

# Anti-Poverty Policies and Anti-Poor Philosophies

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## 1. Introduction

In this paper, the many policies, philosophies, and theories which claim to help the poor, but actually hurt them are discussed. The most prominent recent example is that of the SAP's. According to an independent evaluation by Mr. Fantu Cheru (2001), the Structural Adjustment Programs (SAP's) of the IMF and the World Bank designed to generate growth and alleviate poverty have had the opposite effect:

“Increasing malnutrition, falling school enrolments and rising unemployment have been attributed to the policies of structural adjustment. Yet these same institutions continue to prescribe the same medicine as a condition for debt relief, dismissing the overwhelming evidence that SAPs have increased poverty.”

Many other authors have documented the harmful effects of the SAP's on global poverty and inequality. Even World Bank experts have admitted that these policies have failed to achieve the desired effects. Accordingly, the SAP's were replaced by PRSP's – Poverty Reduction Strategy Papers. The name strongly suggests that these papers would be more poor friendly. Closer examination reveals old wine in new bottles – policies known to worsen poverty continue to be pushed as effective anti-poverty measures. The reasons why PRSP's will not make any impact on poverty is detailed in the report by Cheru (2001) cited earlier. This is an often repeated historical pattern, where anti-poor policies have been deceptively justified on fallacious grounds. For those who are genuinely interested in helping the poor, it is useful to outline some of the arguments used to justify crushing the poor, and the historical contexts in which these ideas emerged.

The vast majority of people are decent, kind, humane and wish to help

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the poor. In order to win their support, the small minority who wish to exploit the poor must mislead them. Without such support, anti-poor policies cannot be implemented in democratic societies. The power, status, and socio-economic benefits enjoyed by a small but powerful social class are directly tied to the exploitation of the poor. This class has been ingenious in coming up with a varied set of justifications for this exploitation, some of which will be discussed in this essay.

## **2. Locke and the Invention of Private Property**

The Commons were lands in England which provided a living for large numbers of the poor, by hunting, fishing, eating, and making use of the natural resources of timber, coal, etc. Efforts by the rich to “enclose” this land for private use had been successfully resisted for a long time. One reason for this was that the monarchs wished to limit the powers of the nobility and aristocracy, and aided the poor in their struggles against them. A double set of catastrophic social and political upheavals upset this balance of power. The Civil War of 1642 was a watershed event in British history. By both launching a successful rebellion against the monarchy, and later by supporting the restoration of the monarchy, the nobility and aristocracy established that they had the power to make and break the kings. During this same period, the latter half of the seventeenth century, the rise of the Protestants and the suppression of Catholicism in England was another blow against the poor. The Catholic Church was central among the institutions to support the poor. A huge amount of Church property was seized by private parties acting on behalf of the king. These social upheavals also led to the rise to power of a corrupt, financially motivated class. Tawney (1926, Chapter 3) writes about the emergence of a new creed of private property (which denies social responsibilities in the utilization of property) as follows “That creed was that the individual is absolute master of his own, and, within the limits set by positive law, may exploit it with a single eye to his pecuniary advantage, unrestrained by any obligation to postpone his own profit to the well-being of his neighbors, or to give account of his actions to a higher authority. It was, in short, the theory of property which was later to be accepted by all civilized communities.”

In this anti-poor atmosphere, a philosophy to justify massive seizures of lands and properties serving the public was needed. This was duly provided by Locke (1698), who wrote in favor of enclosures as follows:

*To which let me add, that he who appropriates land to himself by his labour, does not lessen, but increase the common stock of mankind: for the provisions serving to the support of human life, produced by one acre of inclosed and cultivated land, are (to speak much within compass) ten times more than those which are yielded by an acre of land of an equal richness lying waste in common. And therefore he that incloses land, and has a greater plenty of the conveniencies of life from ten acres, than he could have from an hundred left to nature, may truly be said to give ninety acres to mankind: for his labour now supplies him with provisions out of ten acres, which were but the product of an hundred lying in common. I have here rated the improved land very low, in making its product but as ten to one, when it is much nearer an hundred to one: for I ask, whether in the wild woods and uncultivated waste of America, left to nature, without any improvement, tillage or husbandry, a thousand acres yield the needy and wretched inhabitants as many conveniencies of life, as ten acres of equally fertile land do in Devonshire, where they are well cultivated?*

