97 per 1,000 in 1980 to 68 per 1,000 in 1998 in these countries. In the middle-income developing countries, average infant mortality declined from 60 per 1,000 to 31 per 1,000 during the same time period. Primary school enrolment rates in the low-income developing countries also improved from 66 per cent to 76 per cent during this time. In the middle-income developing countries, the primary school enrolment rate rose from 86 per cent to 97 per cent. Yet, as pointed out in Chapter 5, this achievement should not be allowed to obscure the fact that the quality of education leaves much to be desired, a fact which is reflected in continuing high rates of primary school non-completion.

As the United Nations Development Programme (2000) put it, these gains are 'impressive' and they suggest that it is possible to bring about real improvements in standards of living and even to eradicate poverty. On the other hand, there is little room for complacency. The organization notes that in certain regards, conditions have worsened. AIDS is claiming many more lives today than before; conflicts within and between nations have produced many more refugees and internally displaced people; criminal activity associated with the drug trade and prostitution has increased and in some parts of the world, democratic institutions have been undermined. In addition, as was noted earlier in this chapter, income and wealth inequality has increased significantly. The unevenness of social progress is particularly marked in some regions of the world. The absolute poverty rate in Eastern Europe and Central Asia has risen significantly largely because of economic and social disruption following the collapse of the Soviet Union which, as the UNDP (2000: 13) put it, 'extracted a heavy toll on human lives with adverse effects on income, school enrolment and life expectancy, particularly of males'. The rise in the number of people in absolute poverty in sub-Saharan Africa has been accompanied by endemic wars and internal conflicts that have caused enormous suffering. The rapid spread of AIDS in the region has also exacerbated adverse social conditions. In 1999, more than 5 million people in the region were infected with HIV, and more than 20 sub-Saharan African countries recorded declines in life expectancy because of AIDS. About 13 million African children were AIDS orphans (United Nations Development Programme, 2000). In a similar vein, Midgley (1995) argues that the development process has been highly distorted, creating conditions of prosperity for some but continued deprivation for many.

Because of marked differences in social progress among the world's regions and countries, some development writers are extremely pessimistic when interpreting trends over the last four decades and in projecting future developments. For example, Sachs (1992: 1) notes that, 'The idea of development stands like a ruin … delusion and disappointment, failures and crime have been the steady companion of development'. Similarly, anti- or post-development writers contend that development has failed to address the pressing problems facing the world's poor countries (Escobar, 1995; Rahnema, 1997). Although they present a more balanced account, Kothari and Minogue (2002) conclude that post-war development strategies have failed to reach the goal of improving the standards of living of people in most parts of the world. They argue that, instead, these strategies have produced unevenness and perpetuated the continued coexistence of development and deprivation.

Even optimists will find it hard to disagree with Kothari and Minogue's conclusion about the unevenness of the development experience and the continued coexistence of poverty and prosperity. Certainly, the optimism that characterized development thinking in the middle decades of the twentieth century, when many previously colonized peoples secured independence from European imperial rule, has dissipated. Also, many past projections of development trends have not been realized. For example, in 1978, the World Bank incorrectly estimated that the incidence of global poverty in the year 2000 would fall to about 600 million people. In its widely discussed 1990 *World Development Report* that dealt with poverty, the World Bank also projected poverty declines that were not achieved (United Nations, 2001). Similarly, the World Bank's data concerning improvements in infant mortality and school enrolments in low-income developing countries, which were reported earlier, need to be considered with reference to the fact that these trends reveal average rates for these countries. While average infant mortality rates for the low-income countries as a whole may have declined to 68 per 1,000, many of these countries still have infant mortality rates well in excess of 100 per 1,000.

Strategies for poverty eradication

The goal of eradicating poverty was discussed and articulated at the United Nations World Summit in 1995. Previously, development writers talked about poverty 'alleviation' or poverty 'reduction'. Now, by adopting the *Copenhagen Declaration*, the world's governments declared a commitment to eradicate poverty, and to achieve other social goals such as full employment, social integration, gender equity and the attainment of universal and equitable access to education and health (United Nations, 1996). The Millennium Development Goals (MDGs), articulated by the United Nations in September 2000, included the halving of absolute poverty by 2015, along with other aims such as universal primary education, greater gender equity, reduced child mortality and improved maternal health, amongst others.

However, neither the 1995 nor the 2000 Summit answered the critical question of *which* strategies are the most effective for eradicating poverty. While it may be possible to agree on poverty reduction targets, it is far more difficult to agree on the policies and programmes that are needed to achieve these targets. This is a very controversial topic not only among social scientists but also among politicians, aid officials, community workers, economists and development activists. As Cox and Healy (2000) revealed, there are major differences of opinion on how poverty can be reduced even among the development assistance agencies of the governments of the industrial nations. Similar differences are to be found among the major multilateral donor bodies. The United Nations agencies favour greater government intervention and social provisions than the International Monetary Fund and the World Bank, which have consistently argued that rapid economic growth through the creation of a free market economy is needed.

The complexity of the issue is compounded when specific anti-poverty interventions are linked to wider strategies for development. In the development context, poverty and development are closely associated. Ultimately, development is about raising standards of living, enhancing the quality of life of all and improving social conditions. Therefore, to address the problem, specific anti-poverty interventions must be related to the overarching development strategies that are so passionately debated in the field. In turn, these development strategies and their prescriptions for poverty eradication must be considered within the wider context of values and ideologies.

