

UNIVERSITY OF BRISTOL

Townsend Centre
for International
Poverty Research



SECOND UNITED NATIONS DECADE FOR THE
eradication of poverty
(2008 – 2017)



Causes & Solutions to Poverty in Rich Countries: The European Experience

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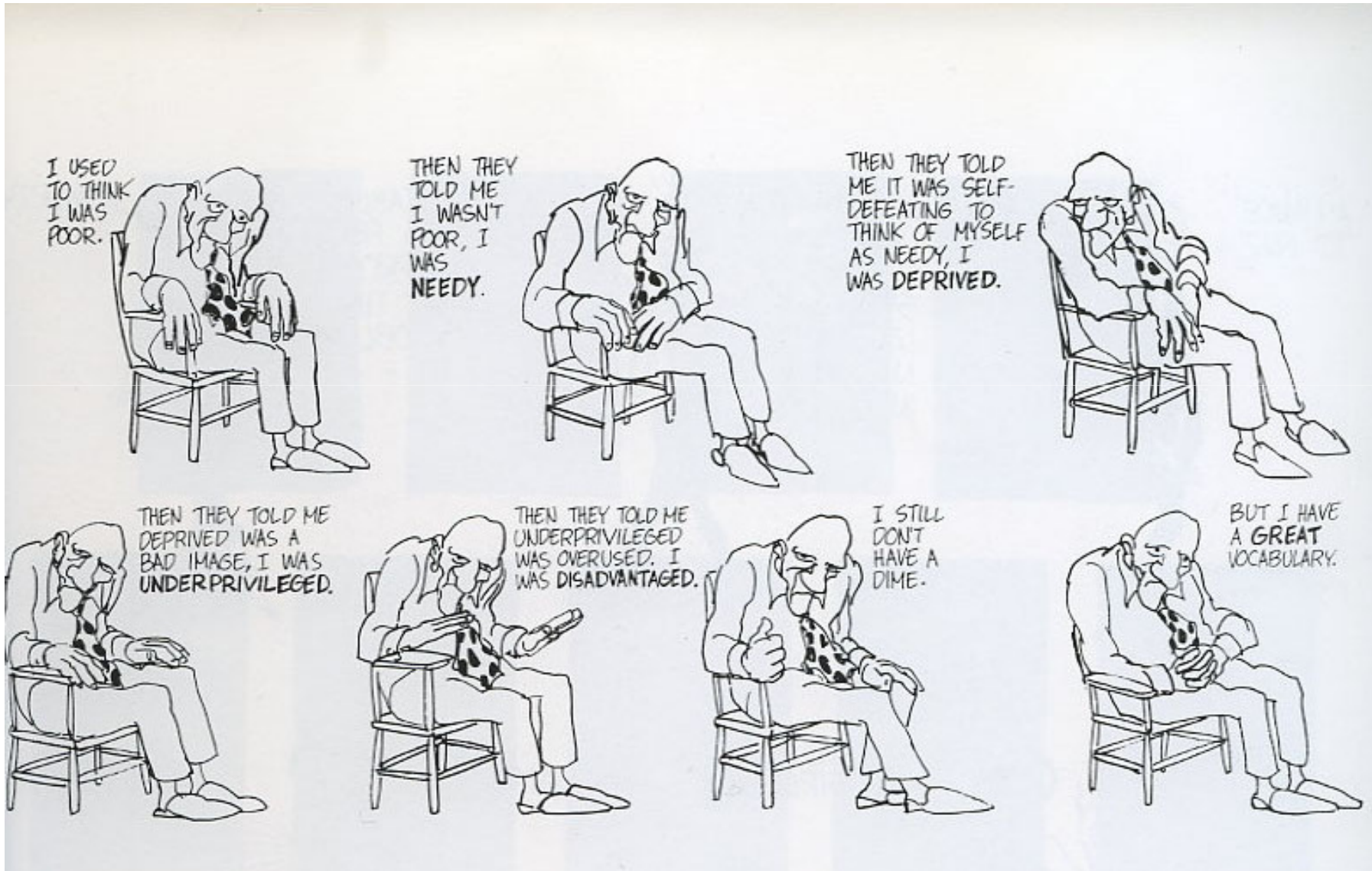
Hong Kong Council of Social Services

