

CHAPTER 15

Poverty and Development

‘Poverty is the worst form of violence.’

MOHANDAS KARAMCHAND GANDHI (1869–1948)

PREVIEW

The issues of development and poverty reduction have become increasingly prominent since the end of WWII. In the early phase, this occurred as decolonization failed to bring about economic and social progress in what was then portrayed as the Third World, at the same time that industrially advanced western countries were experiencing historically unprecedented levels of economic growth. As global economic disparities widened, some argued that colonialism had given way to ‘neo-colonialism’, political domination having been replaced by more subtle but no less effective economic domination. Others heralded the emergence of a ‘North–South divide’. In this context, bodies as different as the World Bank and the IMF, on the one hand, and a host of development NGOs and activist groups on the other, came to view the task of reducing the gap between rich countries and poor countries as a moral imperative. However, poverty and development are complex and deeply controversial issues. Is poverty merely an economic phenomenon, a lack of money, or is it something broader and more profound? Does ‘development’ imply that poor societies should be remodelled on the basis of the rich societies of the so-called developed West? A further range of issues address the nature, extent and causes of global inequality. Is the world becoming a more, or less, equal place, and, in particular, what impact has globalization had on global patterns of poverty and inequality? Finally, there have been passionate debates about the surest way of bringing about development. These debates have focused in particular on the merits or otherwise of the market-orientated approaches to development that have dominated especially since the early 1980s. Have bodies such as the World Bank and the IMF failed the world’s poor? Do rich countries have a moral obligation to help poor countries? If so, how should that obligation be discharged: by providing international aid, cancelling debt, changing trading practices or whatever?

KEY ISSUES

- What is poverty?
- How should ‘development’ be understood?
- What are the key trends in global poverty and inequality?
- Has globalization increased, or decreased, global poverty?
- How successful have official development policies been?
- Do international aid and debt relief work?

UNDERSTANDING POVERTY AND DEVELOPMENT

Poverty has been the normal state of affairs for most of world history. Even in well organized societies with advanced systems of rule (ancient China and Rome, the Incas and so on), economies were technologically simple with modest productivity levels and populations were overwhelmingly poor. Even most of those who were thought of as rich in their day would be poor by modern standards. Poverty, thus, is not the exception; it has been the rule. The exception, from this perspective, is the wealth currently enjoyed in the modern West (see p. 26), and even this has occurred only fairly recently. It was only in the late eighteenth century that European and North American societies started to increase productivity in ways that defied the predictions of Thomas Malthus (see p. 408), who had warned that any improvement in productivity would simply be nullified by demographic growth. How did western societies avoid this Malthusian trap? The answer to this question is ‘**development**’. Development was certainly associated with a series of innovations in technology and organization that led to the industrial revolution. Nevertheless, there is significant debate about precisely how the affluence of the developed West has been brought about, and, most particularly, about how affluence and development can best be replicated in parts of the non-western world. Before the complex and contested issue of development is considered, however, it is necessary to look more closely at what poverty is and how it can be measured.

Defining and measuring poverty

What is poverty? What distinguishes ‘the poor’ from ‘the rich’? If poverty reduction is a goal of national, regional or global policy, it is necessary to understand what poverty is, and how it can be measured. However, poverty is a complex and contested concept. On the face of it, poverty means being deprived of the necessities of life; that is, lacking sufficient food, fuel, shelter and clothing to maintain ‘physical efficiency’. In its original sense, this was seen as an *absolute* standard, below which human existence became difficult to sustain. This means, for instance, that adult males must eat about 2,000–2,500 calories a day simply in order to maintain body weight. According to this view, poverty hardly exists in developing industrialized states like the USA, Canada, the UK and Australia; even the poor in such countries live better than much of the world’s population. **Absolute poverty** is founded on the idea of ‘basic needs’, corresponding to physiological needs in Maslow’s (1943) ‘hierarchy of needs’ (see Figure 15.1).

However, the idea of absolute poverty may miss an important dimension of poverty. People may feel that they are poor not because they suffer from material hardship and their basic needs are not met, but because they lack what others have got. They feel deprived in terms of the standards, conditions and pleasures enjoyed by the majority in their society. In this sense, poverty is a social, and not merely physiological, phenomenon: it is based on people’s *relative* position in the social order. **Relative poverty** defines the poor as the ‘less well off’ rather than the ‘needy’. For instance, the Organization for Economic Cooperation and Development (OECD) and the European Union (EU) both use a ‘poverty line’

● **Development:** Growth, the act of improving, enlarging or refining; development is commonly linked to economic growth, but the term is deeply contested.

● **Absolute poverty:** A standard of poverty that is based on an income level or access to resources, especially food, clothing and shelter, which are insufficient to ‘keep body and soul together’.

● **Relative poverty:** A standard of poverty in which people are deprived of the living conditions and amenities which are customary in the society to which they belong.

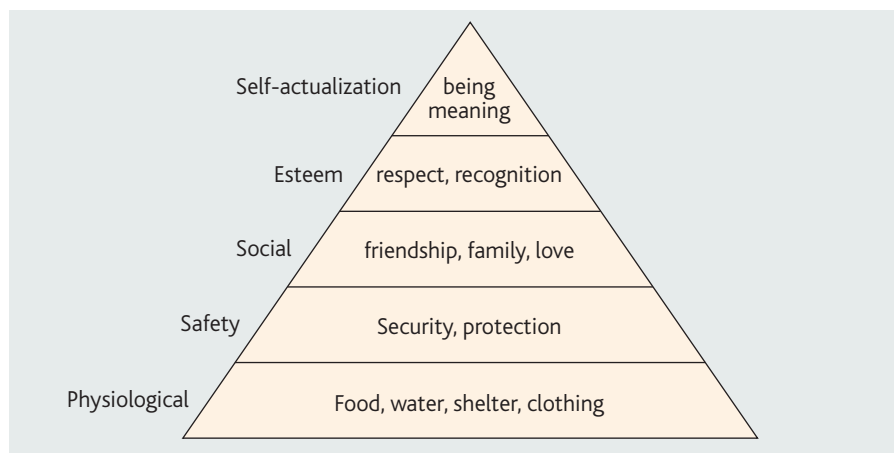


Figure 15.1 Maslow's hierarchy of needs

that is based on a relative poverty threshold, which is set at an income level that is 50 per cent or less than that of the median household. In other words, people are considered to be 'poor' if their available income is substantially lower than that of a typical person in their country of residence. The concept of relative poverty nevertheless raises important political questions because it establishes a link between poverty and inequality, and in so doing suggests that reducing or eradicating poverty can only be achieved through the redistribution of wealth and the promotion of equality, as discussed later in the chapter.

Whereas relative poverty is a subjective calculation, based on feelings of deprivation and disadvantage created by the gap between the poor and the rest of society, absolute poverty can surely be objectively defined. But at what level do people become absolutely poor? The World Bank (see p. 373), which has assumed growing responsibility for global poverty reduction, takes as a standard of extreme poverty an income level of a dollar a day, calculated at **purchasing power parity** (PPP). Based on its 2004 recalculation, which now uses \$1.25 a day rather than \$1 a day, the World Bank estimates that 1.4 billion people live at or below the international poverty line. Nevertheless, this calculation remains somewhat arbitrary, with some commentators preferring to use \$2 a day or \$2.5 a day. By the latter standard, the ranks of the world's poor would more than double to 3.14 billion or 49 per cent of the world's population.

However, there has been growing dissatisfaction with a narrowly income-based definition of poverty. This stems from a recognition that poor people suffer from multiple deprivation involving a failure to meet their non-material needs as well as their material needs. Amartya Sen (see p. 375) contributed to such thinking in pointing out that famines often arise not from a lack of food, but from a complex of social, economic and political factors such as rising food prices, poor food distribution systems and government inefficiency. Poverty is therefore as much about restricted opportunities and the absence of freedom, in particular **positive freedom**, as it is about lack of income or resources. Such thinking has placed greater emphasis on the notion of 'human development', which has become central to the UN's approach to global poverty, as reflected in its annual Human Development Reports. These reports review various issues

● **Purchasing power parity:** A calculation of purchasing power that takes account of the relative cost of living and the inflation rates of different countries, sometimes based on the 'international dollar'.

● **Positive freedom:** Freedom defined in terms of self-realization and the development of human capacities; freedom to be or do something.

- The poor are often viewed as the victims of some form of social injustice. Poverty, in this sense, is something that happens *to* people, tending to demoralize and disempower even those thought of as the ‘deserving’ poor.

Deconstructing . . .

‘POVERTY’

- As poverty is portrayed in terms of deprivation and suffering, it suggests that poverty equals ‘bad’ while wealth equals ‘good’. As such, the concept of poverty endorses a dominant materialist and consumerist ethic. This ignores the idea that *voluntary* poverty may have moral and spiritual benefits, as advocated by some religious traditions, and it disregards the notion of ‘sufficiency’, as endorsed by some within the environmental and development movements.
- The widely accepted belief that wealth is linked to hard work and ability implies that poverty is associated, at least in part, with laziness and personal failing. This suggests that the poor are ‘undeserving’ and that attempts to reduce poverty are both misguided and morally wrong.

related to poverty and development and rank states on the basis of the Human Development Index (HDI).

Development: competing visions

Debates about poverty focus not only on the nature of poverty, but also on how it can best be explained and therefore how it should be tackled; that is, how ‘development’ can be brought about. However, the notion of development is surrounded by political and ideological controversy. What distinguishes a ‘developed’ society from a ‘developing’ or ‘undeveloped’ one? Perspectives on development generally fall into two broad categories which we will call ‘orthodox’ and ‘alternative’.

Orthodox view of development

The *orthodox* view of development is rooted in economic liberalism. In this view, poverty is defined squarely in economic terms, as a failure, through a lack of income or resources, to satisfy basic material needs. The reduction or even elimination of poverty is therefore clearly linked to the ability to stimulate economic growth, traditionally calculated on the basis of **gross domestic product** (GDP)

● **Gross domestic product:**

The total value of all the goods and services produced in an economy, a measure of national income.

Focus on . . .