While many would agree that employment-generating projects, village health clinics, food-for-work programmes, technical assistance to farmers, the promotion of small-scale informal-sector enterprises, micro-credit, cooperative savings accounts and a host of other programmatic interventions can help to reduce poverty, there are sharp disagreements about how these interventions relate to wider development initiatives involving governments, private enterprise and local responsibility. For example, should micro-credit be managed by governments or private banks or local village self-help cooperatives? How do micro-credit schemes fit in with other anti-poverty programmes, and how do they give expression to wider goals such as promoting individual responsibility and self-reliance or, on the other hand, cooperation and equality? Once these wider questions are asked, strong differences of opinion emerge and these, in turn, reflect very different ideological preferences about how poverty and social need can best be addressed and indeed about how the goals of development can be realized.

The remainder of this chapter will discuss the major strategies that have been proposed for promoting development and achieving significant improvements in the incomes and livelihoods of the world's poor. Although they are rooted in what are essentially Western values and ideological beliefs, they have general relevance to current debates on poverty and social welfare in many different countries. However, as will be shown, some development writers reject the relevance of these values and beliefs to non-Western societies.

Modernization, capitalism and economic growth

In the years following World War II, when many colonized territories in the South secured independence from European imperial rule, many social scientists believed that poverty could be eradicated by the adoption of a development strategy that modernizes the economy (as well as social and political institutions) and generates rapid economic growth through industrialization and capitalist development. These social scientists became known as the modernization theorists and they exerted a strong influence on development thinking at the time. While some emphasized the importance of free markets in promoting growth, others of a Keynesian persuasion took the view that governments had an important role to play in directing or 'guiding' the modernization process.

Modernization theorists believe that poverty is an original condition which has characterized human societies since ancient times. Although there were periods of rapid economic growth when people living in the urban civilizations enjoyed comparatively high standards of living, poverty has been pervasive for most of human history. This situation began to change when the nations of Western Europe experienced rapid economic growth as a result of industrialization and were able to raise incomes and standards of living for the vast majority of their populations. The modernization theorists argued that rapid economic growth could achieve the same results in the newly independent developing countries that were dominated by subsistence agriculture and informal sector economic activities. Many pointed out that these countries had a dual economy comprised of a large, impoverished agrarian sector and a small but vibrant modern, urban sector located in the colonial capitals (Boeke, 1953; Nurkse, 1953; Lewis, 1955; Higgins, 1956). The task for policy-makers was to expand the modern sector so that it would draw labour out of the subsistence into the modern sector.

This, they suggested, could be achieved through massive investments in industrial enterprises. Industrialization, they argued, creates employment on a large scale, transferring labour out of the impoverished subsistence and informal economy into the modern, urban industrial sector. As people enter wage employment, incomes and standards of living rise, resulting eventually in the eradication of poverty. Drawing on the experience of the European nations that had undergone industrial development in the eighteenth and nineteenth centuries, they argued that capital to fund industrial development should be mobilized either through domestic sources, foreign investment or international aid.

These ideas were articulated by numerous development economists at the time. Rosenstein-Rodan's (1943) research into economic growth in Southern Europe suggested that governments needed to adopt a 'big push' policy of industrialization which required that priority be given to mobilizing funds for industrial investments. Nurkse (1953) agreed that it was only through industrial development that the vicious cycle of poverty could be broken but argued that governments also needed to promote investments in infrastructure and complementary industries to ensure that balanced growth took place. A major report for the United Nations (1951), prepared under the chairmanship of Arthur Lewis, urged governments to give high priority to securing capital for industrial development, and in his widely cited book Rostow (1960) formulated a precise set of policy prescriptions by which capital formation would create the conditions for growth, and result subsequently in economic 'take off' and sustained industrial development. Most favoured the deferral of consumption. Governments should, as far as possible, limit spending, and particularly social spending, and promote capital formation instead. Most also suggested the creation of domestic industries which would produce goods to replace imports from the industrial countries. Import substitution became an important element of the modernization approach.

Sociologists and other social scientists argued that modernization also involves non-economic processes and that, to properly understand poverty and deprivation in the developing countries, attention should be paid to the non-economic factors that contribute to economic 'backwardness'. They drew attention to the way traditional cultural beliefs and practices maintain poverty and economic underdevelopment, and how they impede economic modernization. For example, Goode (1963) argued that the extended family in the developing world imposed cultural obligations on its members that were inimical to economic development. These obligations prevented young people from pursuing their own ambitions, from moving to places where jobs were being created and from saving. His writings implied that it was desirable that the extended family be replaced by a Western, nuclear family formation. Hagen (1962) and McClelland (1964) believed that traditional attitudes and beliefs were responsible for poverty and economic stagnation. The traditional culture needed to be replaced with modern values that rewarded competition, achievement motivation and ambition. Lerner (1958) took the view that the authoritarian political structures that characterized the developing countries needed to be replaced with modern, liberal democratic institutions if development was to take place. Hoselitz (1960) agreed, arguing that traditional forms of social stratification would impede rapid economic growth.

By linking social and cultural factors with economic explanations of the causes of underdevelopment, the modernization theorists offered an account that stressed the role of subsistence production, primitive technology, traditional culture and an apathetic personal disposition in the etiology of poverty. Mass poverty, they believed, is a function of an archaic and traditional socio-economic system that needs to be replaced with a dynamic, industrial economy. Together with the emergence of modern attitudes, beliefs and institutions, industrialization would promote rapid growth and bring about prosperity for all.

As was noted earlier, some modernization theorists argued that the task of promoting industrialization and rapid economic growth could be best achieved if a capitalist, free market style of development was adopted. However, others were persuaded that government direction of the economy was needed. At the time, many governments adopted centralized economic planning which set economic growth targets and produced five-year development plans (Waterston, 1965). Although planning was viewed with scepticism by modernization theorists and many Western development experts, they did not reject the need for government policies and programmes that would promote rapid economic growth. It was in this context that State intervention gradually increased and, by the 1960s and 1970s, began to dominate development policy in the South.