Room 202, Duke of Windsor Building

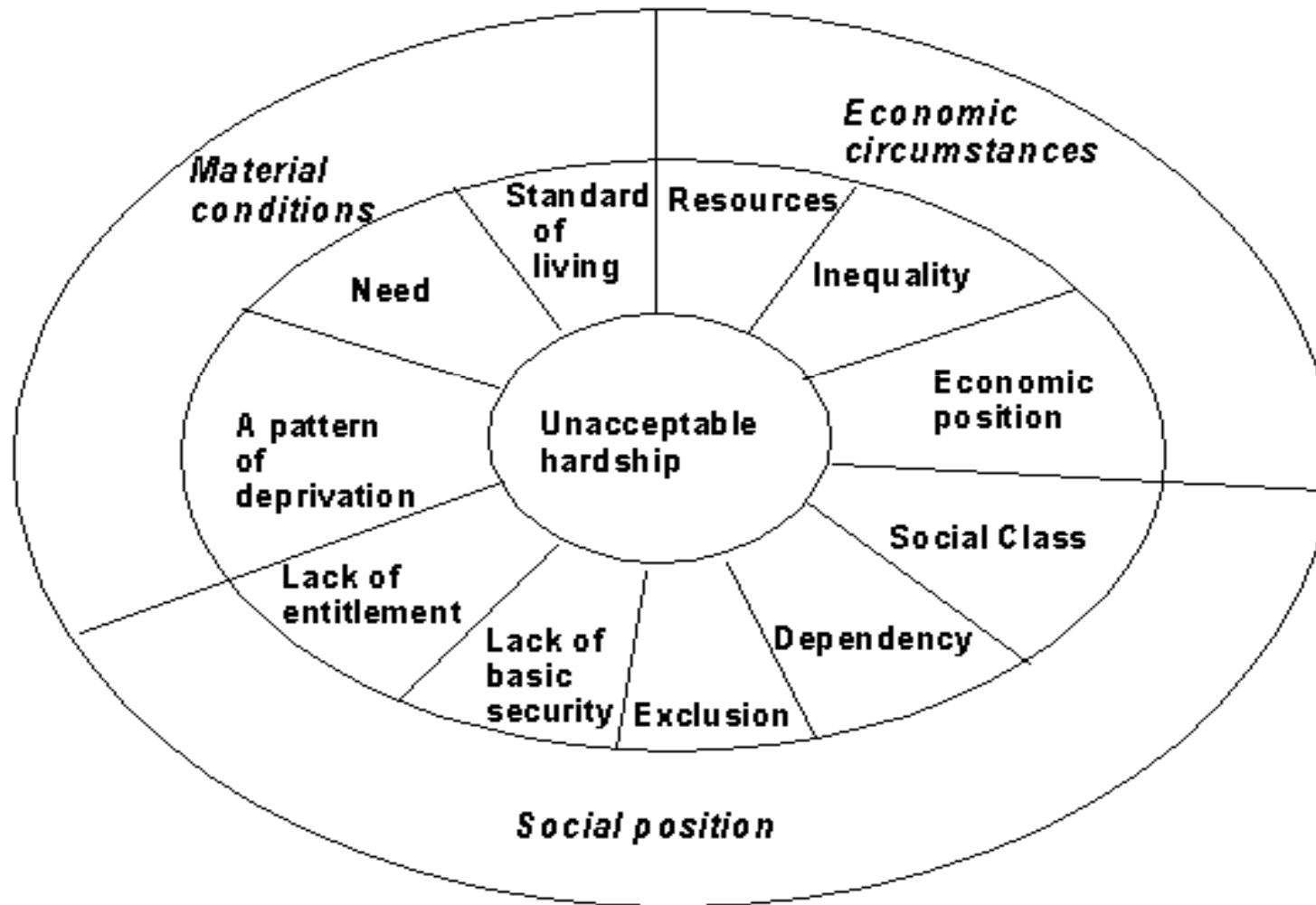
15 Hennessy Road, Hong Kong

1st September 2011

What is Poverty?



Family resemblances between different concepts of poverty



European Union definitions of poverty and social exclusion

On the 19 December 1984, the European Commission defined ‘poverty’ as:

“the poor shall be taken to mean persons, families and groups of persons whose resources (material, cultural and social) are so limited as to exclude them from the minimum acceptable way of life in the Member State in which they live.” (EEC, 1985).

This is a *relative* definitions of poverty in that it refers to poverty not as some ‘absolute basket of goods’ but in terms of the minimum acceptable standard of living applicable in a Member State and within a person’s own society.

Scientific Definitions of Poverty

Poverty can be defined as;

Command over insufficient resources over time

The result of poverty is *deprivation*

Peter Townsend's concept of dynamic poverty

“poverty is a dynamic, not a static concept...Our general theory, then, should be that individuals and families whose resources over time fall seriously short of the resources commanded by the average individual or family in the community in which they live . . . are in poverty.”

Townsend (1962, p 219)

Indirect Vs Direct Definitions of 'Poverty

Process	Lack of Resources	Exclusion for Minimum Way of Life
Townsend (1954, 1962) Interpretation	Poverty	Outcome of Poverty
Ringen (1988) Interpretation	Cause of Poverty	Poverty

A Brief History of Anti-Poverty Policy

The idea that poverty can be ended is over 200 year old

The French enlightenment philosopher Marie Jean Antonine Nicolas de Caritat, Maquis de Condorcet argued in *Sketch for a Historical Picture of the Progress of the Human Mind* (published posthumously in 1794 by the government of the new French Republic) that poverty was not a result of natural laws or divine will but was caused by ‘*the present imperfections of the social arts*’

He argued that poverty could be ended by the universal provision of pensions, grants to the young, sickness benefits and state education

Historic changes in the primary purpose of anti-poverty policy

Century	Purpose of Anti-poverty Policy
17 th & 18 th	Relief of Indigence
19 th & early 20 th	Relief of Destitution
20 th	Alleviation of Poverty
21 st	Eradication of Poverty

UK Policy Context

17th & 18th Century: Poverty was perceived as a regrettable but necessary evil that was required to make the ‘lower classes’ work. Young (1771) argued that “*Everyone but an idiot knows that the lower classes must be kept poor or they will never be industrious*”. It was widely believed that without the fear of poverty people would not work and there would be no prosperity or civilisation.

19th Century: The able-bodied pauper and his family were denied their liberty, civil rights and basic human dignity order to compel behavioural change. Poverty was perceived to purely result from ‘fraud, indolence and improvidence’ and not from any structural factors such as the unavailability of work.

20th Century: Welfare State - Poverty mainly seen to be caused by structural factors e.g. unemployment, sickness, etc. Benefits and services to provide safety nets in the short term to alleviate poverty. Full employment for long term economic well-being.

21st Century: The concept of freedom from poverty and hunger as a human basic right. Sufficient resources to participate fully as a citizen

