Neoliberalism and Poverty

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A few years ago, when I visited the World Bank in Washington, a huge inscription decorated an inside wall of the entrance. It read: 'We have a dream – a world free of poverty'. It struck me so forcibly that I was tempted to write underneath: 'And, thanks to the World Bank, it remains a dream'.

The purpose of this paper is to show the contradiction between the proclaimed intentions and the policies that are carried out, as well as to show the relationship between the war against poverty and neoliberalism.

It was in 1972 that the World Bank took up the theme of poverty, which more or less corresponds to the beginning of the neoliberal global political economy, later to be known as the Washington Consensus. But the World Bank began to put this vision into practice very openly as from 1990, just after the fall of the Berlin Wall and the triumph of neoliberalism.

A few years later, the United Nations Development Programme (UNDP) published its first *Human Development Report*. New statistics were included to give more of a qualitative presentation of the various economic and social situations round the world. In 1995 an extraordinary session of the United Nations was held in Copenhagen on the theme of poverty, and in 1997 the first UN Decade for the Elimination of Poverty was proclaimed.

As for the International Monetary Fund (IMF), at the turn of the new century it changed its Structural Adjustment Programmes into Poverty Reduction and Growth Facilities (PRGF), demanding that each country also draw up a Poverty Reduction Strategy Paper (PRSP). By the end of 2004 some 43 countries had accomplished this task.

Nowadays, the World Bank is talking about Poverty Reduction Packages (PRSP). In 2000, a new extraordinary session of the United Nations took place in Geneva to assess the results of the session held five years previously. This was known as Copenhagen + 5 (which some called

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Copenhagen – 5). A few months later a meeting took place at UN Headquarters in New York, bringing together some hundred Heads of State, who issued the Millennium Declaration. It consisted of 10 items, the first of which envisaged halving extreme poverty and hunger by 2015.

With the passing of time and according to the intentions of the user, the vocabulary evolved. 'Elimination' of poverty became 'reduction' of poverty and, over the last few years the concept of extreme poverty appeared, associated with hunger. These, it was declared, must gradually be eliminated, while poverty must be mitigated. Deadlines were fixed for 25 or 15 years, depending on the case, not to resolve the problem once and for all, but to reduce by a third or a half the number of the poorest people in the world. Already in 1990, the UN had proposed to diminish extreme poverty by half by 2015, and this objective was taken up again in the Millennium Summit in 2000.

In 2005 there is every indication that this objective will not be attained, although we live at a time of unprecedented wealth. In 50 years world revenue has multiplied by seven, yet today 1,300,000,000 people have to survive on less than one dollar a day.

Worse still than the poverty is the increasing inequality, both in the North and the South. People are now talking *about* relative poverty and using it in a very restrictive sense. The World Bank is preparing a report on inequality for the year 2006. Will they understand that the problem is not only one of poverty, but above all of wealth and its concentration?

Poverty as analysed in the neoliberal discourse*

The figures on poverty vary according to the calculations, the points of reference and the methods used. Thus, while the World Bank estimated in 1980 that there were 800 million poor, in 1990 it calculated that 633 million people lived with less than $1 a day. In 2002 it published the following table (which excludes China):

Poverty in the world according to the World Bank

	1981	*1990*	*2001*
(millions)			
less than $1 a day	1,481.8	1,218.5	1,099
less than $2 a day	2,450.0	2,653.8	2,735
(percentages)			
less than $1 a day	31.7%	26.1%	22.5%
less than $2 a day	58.8%	56.6%	54.9%

Source: S. Chen and M. Ravallon, *How have the world's poor fared since the early 1980s?* World Bank Policy Research Working Paper 3341, June 2004, cited by Francine Mestrum.

*This text owes much to two works by Francine Mestrum, *Mondialisation et Pauvreté*, 2002 and *De Rattenvanger van Hameln*, 2005, as well as to the special issue of the journal *Alternatives Sud*, 'Comment se construit la pauvreté ?', 1999.

There are those who believe that the World Bank's estimates are too low, and therefore too optimistic. The United Nations Conference on Trade and Development (UNCTAD), using family studies, usually arrives at higher figures for poverty. The same is true for the Economic Commission for Latin America (ECLA) (S. Chen and M. Ravallon, 2004, p.334). The World Bank's table does in fact give a relatively hopeful picture: extreme poverty is going down in relative and absolute figures, which poverty is diminishing at least in relative terms. But that also means that, over a period of twenty years, there are about 300 million more poor people in the world. One too easily forgets that the poor are not statistics but human beings, and that to leave poverty behind is a most elementary human right.

According to the UNDP *Human Development Report* for 2003, 54 countries were poorer in 2000 than in 1990, and 34 had experienced a fall in life expectancy. Between 1980 and 1998, 55 countries saw a drop in their economic statistics during the decade, and development indicators for 34 countries had fallen. It is thus hardly possible to give a positive picture at the world level, particularly as economic growth, supposedly the means for diminishing poverty, has been lower for the countries of the South as from the eighties, i.e. during the neoliberal period, than during the preceding period, which was characterised by regulations (Keynesian or national development).