The modernization theorists seemed to be unaware of the extent to which they were incorporating a highly biased Western approach into their analyses, and it was not surprising that they were heavily criticized for being culturally insensitive and even imperialistic (Frank, 1971). Although many of the nationalist leaders of the developing countries favoured the high-growth economic prescriptions of modernization theory, its socio-cultural implications were given little attention and, in any case, were hardly amenable to policy interventions. Even if they wanted to, it was hardly possible for political leaders to legislate against the extended family or other highly valued cultural institutions. Similarly, few were attracted by the tenets of Western liberal democratic thinking. In addition, few countries successfully adopted industrialization strategies and significantly reduced the incidence of poverty by expanding the modern, wage employment sector. With the exception of the East Asian nations that adopted export-led rather than import-substitution industrialization policies, the modernization approach could claim few successes. For these and other reasons, its influence gradually waned and, by the 1960s, a more vigorous statist approach that advocated extensive government involvement in poverty eradication became popular.

Planning, welfare and the State

The idea that poverty eradication and development could best be achieved through the active engagement of governments in economic planning and in the provision of social services and development programmes was actively promoted by a group of social scientists and policy-makers who are sometimes described as the 'developmentalists'. They agreed with the modernization theorists about the need for rapid economic growth and industrialization, but urged governments to transcend their economic development agendas by allocating resources for social programmes. When accompanied by economic growth, social welfare programmes would have a major impact on the poverty problem. While the modernization thinkers urged governments to limit social expenditures in order to mobilize resources for industrial investment, the developmentalists believe that economic planning combined with social expenditures is highly desirable.

Like modernization theorists, the developmentalists contend that poverty is an endemic condition associated with subsistence agriculture and informal sector activities that should be addressed through industrialization and economic growth. However, they argue that economic growth engendered by industrialization does not automatically result in prosperity for all. In fact, economic development has disproportionately benefited those in the modern sector, and the poor have often been left behind. The ubiquity of 'uneven' or 'distorted' development as they called it, must be addressed through a comprehensive range of policies and programmes that promote economic growth and, at the same time, target the poor and raise their incomes.

Developmentalist ideas appealed to many of the independence leaders who had lived and studied in Europe and who were inspired by social democratic and other forms of interventionist thinking. The United Nations also played a key role in promoting these ideas. The organization called on its member-states to adopt social policies that would focus on the problem of mass poverty in the South and improve social conditions. These issues were extensively debated at various meetings of the Economic and Social Council. In addition, numerous expert groups were appointed to assist in the formulation of social policies of this kind. One of the most important addressed the need for redirecting economic planning so that it focused more explicitly on social goals. With the assistance of economists such as Myrdal, Singer and Higgins, the United Nations formulated what became known as the unified socio-economic planning approach that paid equal attention to economic growth and social welfare (United Nations, 1971).

At about this time, several development economists began to criticize the excessive emphasis that had been placed on industrialization and economic growth in development thinking. In a famous paper, Seers (1972) challenged the view that economic growth was synonymous with development. He pointed out that a country that had significantly increased its rate of economic growth but had failed to reduce the incidence of poverty or to improve the quality of life for ordinary people could not claim to have experienced development. Myrdal (1968) had previously made the same point in his voluminous study of Asian development which, he contended, had recorded positive rates of economic growth but had failed to significantly reduce poverty. Myrdal explicitly urged the adoption of redistributive policies that would address the underlying problem of inequality. Inequality, he argued, was closely associated with poverty.

In the 1970s, international efforts to promote greater government engagement with the problems of poverty, social deprivation and inequality increased. In addition to the United Nations, other international agencies such as the World Health Organization, the United Nations Children's Fund (UNICEF), and the International Labour Organization, urged the adoption of specific health, housing, educational, sanitary, rural development, nutritional and other social policies. Together with many developing-country governments, the World Health Organization embarked on campaigns to eradicate communicable diseases such as smallpox and polio and it promoted the incorporation of health-sector policy-making into national development planning. In the late 1960s, the International Labour Organization sponsored major studies into the problem of unemployment that, it concluded, was closely linked to poverty. Industrial development policies would not, its experts argued, create wage employment on a sufficiently large scale to reduce the incidence of mass poverty. For this reason, policies that target the poor and effectively reduce social deprivation were urgently needed. These ideas resulted in the adoption of the Basic Needs approach to development at the 1976 World Employment Conference (International Labour Office, 1976). Basic needs placed high priority on policies and programmes that would ensure that the poorest people of the developing countries had access to clean drinking water, nutrition, adequate shelter, heath care, education and security. Rather than waiting for economic growth to solve the problems of poverty and social deprivation, Basic Needs advocates urged governments to seek to address these problems immediately (Streeten and Burki, 1978; Streeten et al., 1981; Stewart, 1985).

UNICEF adopted a similar approach. Instead of stressing the need for conventional child welfare services provided by professional social workers, the organization began to promote community-based interventions that introduced preschool education, nutrition, women's programmes, micro-enterprise and other poverty eradication interventions at the local level (Midgley et al., 1986). Poverty alleviation was also given high priority by the World Bank during the presidency of Robert McNamara. His widely reported speech to the

World Bank's governors in Nairobi in 1972 proposed that the Bank's lending policies should be refocused to assist governments to address the needs of the poorest 40 per cent of the population of developing countries. Following this speech, the Bank produced numerous influential policy papers outlining how this goal might be achieved.