Locke has argued that enclosures lead to such improvements that 10 acres in Devonshire provide as much as a 1000 acres of uncultivated land in America to the needy and wretched. “He who incloses 10 acres, may truly be said to give ninety acres to mankind”! Did the enclosures which took place have such an effect? We have the graphic testimony of brilliant historian Polanyi (1944) to the contrary. In fact, a social catastrophe resulted:

The lords and nobles were upsetting the social order, breaking down ancient laws and custom, ... by violence .... They were literally robbing the poor of their share in the common, tearing down the houses ... ( of ) the poor. The fabric of society was being disrupted; desolate villages and the ruins of human dwelling testified to the fierceness with which the revolution raged, endangering the defenses of the country, wasting its towns, decimating

its population, turning its overburdened soil into dust, harassing its people and turning them from decent husbandmen into a mob of beggars and thieves.

In discussing the effects of this invention of the idea of private property on the lives of the poor, Kogl (2005) writes that:

However, in creating the liberal right to private property, Locke argued in effect for the nullification of a number of other rights and capacities that existed in the commons economy ...

Commons rights enabled persons to meet many everyday needs: not only by pasturing livestock and raising crops in the open fields, but cutting turfs (peat for fuel) and wood (for building and fuel), hunting game, and foraging for wild foods and building materials as well. All these rights were precisely named (e.g. right of turbary, right of botes) and lands were precisely delineated as pasture (mead or meadow), agriculture lands (the open fields), or “wastes” and woods.

It may be difficult to imagine the experience of being suddenly cut off from the basic, everyday items needed to sustain life: water, food, fuel, building materials, and fiber for clothing. Now these items must be paid for, which previously were free but for the labor required to raise and harvest or simply collect them. Now one had to work for another who did own land in order to pay for these items.

Thus private property was one of the philosophies which led to the creation of a poor class in England. Paradoxically, this class actually sparked the Industrial revolution by providing a large mass of laborers available at cheap wages and willing to work in miserable conditions. Many historians fully aware of the tremendous human misery which accompanied the industrial revolution have downplayed this aspect, as they believe that it was necessary for progress. However, others have argued that this same progress could have been achieved in more humane ways.

### **3. Malthus and the Population Explosion**

The French revolution was significant in changing the course of history in Europe. Desperation of the excessively exploited poor led to the overthrow of the established aristocracy and the formation of peoples' government; see Forrest (1981) for details. It became clear to powerful aristocrats and landowners that more rights for the poor supported the long-term interests of the rich by reducing the chances of a revolution. In this favorable atmosphere, slogans of "Liberty, Fraternity and Equality," and progressive ideas of Enlightenment thinkers like Godwin, Condorcet led to substantial popular support for social programs to improve the lives of the poor.

Across the channel, these ideas were threats to the power of the English aristocracy. It was necessary to come up with an alternative stance regarding the poor, in order to protect the interests of the powerful, and prevent them from having to make too many concessions to the poor. Necessity is the mother of invention, and Malthus (1798) fabricated the desired theory in his famous "Essay on Population." Working entirely from his imagination, without any support from facts or statistics, he argued that the main reason for poverty, vice, and misery was the high population growth rate of the poor. Schemes to help the poor would be counterproductive because giving the poor more food would only lead them to reproduce faster, creating even more poor. By putting the blame for poverty on the poor, he diverted attention from the responsibility of the rich to provide welfare and social programs to help the poor. In fact, he argued that the high price of corn stems from the Poor Laws which "increase the parish allowances in proportion to the price of corn". Thus, the Poor Laws force up the price of daily necessities, which actually hurts the poor.