Human development

Human development is a standard of human wellbeing that takes account of people's ability to develop their full potential and lead fulfilled and creative lives in accordance with their needs and interests. It is often simply defined in terms of enlarging people's choices. Influenced by Sen's (1999) notion of 'development as freedom', the idea has been most fully elaborated through the Human Development Index, which has been used since 1993 to rank countries in the UN's Human Development Reports. The key Human Development Indicators (HDIs) are:

- Leading a long and healthy life (life expectancy and health profile)
- Acquiring knowledge (education and literacy)
- Access to resources needed for a decent standard of living (fuel, sanitation, shelter and so on)
- Preserving resources for future generations (demographic trends and sustainability)
- Ensuring human security (see p. 423) (food, jobs, crime, personal distress)
- Achieving equality for all women and men (education, careers/jobs, political participation)

per head of population. Development, in effect, is synonymous with economic growth. But how is economic growth best stimulated? The central mechanism, from this perspective, is the free-market system. The virtues of the free market are that it gives full rein for individuals to pursue self-interest, providing incentives for people to work, engage in trade, set up business and so on, and that it ensures long-term economic equilibrium, helping to bring the forces of demand and supply (market forces) into line with one another. The market is thus the only reliable means of generating wealth, providing, indeed, the possibility of unlimited economic growth. 'Backward' or 'under-developed' societies are therefore destined to be transformed into 'modern' or 'developed' ones. This view of development is reflected in **modernization theory**, which is evident, for example, in Rostow's (1960) theory of the stages of economic growth. Rostow outlined five stages of economic growth, as follows:

- *Traditional societies* – such societies are characterized by rudimentary technology, pre-scientific values and norms and a subsistence economy.
- *Preconditions for take-off* – at this stage societies exhibit a degree of capital mobilization (banks and currency) and start to develop an entrepreneurial class.
- *Take-off* – this happens when the norms of economic growth are well established and sector-led growth becomes common.
- *Drive to maturity* – this is characterized by growing economic diversification, greatly reduced poverty and rising living standards.
- *High mass consumption* – at this stage the economy is increasingly orientated around the production of modern consumer goods, with affluence becoming widespread.

● **Modernization theory:** The theory that there is a single, linear path to development, reflected in the transformation of western countries from traditional, pre-industrial, agrarian societies to modern, industrial and mass consumption ones.

The orthodox view has dominated thinking on matters related to poverty, inequality and development since 1945. Its influence expanded in the 1970s and 1980s through the rise of neoliberalism (see p. 90) and the conversion of the

APPROACHES TO . . .

DEVELOPMENT

Realist view

There is no realist theory of development as such. Nevertheless, in explaining the phenomenon of economic development, realists have generally drawn heavily on the ideas of mercantilism. Mercantilism stresses the interplay between economics and politics, particularly through the extent to which healthy and stable domestic economies rely on a strong dose of state intervention, especially in order to manage external trade relations (implying protectionism). Such a view is highly sceptical of liberal claims about the natural tendency of market economies towards equilibrium and growth, believing, always, that markets need to be managed.

Liberal view

The liberal approach to development is firmly rooted in the ideas of economic liberalism. Classical liberal economics draws heavily on individualist and rationalist assumptions about human nature, placing a strong emphasis on the idea that human beings are primarily motivated by the desire for material consumption. Liberalism therefore provides the basis for the orthodox notion of 'development as growth'. From the liberal perspective, the central mechanism for generating wealth is the market, which operates according to the wishes and decisions of free individuals. The attraction of the market is that it is a self-regulating mechanism, which tends naturally to promote economic prosperity and well-being. However, individual acquisitiveness and market forces are not always in themselves powerful enough to deliver economic development. For liberals, 'development failures' stem from factors that are internal to the society itself. These include cultural or religious norms that inhibit individual self-seeking, rigid and authoritarian state institutions, chronic corruption, and ethnic and tribal rivalries that subvert civil order. The best way to overcome these obstacles is through market reform (privatization, financial deregulation, labour flexibility, tax cuts and so on) and the integration of the national economy into the global capitalist economy (free trade and an open economy).

Critical views

Critical approaches to development have been dominated by neo-Marxists theories. These shift attention away from internal obstacles to development, to external ones, particularly those that stem from the structural dynamics of the global capitalist system.

Neo-Marxist thinking about development has been shaped by two main theoretical sub-traditions. Dependency theory highlights the extent to which, in the post-1945 period, traditional imperialism gave way to neo-colonialism, sometimes viewed as 'economic imperialism' or, more specifically, 'dollar imperialism'. Despite enjoying formal independence and sovereignty (see p. 3), developing world states continued to be subject to economic dependency through, for instance, unequal trade relations, the impact of TNCs and biases within bodies such as the IMF and the World Bank that favour the interests of industrially advanced states. The other key neo-Marxist sub-tradition is world-system theory (see p. 367), which portrays the world economy as an interlocking whole, composed of core, peripheral and semi-peripheral areas. In this, economically advanced and politically stable core areas dominate and exploit peripheral areas that are characterized by low wages, rudimentary technology and a dependence on agriculture or primary production.

Amongst other critical approaches to development, green politics has challenged the conventional emphasis on economic growth by championing the notion of 'development as sustainability', usually linked to the concept of sustainable development (see p.390). In this view, economic growth must be balanced against its ecological costs, a healthy environment being vital for meaningful development. For cosmopolitan theorists, development should be understood in terms of the larger project of advancing global justice. Feminism has been associated with various views about development. Some feminists argue that overturning gender inequality must be seen as a key component of development, thereby highlighting the need to change social structures, institutions and cultural practices in the developing world. However, other feminists stress the extent to which 'development as growth' is constructed on the basis of masculinist assumptions, or the degree to which women already play an important, if usually ignored, role in bringing about development. Post-colonialists, for their part, have sometimes challenged the very idea of development, advancing instead the notion of 'post-development'. While conventional models of development involve the imposition of western institutions and values on non-western societies, 'post-development' allows each society to embrace its own model of economic and social progress, based on aspirations and a cultural heritage that are authentic to the society itself.

institutions of global economic governance and a growing number of states, led by the USA, to pro-market economic philosophy, and again in the 1990s through the widespread introduction of market reforms by former communist states. Nevertheless, the pro-growth and pro-market view of development has attracted growing criticism in recent years. As will later be seen in relation to development strategies, opponents have argued that economic reforms that expose countries to the vagaries of the market and the international trading system may be counter-productive, leading to economic and social dislocation rather than steady growth and the reduction of poverty. In the 1990s, such criticisms have focused in particular on the impact of 'structural adjustment programmes' (SAPs) (see p. 371), imposed by the International Monetary Fund (IMF) (see p. 469) and the World Bank. Opponents have, furthermore, questioned whether market-based solutions attend equally to the interests of all states and all regions of the world. Neo-Marxist critics, for instance, argue that the global capitalist system is characterized by deep structural imbalances.

Alternative view of development

The *alternative* view of poverty and development has become more prominent since the 1980s as disillusionment has grown with technocratic, top-down, pro-growth strategies. They have stemmed from various sources, including resistance movements in the 'global South' (see the North–South divide, p. 360), such as the Zapatista movement in Chiapas in Mexico (see p. 361) and peasant protests in the southern Indian state of Karnataka, UN agencies, development NGOs and their various forums, including the World Social Forum, and the broader anti-capitalist (see p. 70) or anti-globalization movement. However, there is no single or coherent 'alternative' package of ideas about development. While radical elements are strongly anti-western, anti-corporate and place a heavy emphasis on self-management and environmentalism, reformist elements may do little more than modify the application of orthodox liberal principles, seeking merely to rebalance the priorities of major states and the institutions of global economic governance. Nevertheless, certain general themes can be identified, the most important of which are as follows:

- A humanistic view of poverty that emphasizes opportunity, freedom and empowerment (thus meeting material and non-material needs).
- Self-reliance rather than reliance on wealthy states, international bodies or the market.
- Ecological balance, sustainability and conservation of the 'global commons' (water, land, air, forest).
- Social and cultural inclusion through respect for cultural diversity and the interests of marginalized groups such as women and indigenous groups.
- Local control achieved through community action and democratic participation.
- The view that poverty has a structural character, stemming from disparities in the global trading system and elsewhere.

The 'alternative' view rejects the 'one size fits all' implications of orthodox thinking and, in particular, the idea of a linear transition from a 'traditional'

- The term development can be thought of as demeaning because it is based on a contrast between ‘underdeveloped’ or ‘developing’ countries or regions and ‘developed’ ones. The former therefore appear to be immature, basic or in some way deficient, while the latter seem to be fully formed, sophisticated and advanced.

Deconstructing . . .

‘DEVELOPMENT’

- As development also refers to the biological process of growth, in an individual or a species, it implies a single, linear process of change. Development therefore suggests that ‘underdeveloped/developing’ countries are destined to go through the same stages and phases that developed countries already have. Development thus tends to be linked to a distinctively western form of modernization.
- The primary difference between ‘underdeveloped/developing’ countries and ‘developed’ ones is their level of wealth or affluence. This can be seen to prioritize material goods and values over non-material ones. Little attention, for example, is given to the possibility that poor countries may be more morally, spiritually or culturally developed than rich countries.

society to a ‘developed’ society, in which Latin American, Asian and African states are destined, sooner or later, to go through the same process of modernization as states in the ‘global North’. In other words, developing world states are not playing catch up. Indeed, to a significant extent, their plight can be blamed on external factors and the often self-interested impact of western states and transnational corporations (TNCs) (see p. 99), through, for example, aid regimes that are structured around the needs of donor countries and the demand for across-the-board integration into the international economy. On the other hand, few of those who support ‘alternative’ stances advocate separating developing world economies from the global economy or seeking to develop a qualitatively different alternative to capitalism. Instead, they seek to combine growth-orientated economic policies with a sensitivity to local and regional needs and interests, placing stress on cultural diversity, ecological balance and self-reliance. What is sometimes called the ‘Southern consensus’ on development therefore usually allows for a greater role for state intervention than would be acceptable to supporters of economic liberalism. Adopting a neo-mercantilist

*Focus on . . .***The North–South divide**

The idea of a 'North–South divide' was popularized through the work of the so-called Brandt Reports: *North–South: A Programme for Survival* (1980) and *Common Crisis: North–South Cooperation for World Recovery* (1983). Although the idea that the world is divided into a 'global North' and a 'global South' is based on the tendency for industrial development to be concentrated in the northern hemisphere, and for poverty and disadvantage to be concentrated in the southern hemisphere (apart from Australasia), the terms are essentially conceptual and theoretical rather than geographical.