The emphasis on poverty reduction through direct government intervention and the provision of social services also raised the issue of inequality. Many developmentalists stressed the need to address the serious inequalities that characterized the developing countries and they proposed the adoption of redistribution and other reforms to create more egalitarian societies. As noted previously, Myrdal (1968) had argued that poverty in Asia was closely tied to inequality. If the incidence of poverty is to be reduced, policies that address the problem of inequality would be needed. This view was countered by the argument that redistributive policies will impede investment, entrepreneurship and the other requirements for rapid economic growth (Bauer, 1976; Lal, 1983). If governments adopt policies that deter investors and impose punitive taxes on entrepreneurs, growth would be impeded.

However, a major study by a group of economists led by Hollis Chenery of the World Bank (Chenery et al., 1974) refuted this point of view, claiming instead that redistributive policies are not antithetical to economic growth but that they would, in fact, promote growth. These policies remove obstacles to the participation of the poor in economic development, and increase their consumption and thus their demand for goods and services. For example, Griffin (1976) showed that land concentration has a negative effect on agricultural production because it dampens the incentives of sharecroppers to raise production, and that land redistribution to those who work it creates production incentives.

Exploitation, oppression and radical change

During the post-World War II years, when the Cold War between the Soviet Union and the United States and its allies gathered momentum, the leaders of the previously colonized societies became increasingly critical of the two superpowers. Nationalism and populism were dominant ideological themes in the South at the time, and the superpowers were frequently accused of trying to usurp the hard-won sovereignty of the independence movements. The leaders of many developing countries sought to adopt a non-aligned position, and the idea that they comprised a 'third force' in global politics was popular. It was at this time that the neologism 'Third World' emerged. Although the term is now avoided, it was originally intended to assert the autonomy and self-determination of the newly independent nations and to connote their collective efforts to counteract the powerful geo-political influence of the two superpowers.

It was in this context that development was increasingly defined as a neocolonialist project designed to promote the interest of the Western industrial nations. Many non-aligned leaders, including Mao, Nasser, Nehru, Nkrumah, Nyerere, Sukarno and Tito sought to promote an indigenous and autarkic form of development which would end the economic dependency of their nations on Western imports and expertise and promote self-reliance. While many nationalist leaders favoured import substitution policies that would promote domestic industrialization, some such as Mao and Nyerere gave priority to the promotion of self-reliant agriculture and rural development.

As was noted earlier in this chapter, many of the nationalist independence leaders were inspired by the democratic socialist and welfare interventionism that were then so prominent in Europe and many were in favour of activist government policies that would address the problem of poverty. However, many were also inspired by Marxism. Although few were avowed communists, the rhetoric of Marxism provided a basis for analysing the causes of poverty and for criticizing superpower hegemony. It was also used with considerable effect in the late 1960s and 1970s by a group of scholars known as the international structuralists or dependency theorists (Frank, 1967, 1969; Sunkel, 1969; Furtado, 1970; Cardoso, 1972; Rodney, 1972; Amin, 1974). Originating in Latin America, the '*dependentistas*' argued that poverty was closely related to international capitalist exploitation. They were avid critics of modernization theory, which they condemned as little more than a cloak for Western neo-imperialism. It also legitimated the continued economic exploitation and political manipulation of the previously colonized nations.

For the dependency theorists, poverty is not an original condition but a direct consequence of European imperialism and colonialism. Writers such as Frank (1967, 1969) and Rodney (1972) argued that the developing nations had previously been wealthy and prosperous. Before European conquest, many were technologically advanced and many had sizeable urban capitals with sophisticated cultures. However, because of internal conflicts and the military superiority of the Europeans, these nations were readily subjugated. European imperialists destroyed their political and administrative systems, oppressed their peoples, demeaned their cultures and rapaciously expropriated their assets. With the enslavement of their people, poverty became widespread. The dependency writers also contended that poverty is not a static condition but the result of an ongoing, dynamic process by which the metropolitan powers continue to exploit and impoverish the nations and peoples of the South. A complex network of metropolitan–satellite relationships continues to transfer surplus from the poorest peasants and urban informal-sector worker through to landlords, merchants and factory owners to the elites of the Western capitalist nations. So-called 'development' will not eradicate but, in fact, increase poverty.

To end mass poverty in the South, the process of exploitation must be ended. Frank (1969) argued that this could only be achieved through a world revolution to end capitalist exploitation and oppression. The first step requires domestic revolutions and the overthrow of capitalism in the dependent nations. Other dependency writers disagreed with Frank's idea that revolutions were a requirement for poverty eradication and suggested instead that the developing countries should limit or terminate their relationships with the industrial nations. They believed that it is possible to 'de-link' the developing countries from the global economic system and to attain economic independence through political struggle and 'Third World' solidarity. For example, Mandel (1976) was quite adamant that poverty and exploitation can only be ended through a radical break with international capitalism.

However, some dependency writers questioned the desirability as well as the possibility of radically de-linking the periphery from the metropole. Cardoso and Faletto (1979) disagreed with Frank's characterization of underdevelopment as an ongoing process of impoverishment claiming instead that while the developing nations had indeed been exploited, they had also benefited from the development process. Despite their disadvantageous links with the centres of capitalism, they had in fact, experienced industrialization, economic growth and improvements in standards of living. It was more appropriate to talk about 'dependent development' than underdevelopment. Wallerstein (1980) agreed, pointing out that the developing nations were part of a global capitalist economic system that is extremely volatile and which, therefore, offers new opportunities for these nations to improve their position in the global economy. In a prescient commentary, he suggested that they can use their comparative advantage to attract international investments and in this way, promote industrialization, create wage employment and raise the incomes of their peoples.