All this leads to the question of how to define poverty. The above figures show that it is difficult to measure, and there is a strong dose of arbitrariness about them. Apart from the poverty line statistics of one or two dollars a day (the dollar itself fluctuating), which at least have the merit of being concrete, there are a series of qualitative considerations which are relevant, even if they are ambiguous, as Francine Mestrum has rightly pointed out [2002].

Indeed, it cannot be denied that there are qualitative aspects to poverty such as low life expectancy, difficult access to education and culture, absence of hygiene. But the problem is to know what are the causes of these factors. There is a whole literature that tries to put the blame on the poor themselves – not for the first time in history. Is it the ensemble of these factors that is at the origin of poverty, or is poverty not the result of such lacks? Nowadays it is easy to blame the galloping demographic statistics, bad governance and corruption which, in this kind of argument, the countries of the South seem to have inherited.

Moreover, the same problem arises in analysing the mechanisms for reducing poverty. Thus, a report on poverty in Vietnam states: 'The achievements of Vietnam in terms of reducing poverty have been highly successful as far as economic development is concerned' [Vietnam Consultative Group Meeting, 2003, xi]. The group attributes this mainly to the growing integration of Vietnamese agriculture into the market economy. But very little attention is paid in this document to what the socialist economy had achieved to lift the country out of a famine situation, in spite of successive wars [F. Houtart, 2004]. It is true that, using the World Bank criteria, most of the Vietnamese population was living in poverty (under 2 dollars a day). It was a poverty that was shared in dignity, because the basic needs were for the most part guaranteed. But it was a genuine austerity, without deprivation and flagrant inequalities. With such a base, the fact that the introduction of certain market mechanisms have increased general growth is hardly surprising. But how is it that in Latin America, for example, where the market has been the rule for a much longer time, the results have not been comparable? And what will happen to Vietnamese society when the regulating mechanisms have been abolished, in conformity with the canons of the World Bank?

Francine Mestrum arrives at the conclusion that poverty should be defined as 'the lack of means to provide for one's existence', adding that 'in a market economy this signifies the lack of financial means' [Francine Mestrum, 2005]. Thus, to understand poverty, it is necessary to know existing social relationships and the mechanisms for reproducing them, because poverty is socially constructed. It is not created by nature [*Alternatives Sud*, Vol. VI (1999), No. 4].

Strategies for reducing poverty

The World Bank and IMF documents – not to mention those of the World Trade Organisation – are convinced about the best way to reduce poverty. They cite the evidence: growth must be increased because it is not possible to share out a cake if there is no product in the first place. The best way to trigger growth, according to this view, is to allow the market to function and thus to liberalise the economy and remove all obstacles to trading in goods, services and capital. Thus it is necessary to privatise state enterprises and the public services to the maximum, and to deregulate the social protection that is hindering the whole process. In the end, they say, this can only benefit the poor who can at least profit from the trickle-down effect (which can also be described as picking up the crumbs).

In order to implement a growth policy that should alleviate poverty, practical measures are taken at the macro-economic level, in particular the monetarist policies of the International Monetary Fund. This is also the framework of the credit conditionalities imposed on states, in other words, reducing their expenditure, privatising public services, higher education and health, repaying debts to ensure continuing investment and credit, as well as opening markets, creating incentives for external capital, deregulating labour, etc. The war against poverty is programmed in this context in order to remedy the unwanted – and no doubt inevitable – consequences of the dynamics of the market.

We should take a look at the actual social consequences of these policies – and examples are easy to find. In Bangladesh the textile industry, which has been mostly de-localised as it is a 'more competitive' country, employs two million workers, especially young girls (85 per cent). As a witness has testified: 'They work for 12 hours a day, very often 7 days a week for a wage of 15 to 35 euros a month. They are locked in, body searched when they leave, and are not allowed to talk among themselves. Union freedom is purely theoretical, the 'subversives' are sacked, and nearly 300 workers have died in fires since 1990' [*Le Monde Diplomatique*, August 2005].

In Sri Lanka, the World Bank decided, in 1996, that rice cultivation should disappear because rice costs less to produce in Vietnam and in Thailand. As the small producers did not want to give up their cultivation, the World Bank first forced the government to dismantle the state mechanisms to regulate the market and to support the small peasants and, instead, to levy a (privatised) tax on water for irrigation. Then the World Bank insisted that the government distribute property deeds (ricelands had remained collective) in order to promote the resale of land at low prices to national or foreign enterprises that were ready to promote export crops.

To respond to what the World Bank calls pro-poor growth, the Sri Lankan government issued its Poverty Reduction Strategy Paper under the title 'Regaining Sri Lanka'. It states that this plan means a real opportunity for the country, as one million small peasants producing rice would turn themselves into cheap labour, which would attract foreign investment. However, as this same policy has already been in operation for forty years, the workers' movement has been able to exercise pressure to improve their living and working conditions. The result has been that labour has become too expensive, and capital goes off to China or Vietnam, where labour costs are lower. Quite logically, the Sri Lankan government concludes that wages and social benefits must be reduced and pensions cut to make labour more competitive. As Sarath Fernando, leader of the peasant movement MONLAR, has remarked: 'It is astonishing that, in order to promote pro-poor growth, it is first necessary to create the poor'.