The concept of the North–South divide draws attention to the way in which aid, developing world debt and the practices of TNCs help to perpetuate structural inequalities

between the high-wage, high-investment industrialized North and the low-wage, low-investment, predominantly rural South. The Brandt Reports also highlighted the interdependence of the North and the South, emphasizing that the prosperity of the North is dependent on the development of the South. Some, nevertheless, question the continuing relevance of the idea of a North–South divide. Amongst other things, they draw attention to increasingly uneven development across the South itself (disparities between China and sub-Saharan Africa, for example), the growing political influence of the South (the rise of the G-20 (see p. 117) and so on) and the quite different relationships that have emerged between the North and different parts of the South, not all of which are now based on power and dependency.

approach to development, the East Asian 'tiger' economies thus relied less on the free market than on the capacity of the state to pursue strategies for international competitiveness, especially through a heavy emphasis on education and training. The most impressive Southern model of development has nevertheless been found in China's mixture of market economics and Stalinist political control (see A Chinese economic model? p. 89). (Feminist thinking on development and the role of women in bringing about development are discussed in Chapter 17.)

A MORE UNEQUAL WORLD?**Making sense of global inequality**

Questions about poverty are often linked to the issue of inequality. Indeed, from the perspective of relative poverty, the two concepts are intrinsically linked, in the sense that widening inequality effectively *means* increased poverty. However, the issue of global inequality is an arena of particular contention. On the one hand, there have been assertions, usually linked to criticisms of globalization and biases within the world trading system, that the gap between the richest and poorest countries has been increasing in recent decades, even reaching grotesque proportions. The UN's 1999 *Human Development Report*, for example, noted that the assets of the world's richest three individuals exceeded the combined GDPs of all the countries designated as the world's 'least developed', comprising a total population of some 600 million people. As the rich get richer the poor get

Focus on . . .

The Zapatistas in Mexico: alternative development in action?

The Zapatista Army of National Liberation (EZLN), take their name from Emiliano Zapata (1879–1919), a leading figure in the Mexican Revolution of 1910 and a prominent campaigner for agrarian reform. The main spokesperson of the modern Zapatistas is Subcomandante Marcos, also known as 'Delegate Zero'. The Zapatista uprising started in 1994 when, within hours of the signing of the NAFTA Agreement (see Chapter 20), a seemingly ramshackle group of students, intellectuals, radicals and indigenous peasants emerged from the jungle of the Chiapas region to declare war against the Mexican state. As Mexican federal forces were pushed back from the region the Zapatistas established what is effectively an autonomous area, leading, since 1994, to something of a stand-off between the EZLN and the Mexican state.

As a result, in many of the mountainous and jungle areas of Chiapas, extending into some of the urban areas, an entirely different set of principles and norms

operate, in line with what is sometimes called 'Zapatismo'. Zapatismo draws on anarchist, libertarian, socialist and Marxist ideas. It has been notable for a number of reasons. First, it has implacably rejected globalization, capitalism and neoliberalism, favouring instead the formation of self-managing councils and cooperatives. Zapatismo therefore represents the revolutionary wing of the anti-capitalist movement. Second, the Zapatistas differ from other left-wing revolutionary groups in that they are uninterested in seizing power in order to rule on behalf of the people, and unwilling to support a particular world view or set of economic arrangements. This 'non-vertical' or 'post-ideological' form of politics means that Zapatistas work in alliance with indigenous peoples and peasant groups rather than rule 'from above'. Third, the Zapatistas have placed particular emphasis on the use of new communication technology to give their ideas a high profile within the anti-capitalist movement in particular and in the wider world.

poorer, in relative and perhaps also in absolute terms. On the other hand, a growing body of commentators have come to the conclusion that in recent years the world has generally become a more equal place (Kay 2004; Wolf 2005; Friedman 2006).

The debate about global inequality is nevertheless beset with difficulties. Not only are there significant difficulties surrounding the task of measuring inequality, but the trends themselves are much more complex than the simple idea of a gap between rich and poor suggests. Ultimately, it may not be possible to identify an overall *trend* in global inequality, meaning that the focus should shift instead onto discussing the *contours* of global inequality. This occurs for a variety of reasons:

- A lack of clarity about what is being measured: income, life expectancy, educational opportunities, access to clean water and so on.
- The data to measure inequality may be unreliable or contain biases.
- Different time spans highlight different trends.
- There is confusion about who are 'the rich' and who are 'the poor'.
- Within-country trends may be as significant, or more significant, than between-country trends.

The first problem with any discussion of equality is in determining what is being measured. Equality of what? The World Bank, followed by most other bodies, uses a measure of inequality based on income, especially GDP per capita. This occurs partly because such data are easier to compile and calculate than alternatives, such as access to healthcare or clean water, and partly because income, adjusted for purchasing power parity, provides a broad but reliable indication of people's living standards. However, the principal alternative to this, the UN's notion of human development, is not only multidimensional but also shifts attention away from economic equality to equality of opportunity, the idea of equal life chances. Second, the data that inform judgements about global inequality are not always complete or reliable. The World Bank's annual *World Development Reports* provide the most comprehensive and commonly used data on income distribution in particular. However, some have questioned the neutrality of the World Bank, and until the early 2000s much data did not take appropriate account of factors such as exchange rates, the cost of living and inflation levels in different countries. Changing approaches to data collection and interpretation have, at different times, forced commentators significantly to revise their views on the nature and extent of global inequality. Moreover, there are important areas in which data on income disparity remains unreliable or is in short supply, notably on within-country inequality in many poor states.

Third, trends in global poverty are crucially affected by the timescales over which they are measured. According to the long view on inequality, which takes account of trends over the nineteenth and twentieth centuries, there has been a profound and steady tendency towards a widening gap between rich and poor countries. It has been estimated, for instance, that in 1800, per capita income in the USA was probably three times greater than in Africa, while by 2000, it was twenty times greater. Compared to the poorest African countries, it may be fifty or sixty times greater. These trends are clearly a consequence of industrialization in the developed North, reflected in steadily rising living standards, particularly from the late nineteenth century onwards. Such a trend towards widening inequality would also be evident from 1945 to the present day, because the benefits of the so-called 'long boom' of the 1950s and 1960s were almost entirely concentrated in the industrially advanced world. However, if global inequality is measured since 1980, a much more complex picture emerges with contending images of widening inequality and diminishing inequality often being advanced. Furthermore, at different points during the post-1980 period different trends can be identified. For instance, during the 1990s there was evidence of widening inequality, due to factors such as the accumulating debt crisis in the developing world and the economic disruption that followed the 'shock treatment' transition to the market economy in Russia and other former communist states. By contrast, the period between the events of 11 September 2001 and the global financial crisis of 2007–09 was characterized by strong growth in the world economy, which sometimes benefited poor and lower income countries more than wealthy ones.

Fourth, there is no settled or objective definition of who are 'the rich' and who are 'the poor'. Should we, for instance, be comparing the richest and poorest 10 per cent, 20 per cent or even 30 per cent in terms of the average income of the country they live in? Such questions are not merely of academic interest alone, but may affect the trend uncovered. The 2001 *Human Development Report* thus

concluded that the ratio of average income in the countries containing the richest 20 per cent of the world's population to average income in the nations containing the poorest 20 per cent of the world's population had fallen between 1970 and 1997 (from 15:1 to 13:1), while in the case of the richest 10 per cent of countries and the poorest 10 per cent of countries, the ratio had grown (from 19:1 to 27:1). The reason for this is that, in recent decades, the fastest growing developing countries have not been among the very poorest.

Finally, the analysis of global inequality is hampered by the fact that it is usually based on comparisons between *countries* rather than *people* or households. GDP per capita is a calculation of the notional average income in a country, not a measure of the actual incomes of people (none of whom may be 'average'). Between-country comparisons would therefore always be limited and misleading unless the within-country distribution of income is also taken into account. Indeed, if there is a strong tendency for within-country income differentials to widen, the gap between rich and poor people may be growing even though the gap between rich and poor countries may be diminishing. This also alerts us to the fact that the problem of poverty is not confined to poor countries: poor people can also be found in rich countries. The most commonly used measure of inequality within a country is the Gini coefficient, which varies between 0 (complete equality) and 1 (complete inequality). Denmark, for instance, has a Gini coefficient of 0.24, while Namibia's is 0.74.

Contours of global inequality

In the light of these considerations, the contours of global inequality in recent decades can be broken down into three key trends:

- Equalizing trends, largely based on economic progress made by China and, to a lesser extent, India.
- Disequalizing trends, largely reflecting continued and sometimes deepening poverty in sub-Saharan Africa.
- A general trend for within-country inequality to grow.

The narrowing gap between the richest and poorest countries each containing 25–30 per cent of the world's population is mainly explained by high growth rates in recent decades in China and India. Chinese growth rates since the 1990s have been about 8–10 per cent, while Indian growth rates have been about 7–8 per cent, compared with roughly 2–3 per cent amongst industrially advanced countries. The impact of this is all the greater as China and India jointly account for almost 40 per cent of the world's population. The reduction of poverty in China has been particularly marked. By Chinese calculations of poverty (which are based on the amount of food needed to sustain a human being), absolute poverty fell from 250 million at the start of its reform process in 1978 to 28 million in 2001. The World Bank's figures are marginally lower, but it still accepts that China has brought about the most spectacular reduction in poverty in human history. The UN acknowledged in 2008 that China had already achieved the key Millennium Development Goal (see p. 374) of halving the number of people in extreme poverty by 2015. China's poverty reduction strategies have included a major expansion in manufacturing production, particularly in

export-orientated industries, massive infrastructural projects, population control especially through the 'one child' policy, and improvements to the standard of poverty relief. In this, it has worked with international partners, notably the World Bank. On the other hand, China's remarkable success in poverty reduction has not been without its costs. These have included greatly increased pollution, enormous migration shifts through rapid urbanization, concerns about safety at work and a fracturing of family structures.