These ideas were compatible with policy thinking in international development circles. In addition to adopting import substitution policies, the nationalist leaders urged that aid programmes be more generous, and that lending be more cognizant of the unique needs of the developing countries. They asked for improved terms of trade for poor nations and greater international social and economic justice. These ideas laid the foundation for subsequent efforts to promote a more just and equitable international order. Various international efforts ranging from the Dag Hammarskjold Foundation's (1975) manifesto and the Brandt Commission (Brandt, 1980) to popular campaigns against the International Monetary Fund and the World Trade Organization exemplify these activities. They have increasingly involved large-scale street protests in the industrial nations in which activists supported by students, trade unions and middle-class sympathizers, have drawn widespread attention to the injustices of the capitalist global economy.

The idea that poverty can only be eradicated through an analysis of the existing economic system and by radical change has been accompanied in development circles by other forms of critical thinking. One very significant contribution has come from feminists, who have succeeded in placing gender exploitation and oppression at the forefront of development discourse. Feminist scholars have argued that conventional development approaches are designed to serve the interests of men, and have reinforced the patriarchal structures that exploit and oppress women. What Shiva (1989) describes as 'maldevelopment' is a direct result of these development strategies. To address this problem, as well as the wider problem of poverty, which affects women disproportionately, a radical change in existing development thinking is needed. This involves more than a welfarist approach designed to provide services to women, or even a gender equity approach that seeks to enhance the status of women. It requires the adoption of an empowerment approach that is determined by women themselves and is, therefore, truly liberating (Moser, 1989).

More recently, critical approaches have been extensively informed by post-modernist ideas. Post-modernist scholars regard development as an integral part of the failed project of Enlightenment thought (Midgley, 1999). In their view, development comprises a 'grand narrative' of the Enlightenment that seeks to impose its world-view on peoples of diverse cultures, interests and commitments (Lyotard, 1984; Bauman, 1992). Like other grand narratives, development is imposing and oppressive, stultifying the aspirations of communities, groups and individuals whose perspectives and beliefs are different from those of Western rationalists and the optimistic advocates of progress. For the anti- or post-development school, which has drawn extensively on post-modernist thinking, the very idea of progress is anathema (Escobar, 1995; Rahnema and Bawtree, 1997; Munck and O'Hearne, 1999). Anti-development thinkers believe that the problem of poverty must be solved by the poor of the South themselves within the context of their own struggles for self-determination and liberation.

Communities, participation and local development

Critical approaches are appealing and they obviously inform the efforts of activists who seek to remedy the political and social causes of poverty, but they are not always readily translated into policy terms. This is not to deny the role of critical thinking in supporting human rights campaigns or efforts to reform the international economic system. In addition, they have made a significant contribution to community-based poverty eradication and development strategies. The idea that the poverty problem can be solved by mobilizing local people and involving them in various development projects which will raise standards of living and improve the quality of their lives, has become exceedingly popular in development circles. This approach offers an appealing alternative to both modernization and developmentalist poverty eradication strategies.

Although often idealized, the local community has long been regarded as a vital resource for development effort. In the early decades of the twentieth century, colonial development projects were often focused on local communities. In Africa, village people were mobilized to build feeder roads, water supply systems, community centres, clinics and schools (Brokensha and Hodge, 1969) and, in India, the utopian communities established by Ghandi and Tagore laid the foundations for a nationwide community development programme (Bhattacharyya, 1970). As Midgley (1995) reported, the notions of community development and social development evolved out of these formative efforts.

Community development is based on the idea that local people, supported by external resources, can implement programmes that significantly reduce the extent of poverty and social deprivation. In the 1950s, these programmes were usually administered by governments and involved para-professional community workers who assisted local village leaders to identify need, obtain external funds and materials and then involve local people in community projects. These projects focused on infrastructure development as well as cooperative productive activities such as vegetable gardening, the manufacture of local crafts and poultry raising. Often credit associations were established. Although community development was primarily associated with rural life and traditional agrarian institutions, it was, in time, extended to urban communities as well. Originally, urban squatter and slum communities were viewed in negative terms, but they were subsequently regarded as centres of cooperation and mutual support, and of developmental potential.

Community development was compatible with the populism of the nationalist independence movements and with the mutual aid traditions of indigenous cultures in the developing world. Many governments claimed that community development exemplified participatory ideals and gave expression to traditional democratic decision-making. It built on local associational institutions and permitted ordinary people to decide the nature and course of development for themselves. It seemed appropriate, therefore, that community development programmes were usually managed by government ministries or departments and they were largely funded by national governments (Brokensha and Hodge, 1969; Dore and Mars, 1981; Campfens, 1997). Community self-determination and national development were believed to be compatible ideals.

Critics were less enthusiastic about government responsibility for community development. They claimed that these programmes were bureaucratic, inefficient, wasteful, poorly funded and often corrupt (Mayo, 1975; Marsden and Oakley, 1982). Although they relied on the participation of local people, particularly to provide labour, community development officials were accused of being insensitive to the wishes of local people and more concerned with implementing the mandates of national planning agencies and regional authorities. Contrary to the claim that community development gave expression to local needs and preferences, critics argued that it actually amounted to little more than attempts to persuade and cajole local people to donate their time and labour to government road, water supply, sanitation and irrigation projects. Often, these projects were poorly conceived and, in many cases, expensive projects were not completed or otherwise so badly constructed that they were of little value.