The Present Day Context

England Civil Unrest ('riots') 2011



Europe & Middle East Civil Unrest, 2011



Egypt



Bahrain

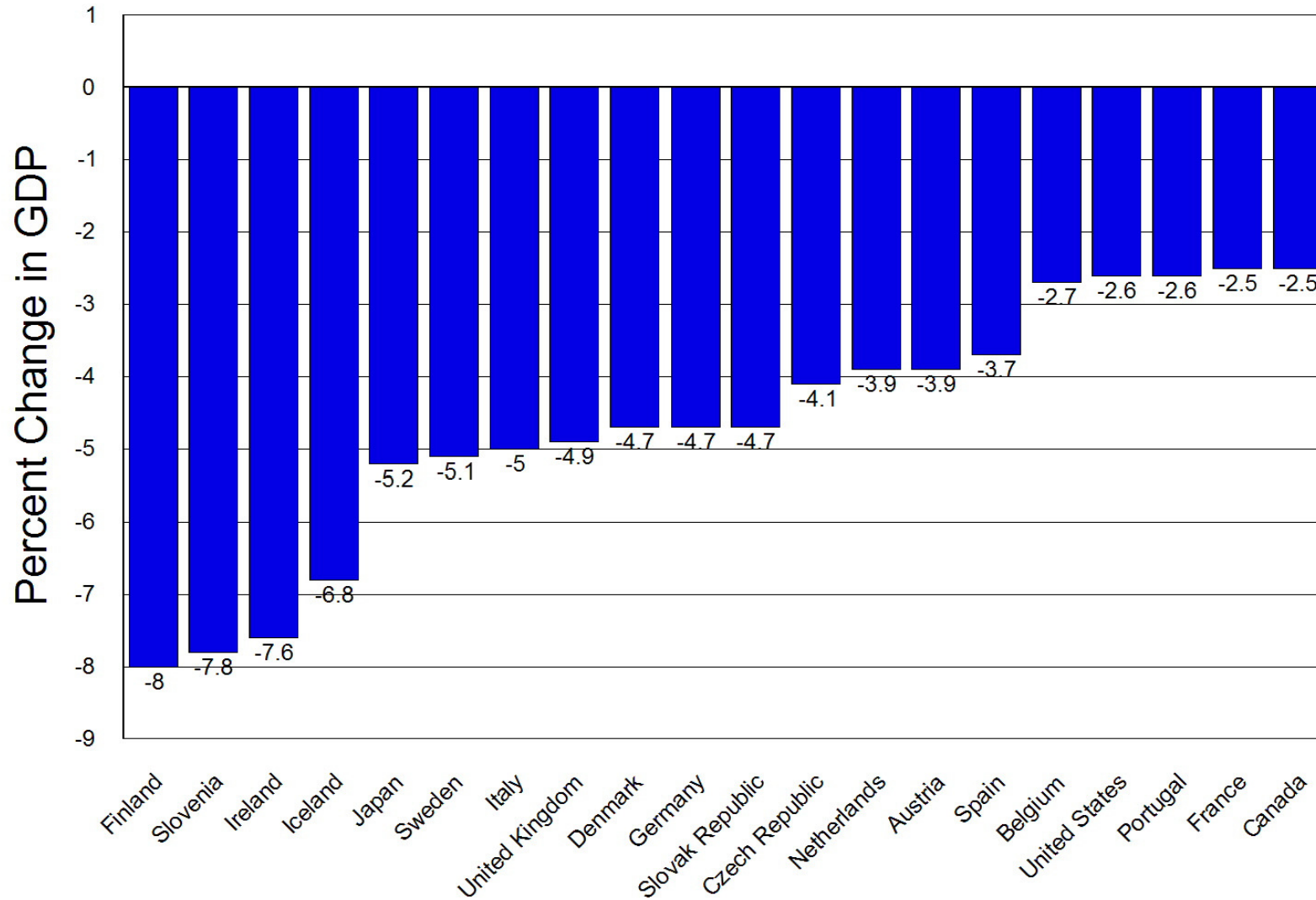


Greece



Spain

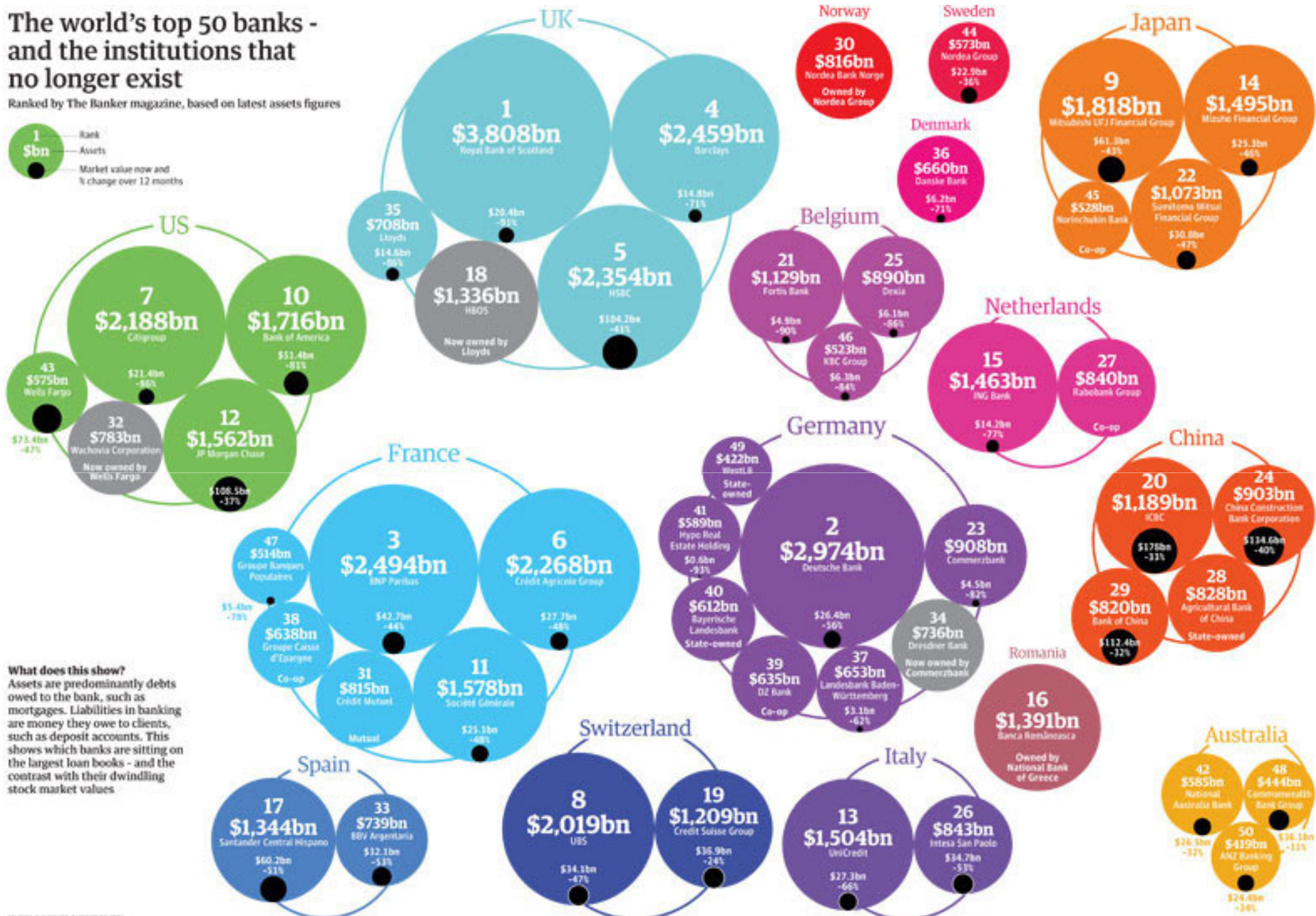
The Effects of the Global Economic Crisis