The World Bank now demands that, in formulating these policies, attention should be paid to traditional cultures, social organisation and values. It also invites the participation of civil society. In actual fact, it is often selective in the organisations consulted: the more radical ones are not taken into account. The documents are rarely translated from English (in Cambodia they do not exist in the Khmer language; in Sri Lanka the government document is written in American English). In the rare instances where there has been a genuine consultation, the plans have either been simply rejected or replaced by alternative proposals (as has happened in Sri Lanka).

It would seem that the strategy against poverty is a long-term one which, unfortunately, requires sacrifice in the immediate future. In fact, the logic behind the strategy goes even further. According to the World Bank, to individualise the process of reducing poverty means freeing the poor of dependency on an alienating system of social protection, and therefore making them masters of their own destiny. This liberal idea appears to be generous, but it is seriously negated by the social relationships of the market, where it is the strongest who win, through the privatisations that make access to education, health, water and electricity more burdensome and thus less available to the poor, and by the transformation of social policies that change from a system of protection (already problematical in the South), considered as a right, to the setting up of privatised services in the form of contracts.

Moreover, according to studies by Dante Salazar, the programmes to combat poverty almost never reach the poorest people. It is the middle-level poverty sector that benefits: the complex mechanisms of the struggle against poverty, combined with the social relation structures, leave the poor high and dry [Dante Salazar, 1999, pp 47-62].

Now, even in the framework of existing parameters, only a modest portion of the wealth that has been created is required to satisfy the basic needs of the whole of humanity – in other words, to eliminate poverty. In 1997, the UNDP calculated that this would amount to 80 billion dollars a year. Jeffrey Sachs, adviser to the secretary-general of the United Nations, calculated the cost of the Millennium programme as 133 billion dollars for 2006, reaching 195 billion in 2015. This is not an impossible goal: suffice to look at the more than 400 billion dollars paid by Third World countries in 2004 to service their debts, or the 900 billion dollars of armament expenditure (of which the US alone spends 417 billion), or the three to four trillion dollars deposited in tax havens.

Certain societies, even in very adverse circumstances, have succeeded in eradicating illiteracy, destitution and endemic diseases in only a few years, without spending such sums, or without Marshall Plans. This has been the case, among others, of China, Vietnam and Cuba, while Venezuela is in the process of doing it. It is therefore evident that this war on poverty, as it is conceived by the World Bank, is formulated in a general policy framework that prevents it from being won. The reason for this is to be found in the philosophy that inspires it, the basis of which lies at the very heart of the neoliberal project.

The philosophy of the war against poverty

It is far from being my purpose to sit in judgement on intentions, but rather to understand the strategies as a function of their practical application to the war on poverty. These are in line with the global economic logic which brings advantages to some and disadvantages to others, thus creating class inequalities and antagonisms. And their bases are perpetually renewed as new technologies are applied. Economic liberalism considers the market as a fact of nature, thus not up for discussion, rather than being a social construction, depending on the practical circumstances in which it functions. In the logic of capitalism, commercial relationships can only be unequal because this is the very condition for the private accumulation of capital.

That being said, let us take up again the logic of the war against poverty. It is necessary to distinguish liberal thought from ultra neoliberalism, as the latter considers the part of humanity that is incapable if integrating into the market as 'useless masses' because they do not produce added value and are not consumers [for a critique of this position, see Susan George, 2002]. No, say the liberals, poor individuals should be helped to integrate into the market, either by making it possible for them to sell their labour power, or by transforming them into small entrepreneurs (barefoot capitalists). This is also the reason why importance is given to micro-credit that is integrated into the banking system.

There is thus no change in the outlook of the Washington Consensus. On the contrary, the war against poverty has been added as an eleventh principle to the ten mentioned at the beginning of this paper. This makes it possible to extend commercial logic into sectors that had remained largely outside capitalist accumulation, like peasant agriculture and public services, and it inserts the poor into individualising strategies that contribute to weakening collective social struggles. It helps to exorcise a potential danger for the rich, as Kofi Annan pointed out at the World Economic Forum (Davos), at its meeting in New York in 2004. It also contributes to maintaining inequalities (indispensable as these are to stimulate growth) within reasonable limits, thus avoiding social upheavals. In short, as Francine Mestrum points out, it creates a 'docile, respectful poverty that can be alleviated at little cost' [F. Mestrum, 2005].

We should not forget that the definition of poor people and the attitude towards them has always been one of the mechanisms of economic systems that create inequality. Once the status of the poor was part of a religious view of society: the poor person (or his ancestor) was the one who had sinned, while the rich person was the one blessed by God. The poor person was the one who had not accumulated enough merits during his various incarnations. The poor person was the one who made it possible for the rich person to reach heaven, thanks to his generosity. Furthermore, putting the blame on the poor led to the criminalisation of poverty and the identification of the poor person as a delinquent.