Critics also claimed that government community development projects were being used for political and electoral purposes. Villages that supported the ruling political party were more likely to receive funds for community development, and in many cases these projects favoured local leaders, landlords and wealthy farmers. The needs of the poorest and most vulnerable groups, particularly women, were often ignored. This is not to deny that genuine efforts were made to engage local people in decision-making and to foster local enthusiasm for community development. But community development was part of a national, centrally directed effort to promote local economic and social development, and funding decisions were usually based on predetermined national goals.

As national resources became increasingly strained, community development programmes were often given low priority and popular support for these programmes declined.

As criticisms of community development programmes intensified in the 1970s, many development scholars came to the conclusion that conventional 'top-down' approaches were largely ineffective in addressing the needs of poor people. These criticisms resonated with international donors and aid officials and gradually more aid resources were allocated to non-profit organizations working with local communities and other groups. In addition, international agencies such as the United Nations Children's Fund (UNICEF) and the World Health Organization (WHO) were persuaded that local non-governmental organizations and local community groups in the developing countries were better able to address the needs of poor people than governments. Together with NGOs, both organizations began to promote what became known as community participation. This new approach stressed the importance of an activist style of intervention that relied less on the provision of services than on the active involvement of the poor in these projects (Midgley et al., 1986). Rural development was equally infused with these ideas (Oakley, 1991; Burkey, 1993).

The new community participation approach was influenced by the writings of the dependency theorists as well as populist radicals such as Saul Alinsky (1946, 1971) whose writings provided practical guidelines for effective social action at the local level. Also relevant is the influence of liberation theology and the writings of Paulo Freire (1972) in Brazil. Freire's theory of popular education stressed the need for awareness-raising ('conscientization') as a technique for raising the political awareness of the poor and oppressed. By engaging the poor and oppressed in a dialogue about power, inequality and oppression, they would appreciate their position in the social structure, and be empowered to engage in radical collective action to remedy their situation and overcome the conditions of poverty in which they lived. Feminist and ecological critiques provided further impetus for these ideas.

In addition to promoting empowerment and self-determination, community-based poverty eradication programmes now place greater emphasis on economic activities to raise the incomes and standards of living of the poor. Many studies have shown that rural community development programmes make a major contribution to agricultural production and that small-scale agriculture supported by public investments and appropriate rural development policies are more efficient than the large-scale agricultural programmes favoured by modernization theorists. Summarizing this literature, Mafeje (2001) argued that a 'trickle-up' strategy of development is a much more effective strategy for poverty eradication than conventional 'trickle-down' strategies based on industrial development and large-scale government intervention. In a similar vein, many have claimed that organized informal sector activities supported by appropriate public interventions can generate income and raise standards of living. Some writers, such as de Soto (1989), contend that the poor are able to engage in these activities without government aid and that government efforts to direct informal sector activities are likely to fail.

Small-scale community development projects also contribute to poverty eradication because they generate human capital through the development of skills, literacy and job experience. They also generate social capital in the form of networks that promote economic engagement. These programmes are compatible with micro-enterprise and micro-credit projects that facilitate the development of small-scale businesses owned and operated by people with low incomes or groups from impoverished communities. The Grameen Bank, established in Bangladesh in 1983 by Mohammed Yunus (Yunus, 1991; Wahid, 1994; Holcombe, 1995) is just one of many micro-finance development initiatives which have attracted widespread international attention. The Grameen Bank approach uses peer lending by which groups of individuals from a community combine efforts to create cooperative enterprises and to guarantee loans.

These community-based strategies are placing increasing emphasis on the role of local enterprise in the eradication of poverty. Although inspired by populist and communitarian ideas, they are today more frequently associated with the creation of local commercial initiatives which encourage greater personal responsibility, risk-taking and individual effort. While much community development effort previously emphasized cooperative activities among communities, the compatibility of local economic development effort with market-based development strategies has become increasingly apparent.

The neo-liberal revival

The ubiquitous emphasis which is placed today on the importance of free markets, entrepreneurship and profit-seeking today is indicative of the dramatic changes which have taken place in development thinking since the 1980s. Neo-liberal proponents of capitalist development argue that poverty will be eradicated if governments create the conditions in which profit-seeking entrepreneurs establish new enterprise, creating mass employment and raising the incomes of millions of people. The neo-liberal approach not only revives nineteenth-century *laissez-faire* economic theories but recapitulates many of the prescriptions of modernization thinking. The major difference is that neoliberalism requires that the State reduce taxation, curtail public spending, and refrain from economic regulation. Instead, neo-liberals urge governments to actively facilitate market activities and promote the interests of the commercial sector. What is good for business, they argue, is good for everyone and particularly the poor. These ideas now dominate international development thinking. Since the collapse of the Soviet Empire, and the embrace of market 'reforms' by the government of the People's Republic of China, they have become the new international economic orthodoxy.

Various factors contributed to the neo-liberal revival. One factor was widespread disillusionment with development planning and State welfarism. By the late 1960s, development policy had become highly interventionist and, in many parts of the world, governments had adopted directive economic planning and Keynesian policy prescriptions. Many governments also engaged in large-scale social service expansion in an effort to extend education, health, nutrition, housing and other social welfare provisions to their populations. The result was a growing 'State welfarist' approach to development which critics such as Lal (1983) claimed was harming efforts to promote economic growth and eradicate poverty.

Despite the claim that extensive government intervention would impede development, many countries experienced rapid economic growth during the 1950s and 1960s. The economies of the Western industrial nations grew at an average annual rate of 4.4 per cent during the 1950s and at 5.5 per cent between 1960 and 1973, the time of the first oil shock (Midgley, 1997). During this time, the economies of the developing countries grew at a rate of about 3.4 per cent per annum, exceeding even the most optimistic economic growth predictions (Morawetz, 1977; Midgley, 1997). As was shown earlier in this chapter, these trends were accompanied by significant improvements in standards of living and social conditions in many parts of the world.