Source: IMF - 2009 GDP Change

The world's top 50 banks - and the institutions that no longer exist

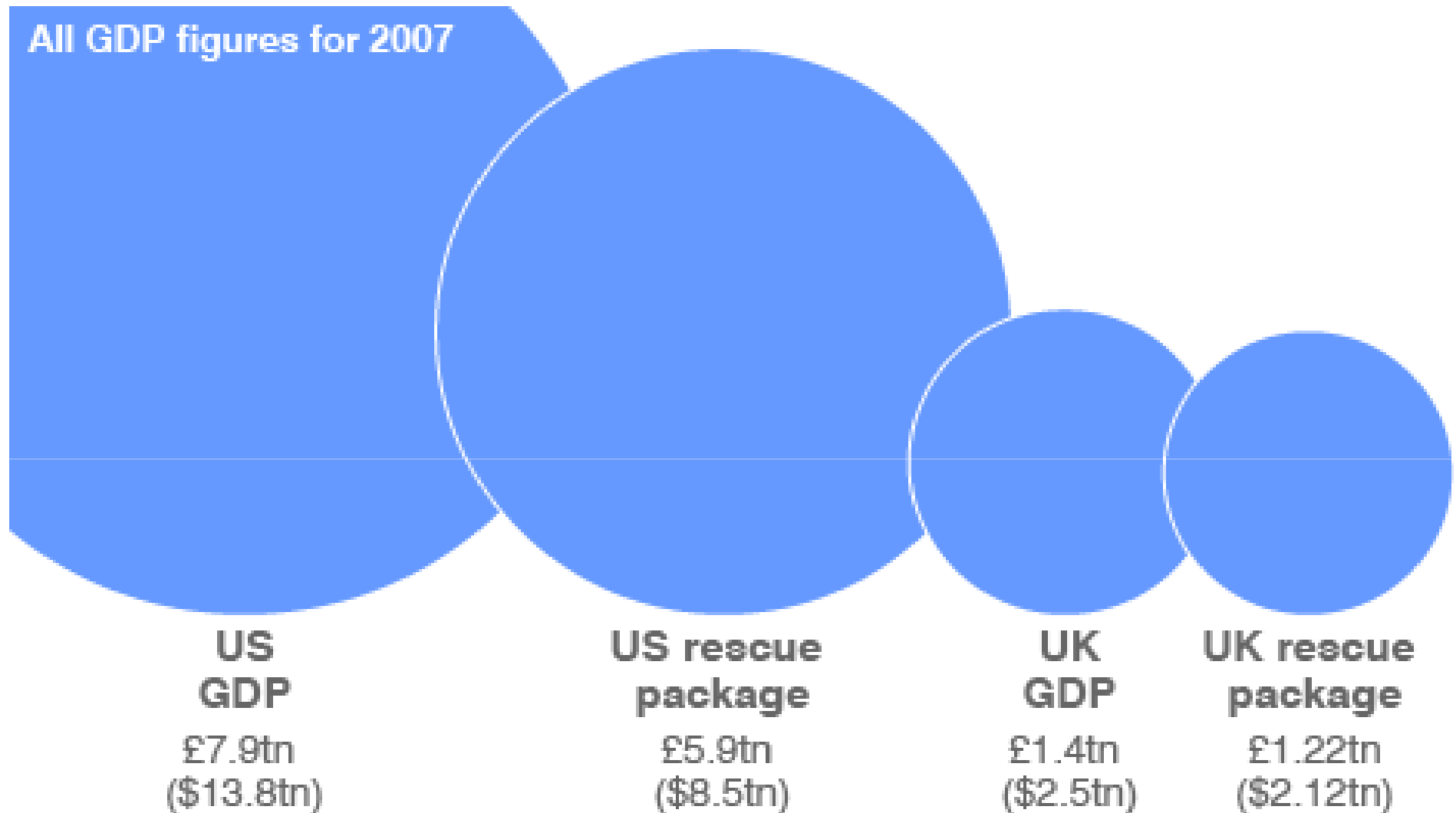
Ranked by The Banker magazine, based on latest assets figures



What does this show?
Assets are predominantly debts owed to the bank, such as mortgages. Liabilities in banking are money they owe to clients, such as deposit accounts. This shows which banks are sitting on the largest loan books - and the contrast with their dwindling stock market values.

SOURCE: THE BANKER, THE BANKER/OUTLINE

The Scale of the Financial Rescue in the USA & UK



SOURCE: US Treasury, UK Treasury, Bloomberg

The bank's profits were private but the losses belong to the public!

<http://news.bbc.co.uk/2/hi/business/7893317.stm>

The Beginning of the Crisis? The Collapse of Lehman Brothers September 2008



The Beginning of the Crisis? The Run on Northern Rock, September 2007



Until 2007, there had not been a run on a UK bank since 1866

The Beginning of the Crisis? Food Price Riots 2007-2008

Between 2006- 2008 the price of rice, wheat, maize and soybeans more than doubled.

The Return of Food Riots;

Morocco	September 2007
Uzbekistan	September 2007
India	November 2007
Mauritania	November 2007
Guinea	January 2008
Indonesia	January 2008
Pakistan	January 2008
Burkina Faso	February 2008
Cameroon	February 2008
Mozambique	February 2008
Côte d'Ivoire	March 2008
Senegal	March 2008
Yemen	March 2008
Bangladesh	April 2008
Egypt	April 2008
Haiti	April 2008
Somalia	May 2008

The Cause of the Crisis – Taking a Longer View

There are many newspaper articles which discuss the causes of the global financial crisis in terms of Credit Default Swaps, Sub-prime Mortgages, Exotic Financial Derivatives, etc. – but these are symptoms not ‘real’ causes.

The longer view

The 1960s & 1970s were times of prosperity for working people in many ‘rich’ countries and ‘labour/workers’ received an increasing share of the national wealth – labour was a scarce resource in many rich countries.

In the 1980’s and 1990’s ‘real’ wages were static or even fell and labour’s share of the national wealth declined. The labour scarcity ‘problem’ was solved by, increased immigration, off-shoring, technical change (ICT, containerisation) and anti-labour laws (e.g. Regan, Thatcher, Pinochet).