While there is evidence that other parts of the world have made economic progress, sub-Saharan Africa has emerged as the principal exception, becoming a kind of 'fourth world'. In the 2009 *Human Development Report*, the 24 lowest countries on the UN's HDI were all in sub-Saharan Africa, including all the countries in the category of 'low human development' (see Table 15.1). Life expectancy in sub-Saharan Africa is 49.6 years (compared to a world average of 68.1 years). 74 per cent of the population is estimated to be undernourished; only 46 per cent of people have reliable access to clean water, and only 30 per cent have access to improved sanitation.

Why has sub-Saharan Africa been left behind? Sub-Saharan Africa has been caught in a **poverty cycle** that has made it difficult or impossible to break out of poverty. This has been exacerbated by the link between poverty and disease. HIV/AIDS has been a particular blight on sub-Saharan Africa, accounting in 2007 for some 68 per cent of HIV/AIDS cases worldwide and 76 per cent of all AIDS deaths. The epidemic is particularly serious in the countries of southern Africa, such as Swaziland (33.4 per cent of the population living with HIV/AIDS), Botswana (24.1 per cent) and Lesotho (23.2 per cent). Africa also accounts for 90 per cent of deaths from malaria, with about 80 per cent of malaria victims worldwide being African children. The association between poverty and civil conflict, crime, corruption and state failure has also seriously disadvantaged sub-Saharan Africa, especially in the light of the legacy of colonialism and entrenched ethnic and tribal tensions. Further factors include the link between poverty and poor educational provision, low investment rates, uncontrolled population growth (27 out of 30 countries with the highest birth rates in the world are in sub-Saharan Africa) as well as the so-called paradox of plenty (see p. 409). (See p. 380, for an account of attempts to promote development and reduce poverty in Africa.)

Finally, there is growing evidence that while between-country inequality is diminishing, within-country inequality has generally been growing. Cornia (2003) found that two-thirds of the 73 countries he analyzed appeared to have widening within-country inequality rates between 1980 and 2000. This has applied, albeit to different degrees, in a wide variety of states. Amongst OECD countries, it has been most evident in ones, such as the USA and the UK, which have most enthusiastically embraced neoliberal economics. Income inequality has widened as a result of financial deregulation, cuts on social security spending and cuts in personal and corporate tax levels. The trend has been particularly evident in the former communist states of eastern Europe and in Latin America. In eastern Europe, economic transition involved a wholesale dismantling of the economic and social supports that were customary in communist systems, leading not only to increased relative poverty but also, in cases such as Russia, to growing levels of absolute poverty and falling life expectancy. In Latin America, income inequality rose markedly in the 1980s and

● **Poverty cycle:** A set of circumstances that tend to make poverty self-perpetuating through its wider impact on health, civic order, political and economic performance and so on.

Table 15.1 Top ten and bottom ten countries on terms of HDI rankings

Top	Bottom
1. Norway	160. Mali
2. Australia	161. Burkina Faso
3. New Zealand	162. Liberia
4. USA	163. Chad
5. Ireland	164. Guinea-Bissau
6. Lichtenstein	165. Mozambique
7. Netherlands	166. Burundi
8. Canada	167. Niger
9. Sweden	168. Congo (Democratic Republic of)
10. Germany	169. Zimbabwe

Source: UN Human Development Report 2010.

1990s, often associated with external pressures to introduce economic liberalization and deregulation. Chinese experience demonstrates how the tendencies towards falling between-country inequality and widening within-country inequality can be part of the same process. Although Chinese economic reforms since 1978 have substantially boosted average incomes and dramatically reduced absolute poverty, they have also been associated with a fast rise in income inequality, particularly reflected in a widening of the urban–rural divide. The phenomenon of rural poverty is discussed in greater detail in the next section in relation to the impact of globalization.

Globalization, poverty and inequality

The impact of globalization on levels of poverty and inequality has been a source of debate and controversy since the early 1990s. Supporters of globalization have argued that it promises to deliver enhanced opportunities for all (Norberg 2003; Lal 2004;), while critics have linked globalization to polarization and intensified subordination (Held and Kaya 2006). Unfortunately, attempts to resolve this issue through empirical analysis alone have limited value. The most common approach is to identify correlations between the advance of economic globalization (see p. 94) and trends in income disparities. Not only, as already pointed out, are trends in inequality complex and, to some extent, contradictory, but correlations (both up and down) do not necessarily indicate cause or significance, as other factors may be affecting trends in poverty and inequality.

Those who associate globalization with widening inequality draw attention to a number of processes. First, they portray globalization as a game of winners and losers, in the sense that those who benefit do so at the expense of others. This has revived interest in the core/periphery model, advanced by world-systems theory (see p. 367). The North is the core area within the global economy, in that it is the home of sophisticated and high technology production (including most ‘global goods’) and the world’s leading TNCs. The South is the peripheral area within the global economy, still largely restricted to agricultural

production and supply of raw materials. The East (China, South Asia and so on) operates as a semi-peripheral area in that it has become the manufacturing powerhouse of the global economy without yet rivalling the North in terms of research and development and advanced technology. As such, globalization channels benefits to the rich North at the expense of the poorer South, helping to maintain, if not increase, between-country inequality. TNCs contribute to this process by exploiting raw materials and cheap labour in the South and by expatriating profit to the North. Second, between-country inequalities are exacerbated by the tendencies implicit in the global trading system and particularly the principle of free trade (see p. 474). As discussed in Chapter 19, free trade has been criticised for favouring the interests of rich states by giving them access to the markets of poorer states without exposing themselves to similar vulnerability. This explains both the pressure exerted by industrially advanced states, mainly via the World Trade Organization (WTO) (see p. 511), to encourage other states to embrace economic openness and the persistence of anomalies such as continued agricultural protectionism by the USA and the EU.

Third, the advance of globalization has been associated with growing rural poverty and a widening of rural–urban disparities. Rural areas account for three-quarters of the people living on less than \$1 day. This occurs largely because pressures from the global economy have massively disrupted agricultural practices in the developing world, encouraging peasant farmers to convert to cash crops, produced for export, and abandon subsistence farming geared to local needs and local communities. Fourth, globalization has fostered within-country inequality in at least two ways. The first way is through strengthening social hierarchies. Corporate power has thus become stronger as businesses have been able to exert increased political leverage through their ability to relocate investment and production almost at will, while trade unions have been weakened by the fear that agitation for higher wages or improved conditions will merely threaten job security. The second way is that the emergence of a more open and competitive economy has forced all states, to some extent, to deregulate their economies and restructure their tax systems whilst also rolling back welfare and redistributive programmes. The wealthy have therefore got wealthier while the poor have got poorer. To make matters worse, the theory of ‘**trickle down**’ has almost everywhere been exposed as a myth.

On the other hand, supporters of globalization have portrayed it as the surest way of reducing poverty and narrowing inequality. This can be seen to apply in two main ways. First, globalization is a positive-sum game: mutual benefits flow from engaging in the global economy. This is what Friedman (2006) meant in proclaiming that the world is becoming ‘flatter’, meaning that globalization has levelled the competitive playing field between advanced industrial and emerging economies. The period of accelerated globalization, starting in the early 1980s, thus witnessed the rise of newly industrializing countries (NICs) and significant economic progress in parts of the world that had formerly been characterized by poverty and underdevelopment. NICs, moreover, have based their development on a strategic engagement with the global economy rather than any attempt to opt out of it. Their two main strategies have been **import substitution** industrialization and export-orientated development, in which a range of industries are targeted that it is believed can successfully compete in the world marketplace.

● **Trickle down:** The theory that the introduction of free-market policies will, in time, benefit the poor and not only the rich through an increase in economic growth and a general rise in living standards.

● **Import substitution:** An economic strategy through which domestic industries are protected from foreign competition, at least during their infancy.

Focus on . . .

World-systems theory

World-systems theory offers a neo-Marxist analysis of the nature and workings of the global economy. Its most prominent exponent has been Immanuel Wallerstein (see p. 100). The central idea of world-systems theory is that the expansion of capitalism, from the sixteenth century onwards, has created a global economic system comprising three interlocking parts:

- *Core* areas that are characterized by relatively high wages, advanced technology and a diversified production mix, including mass market industries and sophisticated agriculture.
- *Peripheral* areas that are characterized by low wages, more rudimentary technology and a simple production mix geared towards staple goods such as grain, wood, sugar and so on.
- *Semi-peripheral* areas that are economically mixed, including some core features and some peripheral ones.

The core–periphery model emphasizes how strong states can enforce unequal exchange on weak ones, the transfer of economic surpluses from peripheral to core areas helping to maintain dependency and underdevelopment. Low-wage and low-profit producers in peripheral areas are used to service and support high-wage and high-producers in the core. Semi-peripheral areas act as a buffer or shock absorber within the world-system, helping to ensure that core countries are not faced by a unified opposition. Such relations are further underpinned by political differences between the core and the periphery, the former tending to have democratic governments, effective state machines and developed welfare services, while the latter usually have authoritarian governments, weak or ineffective state machines and very rudimentary welfare provision. An end to global poverty and regional imbalances within the global economy requires the overthrow of the capitalist world-system, or its collapse as a result of inherent instability and recurrent crises.

China is the most spectacular example of how an NIC can make globalization work for its benefit, but states such as India, Brazil, Mexico, Malaysia and the East Asian ‘tigers’ (Hong Kong, Singapore, South Korea and Taiwan) have adopted similar strategies, albeit with national variations. While there is evidence that integration – or at least ‘strategic’ integration – in the world economy is associated with rising GDP per capita, a failure or refusal to integrate is usually associated with low growth or economic stagnation. This can be borne out by the experience of sub-Saharan Africa. Supporters of globalization also challenge the idea that TNCs are the enemies of the South and a threat to global justice. TNCs in fact bring a range of benefits, including employment opportunities, better wages, training and investment in skills, and modern technology. Furthermore, rather than TNCs dictating to developing world governments, alliances are often forged through which governments also use TNCs for their own ends. Finally, even though trickle-down economics appears to have been a failure, pro-globalization theorists tend to argue that if within-country inequality grows as the rich get richer, the important thing is not that the poor keep up but that they become less poor. This raises questions about the general importance of inequality.