However, by the mid-1970s, the global economy was in recession. The decision of the Organization of Petroleum Exporting Countries (OPEC) to increase the price of crude oil during the Yom Kippur War between Israel and its neighbouring states in 1973 caused havoc, and many economies were plunged into recession. These recessionary trends were exacerbated by substantial interest rate increases, causing a massive debt crisis in the South and the problem of stagflation in the Western countries. To make matters worse, OPEC imposed a second price increase on the world economy in 1979, further impeding the prospect of recovery. During this time, the incidence of poverty in many countries increased and government expenditures on social programmes were curtailed causing further hardship and deprivation. These developments had a serious impact on the development efforts of the countries of the South slowing and, in some cases, reversing the gains of previous decades. However, the Western industrial countries and the communist countries of Eastern Europe were also affected. In the communist countries, and particularly the Soviet Union, increased military expenditures and shortages of commodities further exacerbated the problem.

These problems also caused widespread political resentment in the industrial nations and voters were increasingly persuaded that falling living standards, high unemployment and inflation were caused by high taxes, excessive government interference in the economy and an overly generous welfare system that had sapped the economy of its vitality. The ideas of leading neo-liberal scholars such as Milton Friedman and Friedrich von Hayek were effectively used by radical right political leaders such as Mrs Thatcher in Britain and President Reagan in the United States to persuade the electorate that radical economic reforms were needed to revitalize the economy. With the electoral successes of these leaders, new policies that favoured privatization, deregulation and reduced taxation were introduced.

Few governments in the developing nations enthusiastically embraced the neo-liberal orthodoxy. They were not persuaded that abandoning economic planning and social interventions would promote rapid economic growth and social progress. One exception was General Pinochet's military government in Chile. The general and his advisers, many of whom had been trained in neo-classical economics at the University of Chicago (Borzutsky, 1991), believed that the economic and social policies adopted by previous governments, and particularly by the Marxist government of President Allende, had destroyed the country's economy and social system. The advocacy of free market capitalism by General Pinochet's regime was accompanied by a new strand in thinking about development that asserted the need for coercion and authoritarianism. In addition to repression and widespread human rights abuses, the government used its power to ruthlessly eradicate interventionism and collectivism. Although not as overt, the proponents of neo-liberalism in Europe and North America expressed similar ideas, contending that development would occur more rapidly if the State used its authority to enforce marketization and the integration of the poor into the capitalist economy (Midgley, 1991). Despite their frequent use of *laissez-faire* rhetoric, neo-liberals have been anything but 'liberal', urging the State to use its coercive power to deregulate the economy, privatize its assets, reduce taxes on the rich, retrench the social services and actively promote the marketization of the economy and other aspects of social life.

Many governments opposed to neo-liberal doctrines were faced with huge debts following the economic crises of the 1970s. Few were able to obtain credit on commercial markets and most were compelled to seek emergency financial aid from the International Monetary Fund and the World Bank. These organizations imposed conditionality policies that required governments to adopt economic liberalization or 'structural adjustment' programmes (Danahar, 1994; Chossudovsky, 1997). These programmes involved a new form of economic planning in which officials from the IMF assumed control of economic policy-making in many countries. They set about dismantling economic planning agencies and abolishing government regulations that were disadvantageous to the business community. They required governments to reduce taxation, slash public spending, terminate thousands of civil service jobs, remove subsidies on food and other commodities, abandon land reform and other redistributive policies, retrench rural development and informal sector investment policies and privatize nationalized industries and government-owned utilities. The privatization of schools, clinics, hospitals and other social service facilities was promoted, and where this was not possible, charges for health care and other social services were introduced. The privatization of Chile's social insurance system was a major development which was subsequently emulated by other Latin American countries (Borzutsky, 1997). Governments were also required to abandon import substitution and open their economies to investment and global competition. Neo-liberal economic policy-makers claimed that integration into the global capitalist economy would attract capital and provide access to global markets, promoting economic growth and prosperity.

Despite the promise that these 'reforms' would spur economic growth and reduce poverty, the neo-liberal record has not been impressive. Although economic growth rates in some parts of the world have indeed accelerated, bringing substantial benefits to industrialists, businessmen and political elites, the problem of distorted development has been exacerbated, resulting in increased inequality, conspicuous poverty, homelessness and deprivation. In others, economic liberalization policies have been a complete disaster. Latin American countries such as Argentina, which enthusiastically adopted these policies, have experienced serious economic difficulties resulting even in the impoverishment of the formerly prosperous middle class. In 1997, several East Asian countries found that increased global economic integration could have serious consequences. In the 1960s, these countries had adopted highly interventionist policies which brought about sustained growth and significant improvements in standards of living for the majority of their people. They were now faced with capital flight, debt and rising unemployment. Although some have managed to recover, the legacy of the 1997 fiscal crisis continues to linger, affecting millions of people.

The imposition of neo-liberal policies through structural adjustment in the poorest indebted countries has had serious repercussions. In many low-income African and Asian countries, the incidence of absolute poverty has increased as structural adjustment programmes have siphoned off agricultural surpluses to finance debt repayments and as government investments, subsidies and social programmes have been curtailed. These trends have been accompanied by political instability, increased conflict and massive human suffering. As the IMF and the World Bank were subjected to increasing criticism, palliative measures such as social funds were established to address the problem. The role of these safety net programmes, which function as an essentially residual approach to poverty eradication, were discussed in Chapter 1 of this book. Chapter 7, dealing with the human services and social work, also discusses the role of social funds. The introduction of Poverty Reduction Strategy Papers (PRSPs) as a precondition for debt relief, discussed in Chapter 9, represents the latest attempt by the international donor community to leverage 'pro-poor' policies. However, it is clear that these programmes will not, of themselves, solve the poverty problem and, as this chapter has shown, poverty and deprivation remain problems of huge proportions in the developing countries of the South.