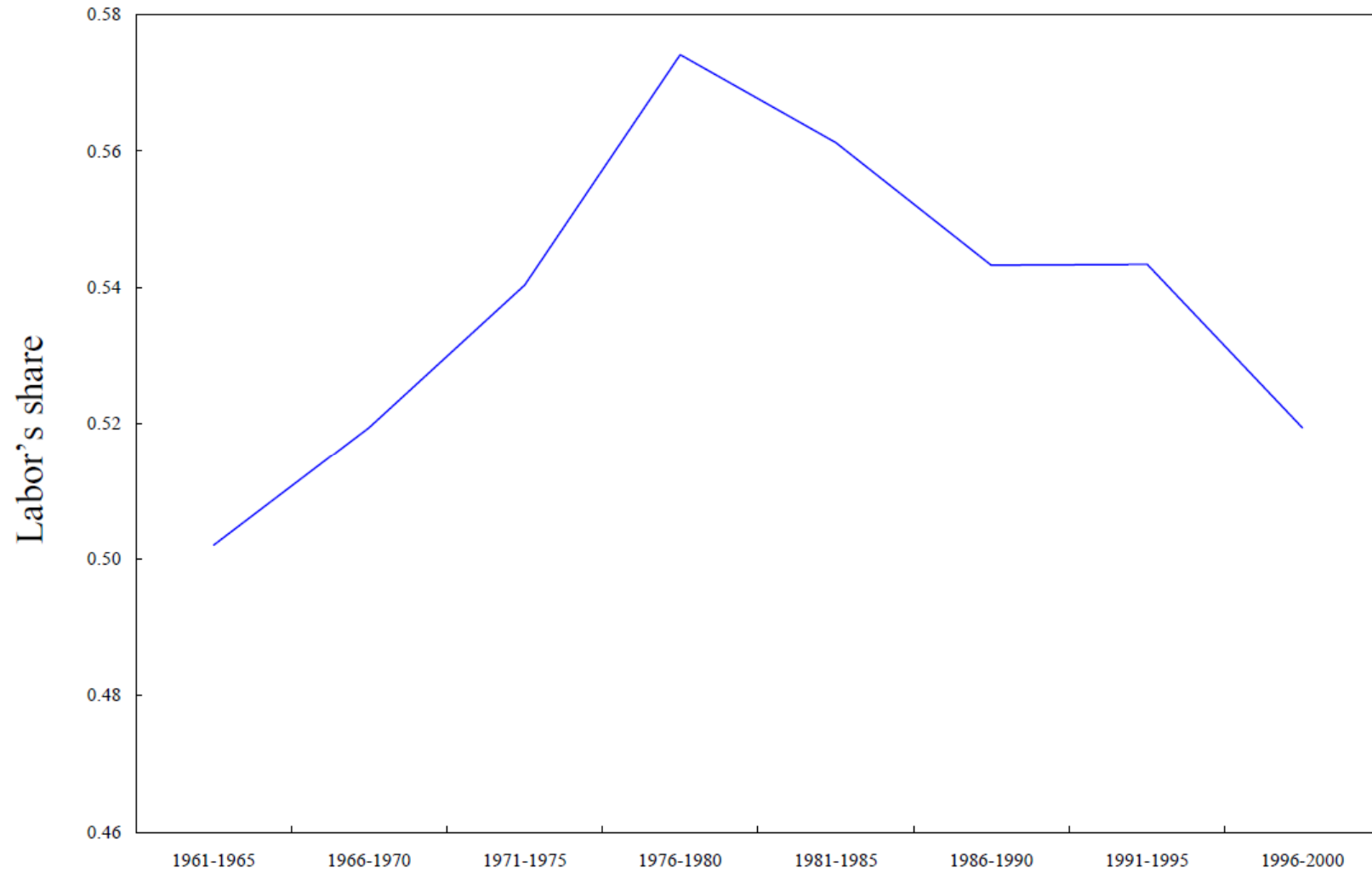
The decline in the relative wealth of labour presented a problem for the economy – how could people keep spending to buy the new products? The answer was financial deregulation resulting in a huge increase in household debt i.e. households maintained high spending by borrowing money. Securitisation resulted in people with almost no income being able to borrow!

The rich became relatively richer and invested their money in assets resulting in speculative bubbles e.g. dotcom, property, commodities (oil, food, etc.)

This financial system collapsed in 2008

Average Labour Share of National Income in OECD Countries

(Ratio of labour income to national income)



Source: Guscina (2006) – The share of GDP going to Labour is just over 50% of GDP in the OECD countries and parts of Asia, around 40% in Latin America, the Middle East and North Africa, and approximately 30% in sub-Saharan Africa (Diwan, 2001)

The end of the neo-liberal consensus?

“the financial system as a whole has grown bigger than is socially optimal”

“I think that some of it is socially useless activity”

“if increased capital requirements are insufficient I am happy to consider taxes on financial transactions – Tobin taxes, after the economist James Tobin. Such taxes have long been the dream of the development economists and those who care about climatic change – a nice sensible revenue source for funding global public goods”

“we are still trying to work out after a fairly complete train wreck of a predominant theory of economics and finance... we have had a very fundamental shock to the ‘efficient market hypothesis’ which has been the DNA of the FSA and securities and banking regulators throughout the world. The idea that more complete markets and more liquid markets are definitionally good and the more of them we have the more stable the system will be, that was asserted with great confidence up to three years ago. But what precisely we do as a result of the collapse of that approach is unclear.”

Lord Adair Turner, Chair of the Financial Services Authority (FSA) which regulates the financial sector in the UK – Interview Sept 2009, Prospect, 34-41.

Lord Turner is Baron Turner of Ecchinswell, he worked for Chase Manhattan Bank, then was director of McKinsey & Co, Director-General of the Confederation of British Industry (CBI) and then was Vice-Chairman of Merrill Lynch Europe

The Causes of Poverty

Structural Causes of Poverty

Most poverty has a structural cause, rather than being the result of an individual's 'bad' behaviour or choices.