Does global inequality matter?

Attitudes to equality have traditionally shaped, if not defined, people's core ideological orientation. While left-wingers have generally supported equality and social justice, right-wingers have typically accepted that inequality is inevitable, and may even be beneficial. These positions also inform debates about globalization and are reflected in the broadly egalitarian stance adopted by most critics of globalization, and the generally inegalitarian stance adopted by its supporters. The case in favour of social equality is based on three considerations: power, conflict and personal wellbeing. Equality is linked to power in that social inequality affects power relations. The rich control economic and social resources that enable them to control and oppress the poor. In this view, the rich are rich, and may be able to get richer, through their treatment of the poor. An unequal world is therefore unjust and exploitative, meaning that global justice requires not just a reduction in absolute poverty but also a narrowing of the gap between the rich and the poor.

The link between inequality and conflict is evident in the fact that social disparities breed resentment, hostility and strife. This is of particular concern in relation to within-country inequality in poorer states. The combination of endemic poverty and widening income disparities, perhaps one of the key consequences of globalization in the developing world, creates a breeding ground for ethnic and tribal conflict and the general breakdown of civic order. In this sense, global inequality may have contributed not only to state failure and humanitarian crises but also to the growth of 'new' wars and the rise in terrorism (see p. 284). The link between inequality and personal wellbeing arises because human security (see p. 423) and happiness are affected by the fact that people perceive their social position in terms of what others have. If people feel excluded from the benefits and rewards that are customary in their society, they feel marginalized and disempowered (Wilkinson and Pickett 2010). This perhaps has clearer implications for within-country inequality, where the less well off live in relative proximity to better off and rich people. However, the growth of global information and communications means that this may also increasingly apply to between-country inequality. For example, a growing awareness of the prosperity enjoyed in other parts of the 'global village' has helped to stimulate massive migratory flows from poor countries to rich ones.

However, others have questioned the importance of inequality, even arguing that efforts to narrow the gap between the rich and the poor are misplaced or doomed to failure. The first such argument places an emphasis on poverty over inequality. From this perspective, absolute poverty is the real issue. Social evils such as hunger, a lack of access to clean water and sanitation, and low life expectancy are much more serious threats to happiness and personal wellbeing than the gap between the rich and the poor. If this is the case, national, regional and global policy should be structured around the goal of reducing extreme poverty, regardless of its implications for so-called relative poverty. Thus, it may not matter that the rich are getting richer, and perhaps much richer, so long as the poor are becoming less poor.

A second argument is that inequality has certain economic advantages. Economic liberals have long argued that social levelling leads to economic stagnation, as it caps aspirations and removes incentives for enterprise and hard

work. From this perspective, one of the reasons for low growth rates, and eventual collapse, of state socialist regimes was their relatively egalitarian social structures. Widening inequality may, indeed, simply be a feature of the 'take-off' phase of industrial development. A third argument is that the distribution of income or wealth, either within or between countries, is morally and politically less important than how that distribution is achieved. In this view, equality is less important than freedom. On an individual level, people should have the opportunity to rise and fall in society, their final position being a reflection of their aspirations, talents and willingness to work. From a global perspective, states should enjoy sovereignty and freedom from foreign interference, allowing them to use their own resources in developing strategies for national advancement within the global economy. So long as states enjoy political independence, how they rank economically against other states may affect their own citizens, but it is not an issue of global justice.

DEVELOPMENT AND THE POLITICS OF AID

Structural adjustment programmes and beyond

The end of empire in the 1950s and 1960s had profound political effects in the developing world, but remarkably few economic consequences. The established division of labour within the world economy between the industrialized North, the home of manufacturing production and the impoverished South, the chief source of primary production, especially raw materials and foodstuffs, remained unchanged. A lack of economic diversification in the South intensified economic vulnerability, as many developing world countries were (and in some cases still are) dependent for their export income on a single commodity, or a very narrow range of commodities. In 2005, as many as 43 developing states still depended on a single commodity for more than 20 per cent of their total revenues from exports. A slump in a single economic sector, often brought about by volatility in world export markets, could therefore have devastating consequences. However, from the late 1970s onwards the World Bank and the International Monetary Fund adopted a radically new approach to promoting development, using what became known as structural adjustment programmes, or SAPs. Why did this policy change take place, and what was the nature and purpose of SAPs?

The shift in the approach to development in favour of structural adjustment occurred for two main reasons. The first was a growing **debt crisis** in the developing world. This occurred as poorer countries borrowed heavily from western banks and other private bodies which were themselves flush with 'petro dollars' as a result of dramatic increases in the price of oil introduced in 1973 by the newly formed Organization of Petroleum Exporting Countries (OPEC). However, a combination of an increase in interest rates and the slowdown in the world economy in the 1970s (in part because of the world oil crisis) led to economic stagnation across much of the developing world, making it difficult, and sometimes impossible, for their debts to be serviced. In this context, many developing countries looked instead to borrow from the IMF (in order to deal with balance of payments crises) or from the World Bank (in order to fund

● **Debt crisis:** A situation in which a country is unable to service its debts because economic surpluses are insufficient to meet interest repayments.

development projects). Global financial institutions were therefore confronted by growing pressure to increase or restructure loans in a context in which previous loans had done little to promote economic growth. The second factor was the ideological shift that had occurred as a result of the collapse in the early 1970s of the Bretton Woods system (see Chapter 19) and the emergence of the so-called 'Washington consensus' (see p. 92). Based on the belief that the debt crisis and other problems were due to structural inefficiencies in the economies of many developing countries, compounded by bad or misguided government policies, the IMF and the World Bank sought to build **conditionalities** into the provision of any future loans. The purpose of these conditions was to bring about a market-orientated 'structural adjustment' of economic policy in line with the principles of neoliberalism.

The imposition of SAPs proved to be highly controversial. The thinking behind them was clearly rooted in economic liberalism. For officials at the IMF and the World Bank, the key to development was market reform, which would foster the dynamism, innovation and entrepreneurship that they believed are essential for economic growth, employment and poverty reduction. In encouraging the governments of poorer countries to introduce such reforms, IMF and World Bank officials believed that they were acting in the long-term interests of domestic populations. What is more, structural adjustment programmes were not imposed on unwilling or resistant governments, but were, rather, negotiated and agreed between independent states and international bodies based on the former's recognition that alternative sources of loans are not available, and, presumably, through an acceptance of the benefits of market reform. The principal alleged benefit of SAPs was that free trade and market reform would facilitate the integration of national economies into the global economy, thereby offering, it was believed, the best hope for increasing growth rates and ending the poverty cycle. Such thinking, indeed, may be backed by the striking difference between the economic performance of Africa and East Asia. In the 1950s and 1960s, GDP per capita in many African states was little different, and sometimes higher, than in most East Asian states, with countries such as China and India widely being viewed as economic 'basket cases'. However, East Asian countries subsequently made rapid economic progress, first through the success of the export-orientated strategies adopted by the East Asian 'tigers' and subsequently through market reforms that were adopted in China from 1978 onwards and by accelerating market reform in India, particularly after 1991. An example of this widening divide can be seen in the fact that whereas in 1957 Ghana had a larger gross national product (GNP) than South Korea, by 1996 South Korea's GNP was almost seven times larger than Ghana's. Nevertheless, the idea that the improved performance of East Asian economies can be put down to free trade should be treated with caution, particularly in the light of their use of state aid and forms of protectionism (as discussed in Chapter 4).

However, to recognize that the countries that have been most successful in recent years in boosting economic growth and reducing poverty have been ones that have placed emphasis on trade and economic integration, is very far from demonstrating the benefits of SAPs. SAPs, in fact, have been remarkably ineffective in achieving such goals, as the IMF and the World Bank eventually acknowledged (Przeworski and Vernon 2000; Easterley 2001). Top-down programmes of market reform designed by usually US-trained technocrats from the IMF and

● **Conditionality:** The requirement, usually made by the IMF and the World Bank, that certain conditions about the future direction of economic policy are met before loans are agreed or made.

*Focus on . . .***Structural adjustment programmes**

Structural adjustment programmes (SAPs), and sometimes structural adjustment loans (SALs), are devices that the IMF and the World Bank have used in the attempt to overcome what are viewed as structural inefficiencies that inhibit economic growth in the developing world. Used as the basis for the granting of loans during the 1980s and 1990s in particular, they reflected a strong faith in economic liberalism and a desire to roll back regulation and government intervention in the name of the free markets. SAPs tended to have similar aims and components for all countries to which they applied. The key reforms included:

- Reducing government spending, often through cut-backs to welfare provision, or attempts to balance government budgets through increased government revenues (for example, through higher fees for government services).
- Reducing or removing subsidies to domestic industries, which had often been part of import substitution strategies.
- Reducing or removing tariffs, quotas and other restrictions on the import and export of goods.
- Deregulating the economy generally and particularly removing restrictions on foreign investment to achieve what is called capital market liberalization.
- Privatizing, or selling off, government-owned industries and services.
- Devaluing of the exchange rate in order to encourage exports and reduce imports.

the World Bank were often harsh and paid little attention to local needs and circumstances. In cases such as Chile (which adopted reforms designed by Chicago School economists, following the ideas of Milton Friedman (see p. 91)), Argentina and Mexico, market-orientated structural adjustment led to years of economic disruption and political instability. Following the Asian financial crisis of 1997, it was notable that Malaysia, which had refused to accept the IMF's offer of a loan and its accompanying conditions, recovered significantly more quickly than Thailand and South Korea, which accepted loans and faithfully carried out IMF prescriptions. The lesson of China and, to a lesser extent, India is that market-orientated and pro-export reforms work most effectively when they are part of national strategies for development, allowing countries to engage with the global economy essentially on their own terms.