Towards poverty eradication

The idea that poverty can be totally eradicated is a noble one but, as has been shown, the adoption of major anti-poverty and development strategies by governments and international development agencies over the last 50 years has not achieved this goal. Despite the commitment of the world's leaders at the 1995 World Summit in Copenhagen, absolute poverty remains a massive problem. In June 2000, when the United Nations General Assembly met in Geneva to review progress in implementing the *Copenhagen Declaration*, the results were uneven. Poverty remained a serious problem, and ethnic and other forms of conflict have continued in many parts of the world, impeding efforts towards social integration. The global economy has experienced recession, financial crises wracked East Asia and South America, and violence and conflict has increased in many parts of the world.

Yet many would argue that progress has been made and that many millions of people around the world are better off today in material terms than they would have been if no development had taken place. Few development scholars agree with the pessimism of anti-development writers who claim that development has been an unmitigated disaster. Many would also argue that the adoption of specific targets is a useful mechanism that can be used to galvanize action and assess progress. The *Copenhagen Declaration* has, they point out, created an agenda for social policy at the global level. Indeed, as the United Nations Development Programme (UNDP) (2000: 22) reveals, progress has already been recorded on a number of indicators which have been linked to the *Copenhagen Declaration*. The UNDP also reports that the majority of the world's nations are 'on track' in meeting targets such as improving gender equality in education, achieving universal primary enrolment and promoting hunger alleviation.

It may be argued that countries that have adopted a social development approach have made impressive progress towards realizing these goals. By combining a commitment to economic growth with social policies, countries such as Botswana, Costa Rica, Mauritius, Taiwan, Singapore and others have reduced poverty significantly. Through effective economic planning, they have stimulated economic growth and created new employment opportunities for many people. Economic policy-making has been combined with social policies that have invested in education, health, community development and other human services programmes. Above all, they have attempted to address the glaring inequalities that characterize the process of distorted development.

As these examples suggest, social development is not only about growth and human services; it is also about an egalitarian development strategy that is concerned not with the prosperity of the few but with raising incomes and standards of living among the population as a whole. Social development also involves a total commitment to poverty eradication that harnesses the resources of the State, market and community (Midgley, 1995). Although the anti-poverty strategies discussed in this chapter are rooted in ideology and thus tend to evoke passionate commitments, the social development approach seeks pragmatically to combine their disparate elements into a heterodox set of prescriptions for poverty eradication. The prospect of synthesizing market, State and community approaches to poverty eradication deserves much more debate and discussion in both development and social policy circles.

Recommended Reading

The following books provide a discussion of major topics in the field of poverty and inequality in the context of development.

- Townsend, P. and Gordon, D. (eds) (2002) *World Poverty: New Policies to Defeat an Old Enemy*. Bristol: Policy Press. This useful book offers an international perspective on poverty and inequality covering numerous important issues relating to these topics. Townsend's call for the creation of an international welfare state based on human rights ideals offers a challenging alternative to current anti-poverty thinking.
- United Nations (1996) *Report of the World Summit for Social Development: Copenhagen, 6–12 March 1995*. New York: UN. United Nations (2001) *Report of the World Social Situation*. New York: UN. These two documents by the United Nations are essential reading for an understanding of the contribution the organization has made to anti-poverty thinking over the last 15 years. The *Report of the World Social Summit for Social Development* is especially important for the policy proposals it contains.
- Halvorsen-Quevedo, R. and Schneider, H. (eds) (2000) *Waging the Global War on Poverty: Strategies and Case Studies*. Paris: OECD. This collection discusses poverty eradication policies in the light of the international community's goal of reducing the incidence of absolute poverty by 50 per cent by the year 2015. The book examines the poverty reduction strategies adopted by international donors and provides case studies of the implementation of these strategies in several developing countries.
- World Bank (1990) *World Development Report, 1990: Poverty*. Washington, DC: World Bank. World Bank (2001) *World Development Report, 2000/2001: Attacking Poverty*. Washington, DC: World Bank. These two reports outline the World Bank's approach to anti-poverty policy in the developing world which, since 1990, has favoured high growth rates engendered by a free market development strategy with human capital investments and safety net programmes for the most vulnerable and for those affected by structural adjustment programmes. Both reports should be consulted to gain a better understanding of the Bank's approach.
- Chossudovsky, M. (1997) *The Globalization of Poverty: Impacts of IMF and World Bank Reforms*. New York: Zed Books. Professor Chossudovsky believes that the so-called 'reforms' which have been promoted by the World Bank and International Monetary Fund over the last 20 years have not achieved their goal of creating vibrant economies and reducing the incidence of poverty in the developing countries and in the countries that formerly comprised the Soviet Union. His scathing attack on these organizations and their policies may be regarded by some as exaggerated but his critique deserves to be read and understood.
- Danziger, S. and Haveman, R.H. (eds) (2001) *Understanding Poverty*. New York: Russell Sage Foundation, pp. 27–68. This book covers the topic of poverty and anti-poverty policy in the United States in great depth, paying attention to the question of how and why poverty persists in the world's most wealthy and powerful nation. Although the book is exclusively concerned with poverty in the United States, it locates the American situation in the international context.

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