All of the quantitative elements of Malthusian arguments have proven to be false. For example, Malthus argued that the island of Britain could not sustain a population of 20 million, but 150 years later the population was more than triple Malthus' ceiling. Also, Nobel prize winner Amartya Sen has shown that supplies of food per capita have been increasing slightly for centuries, and contrary to popular belief, famines are not caused by food shortages. Nonetheless, in an oft repeated historical pattern, the governing

classes seized upon Malthusian arguments without bothering to verify them, because their interests were served well by them. Initiatives for social programs to help the poor were curtailed or dropped. Since better conditions for the poor would only help increase their numbers, repressive legislation was passed which worsened the conditions of the poor in England. According to Malthus's biographer William Peterson, British Prime Minister William Pitt the Younger (in office: 1783–1801 and 1804–1806), upon reading the work of Malthus, withdrew a Bill he had introduced that called for the extension of Poor Relief. New bills were introduced which curtailed earlier provisions for the relief of the poor. The blame for poverty was put on the vices of the poor, and Malthusianism led to the institution of workhouses for the poor, which were meant to be humiliating and degrading, so as to motivate people to not become poor. The sexes were strictly separated to curb the otherwise inevitable “over-breeding”; the cause of poverty according to Malthus.

There is no logic to Malthus. Poverty is not caused by excessive breeding of the poor. Research on the demographic transition suggests that the causation may run in the other direction. The poor have more children as insurance policies for their old age. When affluence is achieved, they start having fewer children. Some research by Amartya Sen shows that educating females is a crucial variable which leads to lower childbirth rates. Malthusianism became popular, and continues to be invoked, as a convenient excuse to avoid the responsibility for feeding the poor which would otherwise trouble our conscience.

#### **4. The Rise and Fall of Keynesian Economics**

At the dawn of the twentieth century, Laissez-Faire economics was the dominant school of thought. This school of thought embodies myriad anti-poor philosophies in its vast bosom. One of them is the theory of Pareto optimality or efficiency. According to this theory, one cannot say whether or not the social good is served by taking away land from the rich to give to landless peasants. This is because the utility loss to the rich landlord with refined tastes who loses an extra cup of wine may be far greater than the

utility gain to the peasant with coarse tastes who is given an additional loaf of bread. It is not our intention here to examine the value judgment involved in this refusal to make a value judgment. A far more serious problem of Laissez-Faire economics is the idea that market outcomes are always the best for society. There is no need to intervene in the workings of the market place. In fact, interventions always create more problems than they solve.

The folly of this position was made obvious to all by the Great Depression. The workings of the free market led to massive unemployment. Loss of income of the labor class led to a huge amount of human misery on an unprecedented scale. The human face of the tragedy has been graphically depicted by John Steinbeck in his novel *The Grapes of Wrath*. While causing tremendous misery to large numbers of people, the Great Depression was an ideological triumph for the poor. No one could deny the clear and incontrovertible failure of free market capitalism to provide jobs and foods to all. The Keynesian revolution in economic theory was a result of this obvious failure of Laissez-Faire. The most fundamental of economic principles, the theory of supply and demand was suspended in the labor market by Keynes. Classical economic theories held that the market would automatically eliminate unemployment through the operation of the laws of supply and demand. In terms of policy, this means that the government need do nothing for the unemployed laborers. Keynes argued that (for reasons which continue to be obscure) these laws did not operate in the market for labor. It was therefore necessary for the government to intervene in the labor market to bring about full employment.

Many have argued that Keynes saved capitalism. The collapse of capitalistic economies and the far better treatment of workers in communist economies had made communism very attractive to the populace within capitalist countries. Keynes created a theory which made room for the government to help laborers within a capitalistic framework, and thereby made it possible for capitalism to survive.

The stagflation caused by the oil crisis of the 70's was contrary to Keynesian doctrines and provided the opening for a successful counterattack by the Laissez-Faire economists. The anti-poor theorists explained that

Keynes was wrong, and government interventions to help the poor in short run always ended up hurting them even more in the long run. Again, without a shred of evidence for these theories, Reagan and Thatcher rose to power and implemented them in the USA and UK. The centerpiece of these Chicago School stories was the idea that giving wealth to the rich would increase investment and lead to rapid growth. Impoverishing the poor would lead to lower wages and also increase productivity. Welfare programs were dismantled, and tax cuts and other breaks for the rich were enacted. These neoclassical ideologists have dominated policy making to this day, leading to massive homelessness and hunger in an economy which can afford to spend trillions on warfare and weapons.

The United States Department of Agriculture (USDA) reported that, in 2009, 14.7 per cent of American households were food insecure, meaning that at some point they lacked sufficient food for an active, healthy life for all household members. This represents the highest level of food insecurity since the government began tracking the issue in 1995. In 2009, 50.2 million people lived in food- insecure households, including 17.2 million children. Within this group were 12.2 million adults and 5.4 million children who lived in households with very low food security.