What were the drawbacks of SAPs? First, as analysts such as Joseph Stiglitz (see p. 468) have pointed out, they often resulted in greater poverty rather than less. For instance, pressure to reduce government spending frequently led to cuts in welfare, education and health budgets, which had a disproportionate impact on the less well off and especially on women and girls. Similarly, exposing relatively weak economies to foreign competition often pushed up unemployment while also driving down wages and worsening working conditions, all in the name of greater 'labour flexibility'. Increased foreign investment also tended to focus on the production of consumer goods for world markets rather than the building of schools, roads and hospitals where economic returns are far less impressive. Second, far from creating a rising tide of global economic growth that would 'lift all boats', SAPs, arguably, attended more to the interests of major donor states, especially the USA, which were seeking expanded investment and

trading opportunities, than they did to the needs of the developing world. This, indeed, may reflect deep biases that operate within the IMF and the World Bank, based, for instance, on their reliance on largely western, or western-trained, senior officials and analysts, and the fact that, suffering from the pressures of hunger, disease, poverty and spiralling debt, developing countries often have very limited freedom of manoeuvre in dealing with international organizations.

Finally, and perhaps most crucially, many would argue that SAPs were based on a flawed model of development. They had a very weak empirical underpinning, in that it is based on a model of development that no economically developed state had actually followed. In imposing SAPs, industrially advanced countries were, in effect, saying: 'do as we say, not as we did'. The record of countries such as the USA, Germany, Japan and, more recently, China, is that early industrialization is closely linked to a willingness to protect industries from foreign imports until they are strong enough to compete. Such countries only converted to policies of free trade and economic liberalism once they had reached a level of economic maturity that ensured that domestic industries were no longer vulnerable. By contrast, SAPs are based on the myth of free-market development, in that they treat an open economy as a pre-condition for development, rather than as a consequence. As criticism of SAPs intensified during the 1990s, pressure for reform built up. Even the IMF and the World Bank came to accept that SAPs had caused at least short-term economic and social disruption, and were an unreliable means of boosting growth. Since 2002, the 'one size fits all' approach to structural adjustment has largely been abandoned. Conventional SAPs have been replaced by Poverty Reduction Strategy Papers (PRSPs), which are modified SAPs that are more flexible, seek to promote country ownership, place a heavier emphasis on poverty reduction and allow for longer-term loans (up to 7 years). Nevertheless, the underlying emphasis on market economics and boosting exports remains unchallenged.

International aid and the development ethic

Since the 1980s there has been growing political and ethical debate about development and how it can best be achieved. This, in part, reflected mounting disillusionment with 'orthodox', market-based approaches to development, greater attention being paid to more critical and reflective 'alternative' theories of development that, amongst other things, give greater scope for Southern views rather than technocratic intervention by the North. Amartya Sen's (1999) notion of 'development as freedom' and growing interest in the 'human development' approach to poverty are examples of this process. In addition to this, a global anti-poverty movement started to emerge, often acting as the most prominent element within the larger anti-globalization or anti-capitalist movement. The anti-poverty message has been conveyed by a wide range of development NGOs, groups such as Jubilee 2000 (which campaigned for the end of developing world debt by the year 2000) and the Make Poverty History campaign, and by the Live Aid concerts in 1985 (which aimed to raise funds for famine relief in Ethiopia) and the Live 8 concerts and protests that sought to exert influence on the 2005 G8 summit in Gleneagles, Scotland. One consequence of this has been a willingness to make bolder assertions about what Jeffrey Sachs (2005) called the 'end of poverty', and to set ambitious targets for its achievement. The most significant

GLOBAL ACTORS . . .

THE WORLD BANK

Type: Intergovernmental organization • **Established:** 1944 • **Headquarters:** Washington, DC
Membership: 186 countries

The World Bank is a bank that provides loans and financial and technical assistance to support reconstruction and development, with a growing emphasis on the task of reducing poverty. The World Bank was created as a result of the Bretton Woods agreement of 1944, with its first loan (\$250 million to France for post-war reconstruction) being made in 1947. The Bank comprises two institutions:

- The International Bank for Reconstruction and Development (IBRD).
- The International Development Association (IDA).

The President of the World Bank is responsible for the overall management of the Bank. The Board of Directors oversees the approval of loans and guarantees, new policies, the budget and key strategic decisions. Voting within the World Bank is weighted according to the financial contribution of member states. Although the IBRD obtains funding through the sale of bonds in the world's financial markets, the IDA obtains the majority of its funds from 40 donor countries, most prominently the USA. The President is always a US citizen nominated by the US Treasury Secretary. The capital of the Bank in 1945 was \$10 billion; by 2003, it had grown to \$189.5 billion. Since 1993, the Bank has made loans annually to the tune of about \$20 billion.

Significance: In the early period, the World Bank concentrated on promoting post-war reconstruction. However, over time, promoting development became the principal focus of its work. This, nevertheless, occurred through a number of phases. In the first, sometimes viewed as 'modernization without worry', it mainly supported large infrastructure projects in transport, energy, telecommunications and so on. During the 1970s, under the presidency of Robert McNamara (1968–81), the Bank placed greater emphasis on poverty reduction; for example, by promoting projects in rural development and concentrating on meeting basic needs. From the early 1980s, confronted by the growing debt crisis of many developing countries and under the influence of the ideological shift towards neoliberal economics represented by the 'Washington consensus', the Bank, in conjunction with the IMF, embraced a strategy of 'structural adjustment'. Structural adjustment programmes (SAPs) linked loans and other forms of support to conditions requiring a range of market reforms and later even to political conditions. These were designed to re-establish as quickly as possible the creditworthiness of developing countries in order to focus once again on the fight against poverty. During the 1990s, in the face of growing criticism and a recognition of the failures of many of the SAPs, the Bank started to place less emphasis on macro-economic reform and greater

emphasis on the structural, social and human aspects of development. This was done through the Comprehensive Development Framework (CDF) which, in 1999, in conjunction with the OECD, the IMF and the UN, set six key targets for poverty reduction to be met by 2015. The new strategy has been dubbed the 'post-Washington consensus'.

The World Bank is the world's leading organization concerned with the issues of development and poverty reduction. Its supporters highlight its success in transferring resources, through development projects, from wealthy countries to poorer ones. They also point out that the Bank has learnt from earlier mistakes, recognizing, for instance, the need for more flexible and creative approaches to poverty reduction which place greater emphasis on country ownership. In addition, the Bank is the major collector and disseminator of information about development, its publications including the *World Bank Annual Report*, the *World Development Report* and the review *Global Development Finance*. Critics of the World Bank have argued, variously, that its financing of development is insufficient, that its record of reducing poverty is poor, that its neoliberal bias remains in place despite the abandonment of formulaic SAPs, and that, together with the WTO (see p. 511) and the IMF, it tends to uphold the imbalances and disparities of the global economic order rather than challenge them.

Focus on . . .

Millennium Development Goals: ending global poverty?

The Millennium Development Goals (MDGs or MDG 8) are a long- and medium-term (to be achieved by 2015) development agenda approved by the UN General Assembly in December 2000. Their purpose was to inject renewed urgency into global development efforts by establishing challenging targets in each of the key human development areas. The MDGs were adopted by 189 countries and were signed by 147 heads of state and governments during the UN Millennium Summit in 2000. The eight MDGs are:

- Goal 1: Eradicate extreme poverty and hunger.
- Goal 2: Achieve universal primary education.
- Goal 3: Promote gender equality and empower women.

- Goal 4: Reduce child mortality.
- Goal 5: Improve maternal health.
- Goal 6: Combat HIV/AIDS, malaria and other diseases.
- Goal 7: Ensure environmental sustainability.
- Goal 8: Develop a Global Partnership for Development.

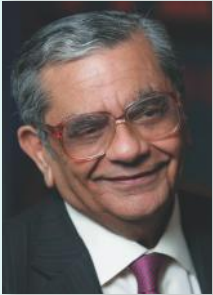
The Goals are focused not only on transferring wealth, but also on changing the rules of the global economy to remove structural inequalities. This is particularly emphasized by Goal 8 (the only goal that does not have fixed targets), which encompasses the goals of establishing an open trading and financial system that is rule-based, predictable and non-discriminatory.

attempt to do this, and to reinvigorate the development agenda took place through the establishment of the Millennium Development Goals (MDGs).

Underlying these developments has been the emergence of a new development ethic that reflects the declining influence of realist assumptions and a strengthening of cosmopolitan sensibilities. In the realist approach to development, aid and other forms of support for foreign countries are, and should be, motivated for a concern for national self-interest. This is based on the assumption that people's moral obligations are essentially confined by citizenship and culture, and are thus restricted to people who share the same national identity and are part of the same community. This ethical nationalism suggests that concern about the plight of other peoples and other countries should be informed by a kind of enlightened self-interest, in which, for example, rich countries provide international aid (see p. 376) primarily to support the creation of new and more vibrant markets for their own good. By contrast, cosmopolitanism (see p. 21) globalizes moral sensibilities in that they extend to all peoples and groups, regardless of national differences. As such, it provides a stronger and more positive basis for supporting development and poverty reduction based on the principle of global justice. The extent of moral obligations, and particularly whether our obligations extend to all other people in the world, is therefore a matter of hot dispute (see p. 80).

At least three arguments have been used to support such a development ethic. The first is based on the principle of general benevolence. Peter Singer (1993), for example, used utilitarian arguments, which favour acts that promote overall happiness and reduce overall levels of pain and suffering, to advance the

KEY THEORISTS IN DEVELOPMENT



JAGDISH BHAGWATI

Jagdish Bhagwati (born 1934)

An Indian-American economist and adviser to the UN and the WTO, Bhagwati has been a leader in the fight for freer trade, arguing that globalization has a 'human face', even though this needs to be made more agreeable. His works include *In Defence of Globalization* (2004) and *Termites in the Trading System* (2008).

Susan George (born 1934)

A US political scientist, George has been a fierce critic of the 'maldevelopment' policies of the IMF and the World Bank, advancing an uncompromising critique of the impact of capitalism on the world's poor. Her works include *How the Other Half Dies* (1976), *A Fate Worse Than Debt* (1988) and *Another World is Possible If* (2004).



SUSAN GEORGE



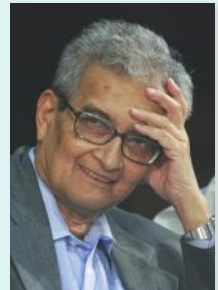
JEFFREY SACHS

Jeffrey Sachs (born 1954)

A US economist, Sachs has been a leading exponent of sustainable development, placing an emphasis on ending extreme poverty and hunger and advising the UN on strategies for supporting the Millennium Development Goals. His publications include *The End of Poverty* (2005) and *Common Wealth* (2008).