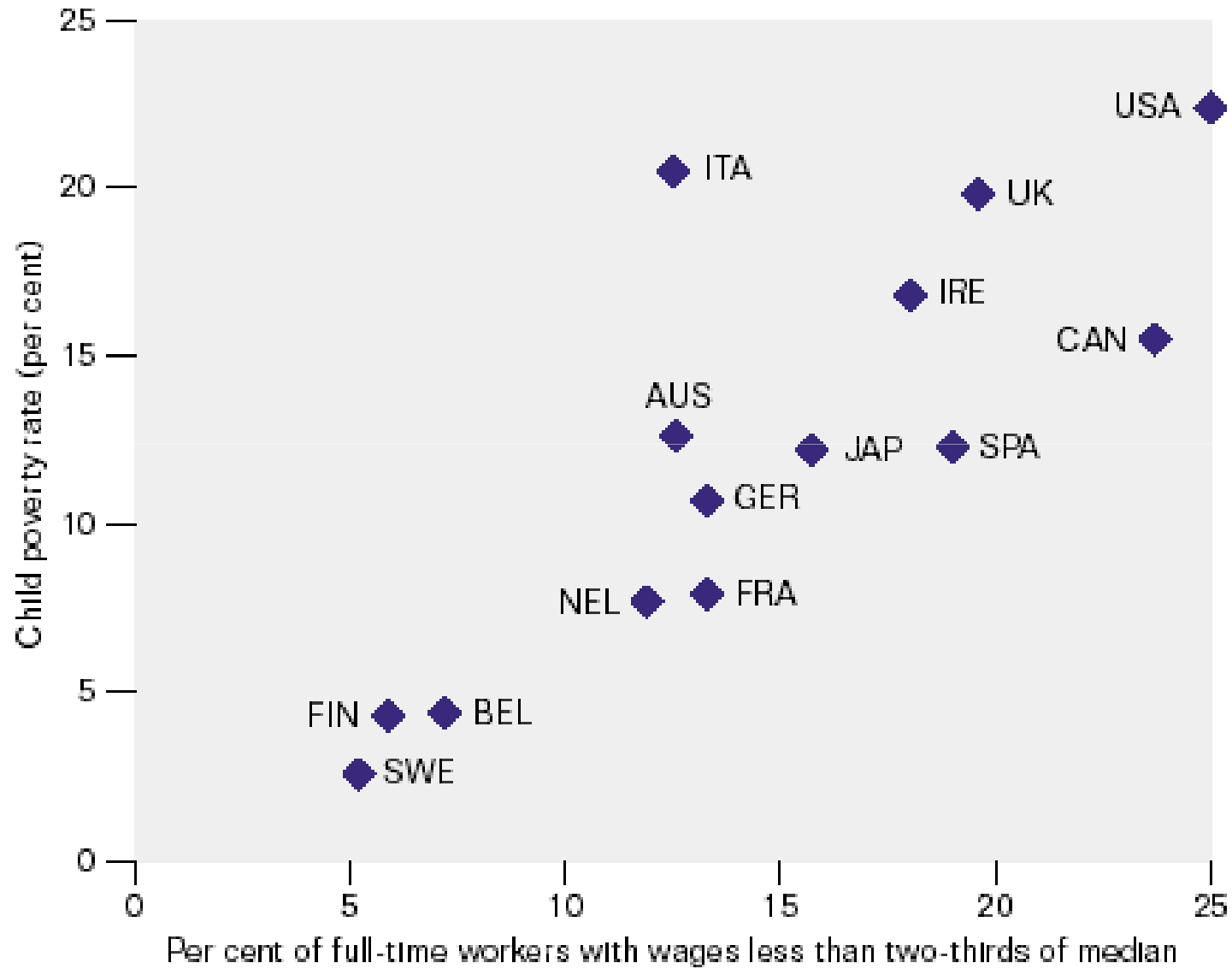
Since the pioneering studies of poverty in 19th Century (such as Charles Booth's in London), six groups have been identified as being especially vulnerable to poverty -

- the elderly;
- the unemployed;
- sick and disabled people;
- the low waged;
- large families, and
- lone parents

In many developing countries two additional groups are also at risk of poverty:

- Landless and small farmers, and
- fishermen and women

Low Wages and Child Poverty



Source: UNICEF (2000)

Social Expenditure on Families and Child Poverty



Source: UNICEF (2005)

Ruth Levitas' three models of social exclusion (*The Inclusive Society*, 2nd ed, 2005)

- Ruth Levitas has identified several different (and competing) discourses of Social Exclusion. She has called these;
- Redistributionist Discourse (**RED**)
- Moral Underclass Discourse (**MUD**)
- Social Intergrationist Discourse (**SID**)

RED

- Prime concern is to do with poverty and draws upon the analysis of Townsend who argued that when income and resources fall below a certain level people are excluded from the normal activities of their society.
- The solution is redistribution of income in the form of higher, non-means tested benefits, a minimum wage, financial recognition for unpaid work etc.

MUD

- Prime concern is with the moral and behavioural delinquency of the excluded.
- The underclass is culturally distinct from the mainstream and is associated with idle, criminal young men and single mothers dependent on welfare.
- Welfare dependency on the state is problematic, but the economic dependency of women on men is not – as women and marriage have a ‘civilising’ impact on men.

Welfare State Solutions to Poverty

The Welfare State

The term 'Welfare State' was 'invented' by William Temple, the British Archbishop of Canterbury (Briggs, 1994), possibly based on a translation of the German term *Wohlfahrtsstaat*.

“Over the greater part of Western Europe the common values for which we stand are known and prized. We must indeed beware of defining these values in purely nineteenth-century terms. If we speak of democracy, we do not mean a democracy which maintains the right to vote but forgets the right to work and the right to live. If we speak of freedom, we do not mean a rugged individualism which excludes social organisation and economic planning. If we speak of equality, we do not mean a political equality nullified by social and economic privilege”. (E.H. Carr, 1940)

In the 1950s, Richard Titmuss argued that the welfare state was a manifestation *"first, of society's will to survive as an organic whole, and secondly of the expressed will of all the people to assist the survival of some people."* (Titmuss, 1958)

European Solutions to Poverty

Inter-governmental agreements at Lisbon, Nice and Amsterdam have rejected a 'race to the bottom' for labour conditions and established anti-poverty policy based upon:

- **Active labour market intervention** to help create jobs and improve working conditions
- **Progressive taxation** and redistribution through a comprehensive welfare state

The key planks of the European socio-economic security model are the commitment (CEC, 1999);

- 1) to promote social inclusion;
- 2) to make work pay and provide secure incomes;
- 3) to make pensions safe and pensions schemes sustainable; and
- 4) to ensure high quality and financial viability of health care

The World Banks Solution to Poverty

The Washington Consensus

The World Bank has pursued the same set of anti-poverty policies for almost 40 years;

These have three elements:

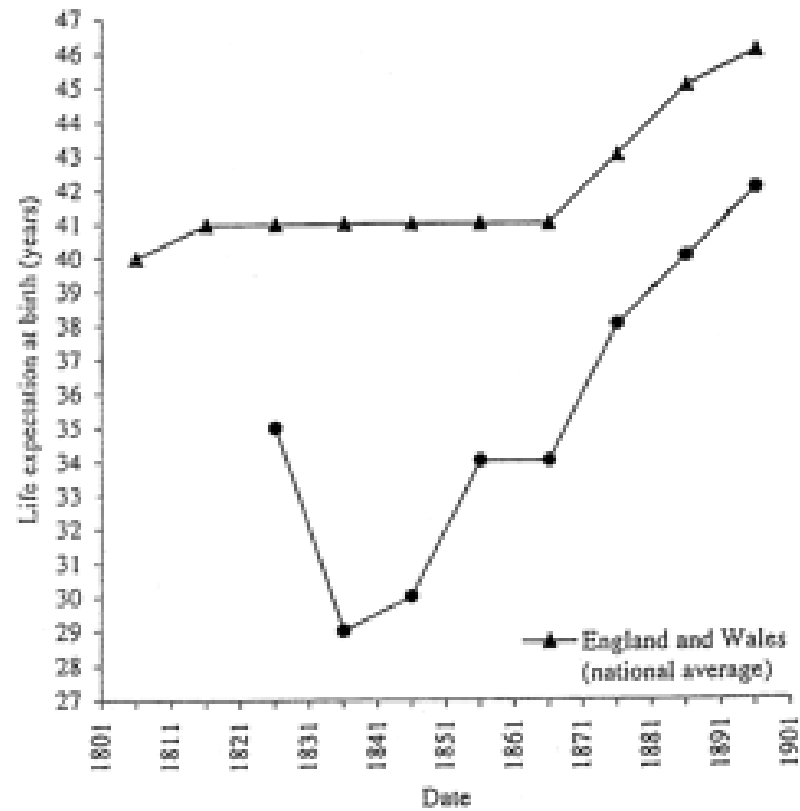
- Broad-based economic growth
- Development of human capital, primarily through education
- Minimum social safety nets for the poor

The World Bank has pursued these policies by rigidly adhering to neo-liberal economic orthodoxy. (Joseph Stiglitz, 1998; 2000)

1. **Privatisation** – which tends to raise prices for the poor
2. **Capital market liberalisation** – which can allow speculators to destabilise countries' economies, as has happened in Asia and South America
3. **Market-based pricing** – which raises the costs of basic foods and fuel for the poor and has caused rioting, particularly in South America, *eg* Bolivia, Ecuador and, recently, Argentina (economists should not be provoking riots around the world)
4. **Free trade** – which is governed by World Trade Organisation (WTO) rules that often severely disadvantage poorer countries

Economic Growth and Health

Life expectancy at birth in British cities compared with the national trend, 1801 to 1901



Social Security, Health and Economic Growth

In England & Wales, mortality rates did not improve at all during the most rapid phase of economic growth – 1815 to 1870

Szreter (2005) argues that the Elizabethan, parish based, 'old' poor law system (1599-1834) provided an effective universal guarantee of protection from starvation. This universal social security system broke the link between food shortages and death and facilitated the migration of peasants to urban areas.

Thus, England & Wales had a large urban workforce by the beginning of the 19th Century which was a prerequisite for the massive growth of the industrial revolution.

New Lanark, Scotland, 1816

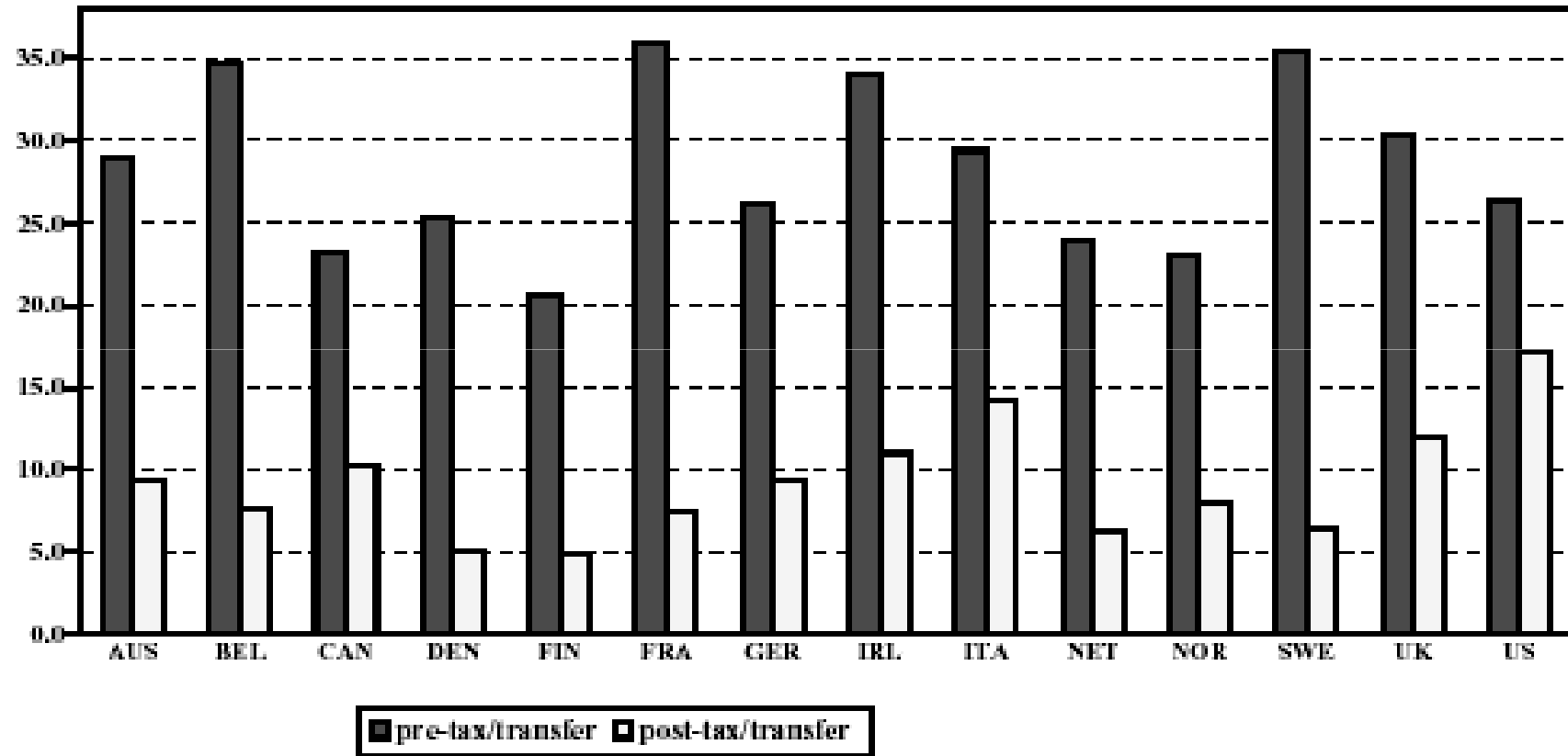
The First Eradication of Poverty?