The US Department of Housing and Urban Development's Annual Homeless Assessment Report found that, for the second straight year, the number of sheltered homeless families (a household that includes an adult 18 years of age or older and at least one child) increased, while the number of sheltered homeless individuals dropped. In 2009, approximately 1,035,000 individuals used sheltered or transitional housing at some time during the year, as did 535,000 people who were there as part of a family. Slightly more than 170,000 families were sheltered homeless in 2009 - about a 30 per cent increase since 2007.

The homelessness and hunger in the USA is not due to scarcity of resources, but due to flawed philosophies which suggest that poverty is necessary for the survival of capitalism.



## **5. Development Economics and the Pursuit of Capital**

By the mid-twentieth century, Russia was the only successful example of a transition from an agrarian economy to an industrialized economy. All across the globe, developing countries sought to emulate this experience. The theory of development economics was developed to show how one could achieve this desired transition within the folds of a capitalist economic system. The basics of the Harrod-Domar models of economic growth stated that it was all a matter of the accumulation of capital. Growth would occur if capital could be accumulated at a sufficiently fast rate. It was only after repeated failures in many countries over several precious decades that it was realized that this was not the magic formula. There were many other crucial dimensions to growth.

We in Pakistan were subjected to these theories in the 60's when a group of expert economists from Harvard designed policies for growth at the Planning Commission. Trained in neoclassical economics, the compassionate Mahbubul-Haq went along with the idea that exploiting the poor was necessary for rapid growth, in the belief that short term sacrifice was needed for long term welfare. He wrote: "It is well to recognize that economic growth is a brutal, sordid process. There are no short cuts to it. The essence of it lies in making the labourer produce more than he is allowed to consume for his immediate needs, and to reinvest the surplus thus obtained." Where is the capital required for growth by the Harrod-Domar model to come from? From exploiting the poor, as Mahbubul-Haq clearly saw. The benefits of the growth are eventually supposed to trickle down to the poor, which is why this exploitation is in their long term interest.

Much to the credit of Mahbubul-Haq, he renounced his earlier views when he saw the bad effects of these development policies. He noted that wealth became concentrated in the hands of a few families and did not "trickle-down." He wrote that "we were told to take care of our GNP as that would take care of poverty – let us reverse this and take care of poverty as this will take care of our GNP." Unfortunately, this remained a pipe-dream. The anti-poor faction has remained in power in Pakistan, and persuaded Musharraf to adopt the same strategy that Mahbubul-Haq had renounced

over forty years earlier. Instead of concentrating on social development, Musharraf put all his investments into growth. The standard results, that had occurred earlier, happened again. Fairly good growth rates were achieved, but prosperity did not trickle down. The rich got richer and the poor got poorer, and social inequalities and divisions increased.

## **6. Conclusions: Investing in People**

Extensive experience with growth projects all over the world led Mahbubul-Haq to the insight that our people are our greatest treasure. If we invest in them, and provide their lives with dignity, economic security, and justice, they will create progress on all fronts. Our people are our most powerful agents of change, and strategies based on injustice and exploitation will always fail, as has been repeatedly experienced. Haq expressed this insight as follows: "..., after many decades of development, we are rediscovering the obvious—that people are both the means and the end of economic development, Bari (2001)." As the battle against the poor has been waged in the course of the centuries, this central insight has often been rediscovered, and just as often buried under anti-poor theoretical agenda.

A crucial insight for those who would fight for the poor is the following. The misanthropists who deliberately oppress the poor for personal gain are few; much more damage is caused by sincere people deluded by anti-poor propaganda into believing that it is to the benefit of the poor to exploit them. This propaganda has often taken the following lines: Helping the poor raises wages, reduces production, and hurts the poor in the long run. Helping the rich increases investments, productivity, and is the best way to help the poor in the long run. Sincere and compassionate people are persuaded to believe that balancing the budget, privatization, debt relief or other agendas take priority over the problems of helping the poor lead better lives. Convincing these people to learn from historical experience (instead of repeating it) that we must prioritize human beings over all other things, is a key to achieving success. The current global financial crisis makes it critical not only to spread the message, but also for everyone to personally participate in trying to help

those whom we can – we cannot afford to wait for the government or foreigners to come to our rescue.

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