Amartya Sen (born 1933)

An Indian welfare economist and philosopher, Sen has made a major contribution to shifting thinking about development away from economic models and towards ideas such as capacity, freedom and choice. His works include *Poverty and Famine* (1981), *Development as Freedom* (1999) and *The Idea of Justice* (2009).



AMARTYA SEN

See also **Joseph Stiglitz (p. 468)**

principle that 'if we can prevent something bad without sacrificing anything of comparable significance, we ought to do it'. Thus, if absolute poverty is bad, and at least some absolute poverty can be prevented without significant sacrifices being made (charitable giving or protesting, for example), then not to help in these circumstances would be wrong, even, according to Singer, amounting to the moral equivalent of murder. The second argument is based on the doctrine of human rights (see p. 304). The idea of a 'right to development' has emerged out of a combination of economic rights and 'third-generation' solidarity rights (as discussed in Chapter 13). This right imposes important duties on other

CONCEPT

International aid

International aid (sometimes called foreign aid or overseas aid) refers to the transfer of goods or services from one country to another country, motivated, at least in part, by the desire to benefit the recipient country or its people. While bilateral aid is direct country-to-country aid, multilateral aid is provided by or through an international organization.

Humanitarian aid (or emergency relief) differs from development aid, the former addressing immediate and basic needs, whereas the latter is concerned with longer-term projects. The term is controversial because it assigns an altruistic motive to actions that may be essentially self-serving, as aid often comes with 'strings attached' and is not always clearly humanitarian (loans are often counted as aid, for example).

people. Shue (1996), for instance, argued on this basis that people not only have a duty not to deprive others but, more radically, a duty to relieve their deprivation. The acceptance of this duty would imply a major redistribution of wealth and resources on a global level. The third argument is based on attempts to rectify past injustices. If the wealth of the North has substantially been based on the oppression and exploitation of the South (in particular through colonialism and neo-colonialism), this imposes powerful obligations on rich countries to make amends, compensate or bring about restitution for past actions. Clearly, however, those obliged to support poverty reduction may not themselves be involved in exploitation, but they are the beneficiaries of past and present exploitation, as part of a larger causal chain of exploitation (Dower 1998).

International aid is the principal way in which countries discharge their development responsibilities and help to promote socio-economic development in other countries. Aid may consist of the provision of funds, resources and equipment, or staff and expertise. Nevertheless, despite a series of major international development initiatives, often focused on boosting aid commitments, there are persistent concerns about the levels of aid actually provided. Although rich countries have committed themselves to meeting the UN's target of donating 0.7 per cent of their GNP to aid, donation levels have lagged far behind, with only five OECD states (Norway, Sweden, Luxembourg, Denmark and the Netherlands) achieving the target in 2007. Aid levels have instead generally been in the range 0.2–0.4 per cent, and in the case of the USA, also in 2007, 0.16 per cent. Official aid figures, moreover, are notoriously unreliable as they often include money allocated for purposes such as debt relief and administrative costs incurred by donor states that do not take the form of direct economic assistance. On the other hand, official figures take account only of government spending and ignore the fact much more is given by private donations of various kinds. For example, private donations from the USA (from foundations, businesses, NGOs, religious bodies and colleges) are more than twice as large as the US international aid budget, and personal remittances from the USA to developing countries are about three times as large. Nevertheless, there is general agreement that the level of international aid is generally insufficient to support meaningful development, and is putting the achievement of the Millennium Development Goals at risk. Although substantial progress has been made in areas such as primary education, AIDS treatment and access to safe drinking water, poverty in sub-Saharan African countries has been reduced by only about 1 per cent, and these countries appear unlikely to meet their goals by 2015. The quest for equitable development has, furthermore, been damaged by the fact that, in the context of the global financial crisis, developed countries reduced their aid budgets in 2007 and 2008.

Such difficulties have fuelled attempts to generate additional funds that can be used for international aid. These have included the so-called '**Tobin tax**', which also aims to dampen down the volatility of financial markets, an airline ticket levy and the International Finance Facility, which would involve the sale of government-backed bonds on the financial market. However, the issue of international aid is not only about numbers. The quality of international aid may be just as important as its quantity. Jeffrey Sachs (2005) identified the standards for successful aid as that it should be targeted, specific, measurable, accountable and scalable (appropriate to the scale of the task for which it is designated). It should, moreover, support a 'triple transformation'. In agriculture, it should boost food

● **Tobin tax:** A transaction tax on foreign currency dealings, proposed by the US economist James Tobin.

KEY EVENTS . . .

Major development initiatives

1970	Rich countries commit themselves to achieving the UN's target of providing 0.7 per cent of GNP and official assistance to poorer countries.
1974	UN declaration on the New International Economic Order (NIEO), which included a call for the radical redistribution of resources from the North to the South.
1980	The Brandt Report of the Independent Commission on International Development Issues, chaired by Willy Brandt (former German Chancellor), emphasizes the depth of the North–South divide but also stresses the 'mutuality of interests' argument.
1987	The Brundtland Report, <i>Our Common Future</i> , prepared by the World Commission on Environment and Development, emphasizes the principle of 'sustainable development', linking economic growth and poverty reduction to stronger environmental protection.
1992	The UN's Conference on Environment and Development, also known as the Earth Summit, attempts to translate sustainable development into a range of policy proposals.
2000	Through the Millennium Development Goals, some 189 states and at least 23 international organizations sign up to a series of bold goals on the reduction of poverty by the year 2015.
2005	The G8 Summit at Gleneagles, Scotland, agrees to boost aid to Africa and adopt a programme of debt cancellation (see p. 380).

production to end cycles of famine, particularly by promoting a '**green revolution**'. In health, it should aim to improve nutrition, the provision of cleaner drinking water and basic health services. In infrastructure, projects should help to tackle economic isolation by improving transport, supply chains and connectivity generally.

The idea that international aid promotes development has not gone unchallenged, however. Economic liberals have even gone as far as to argue that aid is a 'poverty trap' helping to entrench deprivation and perpetuate global disparities. From this perspective, international aid tends to promote dependency, sap initiative and undermine the operation of free markets. Easterly (2006), for example, argued that the \$568 billion that had been given by rich countries in international aid to Africa over four decades had resulted in no increase in per capita income. A major factor accounting for this gloomy picture has been the growth in **corruption**. The level of corruption in an institutional system is conditioned by factors such as the effectiveness of external checks, the level of administrative discipline, the strength of internal codes and norms, and the general level of economic development. Government-to-government aid to authoritarian or dictatorial regimes has therefore often been siphoned off for the

● **Green revolution:** The introduction of pesticides and high-yield crops to boost agricultural productivity.

● **Corruption:** A failure to carry out 'proper' or public responsibilities because of the pursuit of private gain, usually involving bribery or misappropriation.

benefit of elite groups and contributed little to the alleviation of poverty or deprivation. This is why aid programmes since the 1990s have increasingly stressed the need to meet conditions for 'good governance'. Moreover, aid is rarely donated disinterestedly. Realists argue that aid, if it is provided at all, invariably reflects donor-state national interests. It comes with 'strings attached'. Much of US official international aid is therefore linked to trade agreements, a practice that the EU now actively discourages. Similarly, food aid that appears to be designed to relieve hunger has commonly takes the form of '**food dumping**', which undercuts local farmers, who cannot compete and may be driven out of jobs and into poverty.

Debt relief and fair trade

The issue of developing world debt has been prominent since the debt crisis of the 1970s and 1980s. This created problems for both the North and the South. As poorer countries (starting with Mexico in 1982) announced that they could no longer service their debts, many Northern banks were faced with the possibility of collapse. More severely, however, Southern countries, due to the size of their debts and their poor economic performance, channelled more and more money into their escalating debt repayments at the expense of building schools and hospitals, investing in the economic infrastructure and helping to alleviate poverty. Even though loans from the World Bank and the IMF were provided on the most favourable terms that developing countries could get anywhere in the world, debt escalation was dramatic. For instance, Zimbabwe's foreign debt rose from \$814 million in 1970 to nearly \$7 billion by 1990. A growing campaign to bring about **debt relief** therefore started to emerge (George 1988).

Powerful voices were, nevertheless, raised against debt relief. Concerns, for example, were raised about its implications for the stability of the world's financial system and about the message it sent poorer countries about the need to uphold financial disciplines. On the other hand, Northern countries were becoming increasingly aware that if the growing debt burden was entrenching poverty in the South, it was merely strengthening the pressure to expand international aid and other forms of assistance. In 1989, the USA launched the 'Brady bonds', through which it underwrote a proportion of Latin America's debt overhang from the 1970s and 1980s. Under the Heavily Indebted Poor Countries (HIPC) Initiative, negotiated in 1996, the World Bank and the IMF agreed to extend the opportunity for debt relief to 40 of the world's poorest countries. Uganda was one of the first to enjoy debt relief under HIPC, and by 2006, 29 countries were enjoying debt relief, at a cost estimated to be about \$62 billion. The G8 Gleneagles deal in 2005 significantly accelerated the pace of debt relief, through the agreement to provide 100 per cent cancellation of debts owed to the IMF and the World Bank. By 2006, this covered 21 countries at a cost of \$50 billion, with eventual plans to include up to 43 countries. Greater progress has undoubtedly been made on debt relief than on either increasing aid levels or switching from free trade to fair trade. Nevertheless, some have argued that it has weakened pressure to increase aid, as money allocated for debt relief is usually calculated within international aid budgets.

After international aid and debt relief, the third priority within the anti-poverty agenda is the global trading system. Anti-poverty campaigners have

● **Food dumping:** The donation of surplus food to poor countries for free or at cheap rates in order to maintain market shares or prop up global prices.

● **Debt relief:** Agreements to write off foreign debt or reduce it to 'sustainable levels', often linked to conditions about good governance.

Debating ...

Does international aid work?

Traditionally, international aid has been seen as the main way of fighting poverty and spurring economic growth in poor countries. If we want to promote development, the solution is to give more. The vexing challenge for humanitarians is nevertheless that there has been a lack of evidence that aid is effective.