In 1816, Robert Owen established for his workforce and their families the first free infants school (the World's first infant and junior school), the first crèche, the first co-operative shop (the World's first), a sick fund with free health care at the point of use, gardens and parks and leisure activities (free concerts, etc.), decent housing (by the standards of the day), free adult education, etc.

"What ideas individuals may attach to the term "Millennium" I know not; but I know that society may be formed so as to exist without crime, without poverty, with health greatly improved, with little, if any misery, and with intelligence and happiness increased a hundredfold; and no obstacle whatsoever intervenes at this moment except ignorance to prevent such a state of society from becoming universal".

Extract from Robert Owen's "Address to the Inhabitants of New Lanark"
New Year's Day, 1816

OECD analysis of income poverty rates in the 1990s pre and post transfers

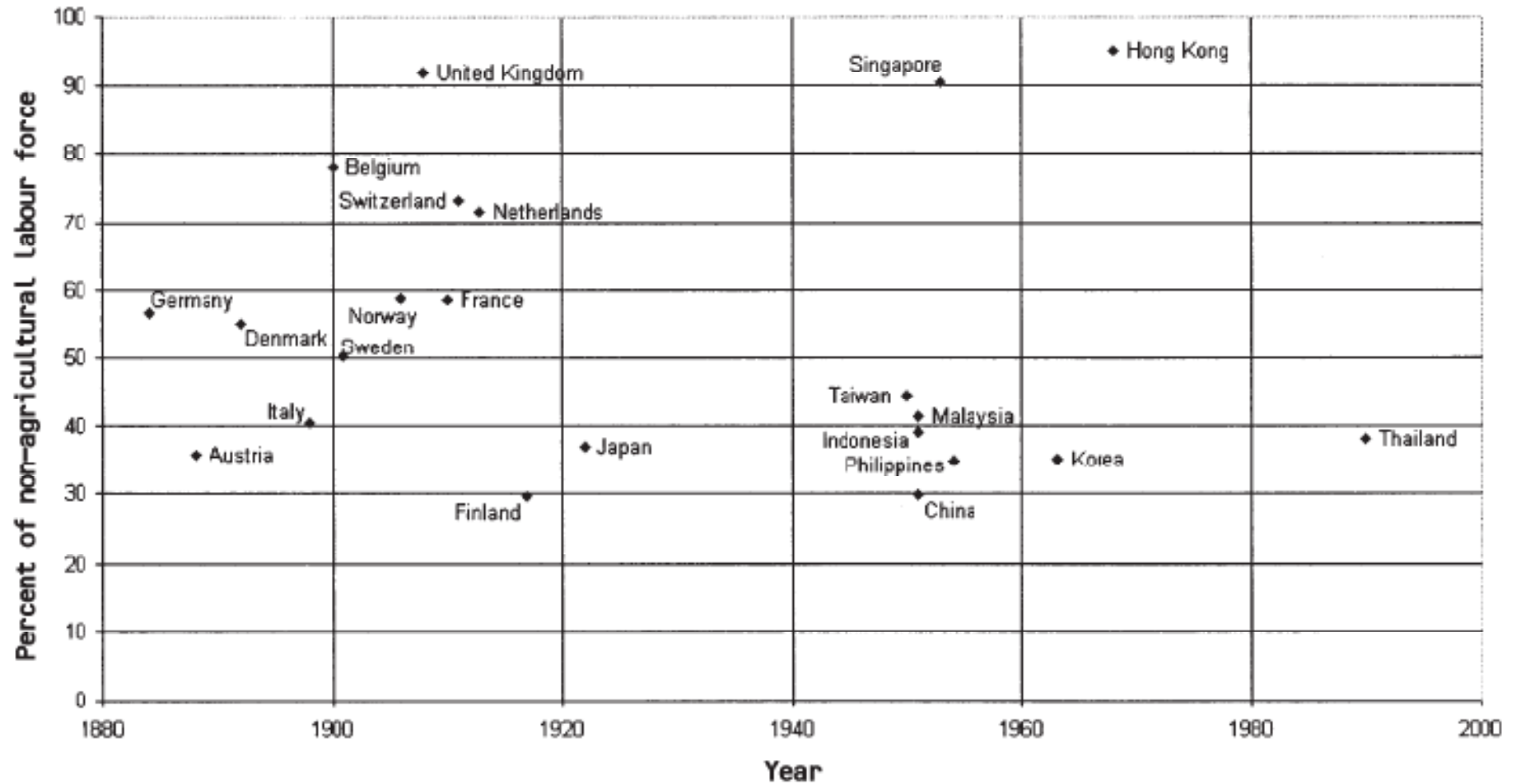


Percentage of households receiving social benefits in 1996 in EU countries

	Pensions (%)	Other social benefits (%)	All social benefits together (%)
Ireland	23	82	90
Belgium	28	69	89
Portugal	36	68	89
Luxembourg	29	66	86
Austria	34	69	86
Denmark	19	75	85
United Kingdom	28	71	85
Netherlands	19	66	81
France	25	62	79
Germany	29	57	78
Spain	34	33	58
Italy	40	18	51
Greece	39	19	50
EU-13	30	52	73

Example: 39% of Greeks live in households where at least one member draws a pension. For other social benefits, the figure is 19%. For all social benefits together, the figure is 50% (not 58%, ie 39% + 19%, since some households receive more than one type of social benefit).

Percent of non-agricultural workforce at the time of the introduction of the second social insurance law



Welsh Child Poverty Strategy

1. Increasing the income of poor families with children.
2. Ensure that, as far as possible, children living in low income families are not materially deprived.
3. Promote and facilitate paid employment for parents in low-income families.
4. Provide low-income parents with the skills needed to secure employment.
5. Help young people take advantage of employment opportunities.
6. Support the parenting of children.
7. Reduce inequalities in educational attainment between children and young people.
8. Help young people participate effectively in education and training.
9. Reduce inequalities in health between children and between their parents, so far as necessary, to ensure children's well-being.
10. Reduce inequalities in participation in cultural, sporting and leisure activities between children and between children's parents, so far as necessary, to ensure children's well-being.
11. Help young people participate effectively and responsibly in the life of their community.
12. Ensure that all children grow up in decent housing.
13. Ensure that all children grow up in safe and cohesive communities.