FOR

A more level playing-field. The idea that self-reliance and global market forces will 'raise all boats' is fundamentally flawed. There are structural biases within the global economy that favour rich countries at the expense of poor ones, not least to do with the impact of free trade and the concentration of corporate power in the North. Poor countries, therefore, cannot compete on equal terms. International aid helps to counter these disparities by ensuring a counter-flow of money and resources from the North to the South. Some, further, argue that there is a moral duty to provide international aid, in that the wealth and prosperity of the North has been, in substantial part, built on its mistreatment of the South.

Building domestic capacity. It is a myth that aid merely provides recipient countries with money that they can put to proper or improper uses, as they wish. International aid is increasingly targeted on long-term development projects and is orientated around capacity-building for the future. Examples include aid provided to improve the economic infrastructure (dams, roads, bridges, airports), to boost food production ('high tech' crops, pesticides, irrigation schemes), and improve health services and education, particularly primary education. The effectiveness of aid is evident in the fact that countries such as China, India, Brazil and Thailand, major recipients of aid in the past, are now developing strategic aid programmes themselves.

Emergency relief. A growing proportion of aid is now so-called humanitarian aid, provided for purposes of emergency relief. The need for emergency relief has grown as humanitarian crises have become more common, through, for example, an increase in civil wars and ethnic conflict, and climate change due to global warming. As emergency relief consists of the provision of food, clean water, shelter, vaccinations and so on, the justification for it is quite simply that it saves lives. The international community increasingly accepts that it has a moral obligation to act in such circumstances.

AGAINST

Ineffective help for the poor. There is little reliable evidence that aid boosts economic growth and contributes to poverty reduction. This is certainly borne out by the experience of Africa and particularly of sub-Saharan Africa, where decades of international assistance have not been associated with meaningful economic progress, and may even, in some cases, have been counterproductive. Aid, indeed, may entrench patterns of global inequality, rather than challenge them, discouraging initiative and self-reliance within recipient countries and strengthening a culture of dependency. The level of aid is, anyway, insufficient to make a difference to poor countries and poor people.

Distorting markets. Any form of aid or external assistance tends to upset the fragile balances of a market economy, which provide poor countries with their best long-term prospect of development. Not only does this reduce incentives and prevent the growth of entrepreneurship, but it also means that resources are not drawn to their most profitable use, leading to economic inefficiency and low productivity. Aid can thus 'hollow out' an economy, effectively displacing local businesses and industries, or at least constraining their growth. This can be seen in the tendency of food aid to weaken domestic agricultural production, thereby contributing to an expansion of rural poverty.

Corruption and oppression. Aid is invariably channelled through recipient-country governments and bureaucracies in which power is often concentrated in the hands of the few and the mechanisms of accountability are, at best, poorly developed. This tends to benefit corrupt leaders and elites rather than the people, projects and programmes for which it was intended. Indeed; aid may actually foster corruption and deepen oppression, as autocratic rulers may use aid funds not only to support their own affluent lifestyles but also to widen their own political control by subverting opponents and benefiting favoured ethnic or tribal groups. What is more, aid conditions related to 'good governance' are much easier to establish than to enforce.

GLOBAL POLITICS IN ACTION ...

The 'Year of Africa'

Events: During 2005, the international community devoted unprecedented attention to the plight of Africa, and particularly to promoting development in sub-Saharan Africa, the poorest part of the world. While other regions made progress, and, in the case of East Asia and parts of South Asia, rapid progress, conditions in sub-Saharan Africa remained largely unchanged and, in some respects, got worse. The percentage of people living on \$1 a day or less rose from 45 per cent in 1990 to 49 per cent in 1999. In designating 2005 the 'year of development' or the 'year of Africa', the larger issue of poverty reduction and, in particular, the plight of sub-Saharan Africa were placed at the top of a number of international agendas. Most significantly, the G-8 summit at Gleneagles, Scotland, resulted in a historic deal. The world's most developed states committed themselves to:

- increasing international aid by \$50 billion a year by 2010. Half of this was to go to Africa, doubling aid to the continent;
- providing 100 per cent cancellation of debts owed to the IMF and the World Bank. Initially, the agreement covered 19 countries, but a further 24 were also scheduled for debt relief;
- delivering an 'ambitious and balanced conclusion' to the Doha round of global trade talks, as 'the best way to make trade work for Africa'.

These themes and goals were reaffirmed by the EU and the WTO. The UN 60th Summit took the opportunity to restate the international community's commitment to achieve the 2015 Millennium Development Goals, acknowledging that Africa would be the main beneficiary of the new commitment to aid. These summits and meetings took place against a backdrop of heightened anti-poverty activism, including demonstrations and marches organized by groups such as Make Poverty History and a series of 10 concerts, most of them taking place simultaneously, organized worldwide by Live 8.

Significance: Was 2005 really the 'year of Africa'? On the face of it, the commitments made in 2005 were remarkable. Targets were set for increasing aid to developing countries, with half of it scheduled to go to Africa. The



extension of the HIPC Initiative on debt relief would undoubtedly help the world's poorest countries, and, by 2006, 14 sub-Saharan countries had had their debt cancelled (although, by 2009, \$300 million of debt was still owed by African countries). There was an agreement on universal access to anti-HIV drugs in Africa by 2010, as well as a commitment to train 20,000 peacekeeping troops for Africa in exchange for African commitments to good governance and democracy.

However, the Gleneagles deal also attracted considerable criticism. In the first place, the promise to increase aid to Africa by \$25 billion a year by 2010 could be viewed as a drop in the ocean as far as ending global poverty is concerned, particularly as before 2005 Africa, the world's poorest continent, attracted only 20 per cent of the world's international aid. Second, some of the promises made in 2005 about debt relief and increased aid were revealed, on closer inspection, to be rehashed versions of aid already pledged, and by June 2010 some \$18 billion of promised money had not been paid. Third, debt relief came at a price. The IMF and World Bank agreed to extend the HIPC Initiative, but only on condition that pro-market economic reforms were introduced (for example, Tanzania was forced to privatize its water industry). In other words, the Gleneagles deal was based on 'orthodox' assumptions about development that ultimately placed greater emphasis on trade than aid. Finally, as the Doha round of WTO negotiations stalled, the global trading system remained unreformed, allowing rich countries to maintain protectionism, often at the expense of poor ones.

argued that free trade must be replaced by **fair trade**. This stems from the belief that structural disparities that operate within the global trading system systematically benefit the wealthiest and most developed countries at the expense of the poorest and least developed ones. These are often linked to inequalities in the terms of trade, whereby primary goods, often produced in the developing world, are relatively cheap while manufactured goods, usually produced in the developed world, are relatively expensive. So-called 'free' trade can therefore rob people in developing countries of a proper living, keeping them trapped in poverty. Attempts to promote development through the provision of international aid and debt relief, but which ignore the global trading system, are therefore doomed to failure. Many development NGOs have, as a result, called for fair trade rather than free trade, which would involve setting prices for goods produced in the developing world that protect wage levels and working conditions, thus guaranteeing a better deal for producers in poorer countries. However, the extent to which such campaigns, which often focus on changing consumer preferences in the developed world in order to alter companies' commercial practices, can alleviate poverty is necessarily limited. More significant progress in establishing fair trade requires the reform of the global trading system itself. This issue is discussed in greater depth in Chapter 19.

● **Fair trade:** Trade that satisfies moral, and not merely economic, criteria, related to alleviating poverty and respecting the interests of sellers and producers in poorer areas.

SUMMARY

- A distinction is commonly drawn between absolute poverty, founded on the idea of 'basic needs', and relative poverty, in which the poor are the 'less well off' rather than the 'needy'. However, narrowly income-based definitions of poverty have increasingly been viewed as limited or misleading, as greater attention is paid to the broader notion of human development.
- The 'orthodox' view of development takes economic growth to be its goal and understands modernization in terms of western-style industrialization. The 'alternative' view of development rejects such technocratic, top-down and pro-growth strategies, but it encompasses a wide range of views and approaches.
- Trends in global inequality are often highly complex and contradictory. It is widely believed that in recent decades the growing importance of emerging economies has had an equalizing impact, counter-balanced by deepening poverty in sub-Saharan Africa and a general trend towards greater within-country inequality.
- The impact of globalization on levels of poverty and inequality cannot be resolved through empirical trends alone. Some claim that globalization, like a rising tide, will eventually 'raise all boats', but others argue that globalization is based on structural disparities that inevitably benefit some countries and areas at the expense of others.
- Official development policies, particularly during the 1980s and 1990s, were based on structural adjustment programmes that sought to remove blocks to economic growth in the developing world. These proved to be highly controversial, sometimes resulting in deeper, not reduced, poverty, and have, in some respects, been modified in recent years.
- International aid is often viewed as the key mechanism of development. It is justified by a development ethic that suggests that rich countries have an obligation to support poor countries and reduce global inequality. Critics, nevertheless, have argued that aid provides ineffective support for the world's poor because it undermines markets and tends to promote corruption and oppression.

Questions for discussion

- What distinguishes 'the rich' from 'the poor'?
- Why has poverty increasingly been measured in terms of human development?
- What are the advantages and disadvantages of the 'development as growth' model?
- What is the North–South divide, and why has its continuing relevance been called into question?
- Why is there so much disagreement about trends in global inequality?
- To what extent can growing poverty be blamed on the advance of globalization?
- Why have official development policies aimed to adjust the structure of developing economies?
- Have the Millennium Development Goals been mere window dressing?
- Does international aid redress imbalances in the global economy?
- Does writing-off developing world debt make both moral and economic good sense?

Further reading

- Brett, E. *Restructuring Development Theory: International Inequality, Institutional Reform and Social Emancipation* (2009). A systematic assessment of the evolution of development theory and its relationship to other social science disciplines.
- Greig, A., D. Hulme and M. Turner *Challenging Global Inequality: Development Theory and Practice in the 21st Century* (2007). An accessible overview of global inequality and development ideas and practices in the twenty-first century.
- Riddell, R. *Does Foreign Aid Really Work?* (2007). A thorough and insightful examination of the benefits as well as the failings of the contemporary world of international aid.
- Willis, K. *Theories and Practices of Development* (2005). An accessible introduction to competing theoretical approaches to development and their practical implications.



Links to relevant web resources can be found on the *Global Politics* website