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ENDING ABSOLUTE POVERTY

Redistribution or Economic Growth?

By Stephen Rowntree, S.J.

Billions of people try to survive on less than \$2/day. In 2008, the number was 2.44 billion, which is 36% of a total world population of 6.7 billion. The number of people living in “absolute poverty,” which is defined as living on less than \$1.25, was 1.274 billion, 19% of the world population. The focus of this article is alleviation of such absolute poverty.

Absolute poverty is not the only kind of poverty. The poor in rich countries suffer from relative poverty. In the United States an individual with an income below \$11,139 is classified as poor. Per day this is \$30.51. The relatively poor in the United States suffer marginalization and stereotyping. They lack goods and services those who are not poor take for granted.

The number of absolutely poor people is shocking in itself and even more so when compared to the 2011 total of accumulated world wealth and the year’s total economic production. The amounts are huge, even staggering: Credit Suisse’s 2012 *Global Wealth Report* asserts that total household wealth amounted to \$US 223 trillion. According to the C.I.A *World Factbook* of Nov. 13, 2012, the economic value added in the whole world totaled \$US 79.39 trillion (in purchasing power parity terms).

The total annual production and accumulated wealth distributed equally would amount to \$11,900 per year, or \$32.60 per day. The sum of world production and wealth would more than insure that everyone’s material needs are adequately met. But it needs to be redistributed. Redistribution on this scale is not practicable, however, without turning the world economy upside down. And while such a simple redistribution of a year’s output might give the very poor the money to buy food, clothing, and shelter, it would render them dependent: giving fish, rather than teaching to fish. In any case, redistribution on this or even a much lesser scale is not likely to happen. How

many people in rich countries would be willing to drastically reduce their per-capita income to what is the current poverty line in the United States?

Whether large-scale redistribution is owed as a matter of justice to poor people and poor countries (apart from its feasibility and likelihood) is nonetheless an important question. Are those who are desperately poor victims of theft? We who are rich might well plead innocent to this charge. But do not our current riches depend on our ancestors’ crimes? Did not countries that grew rich, such as the U.K., Netherlands, Spain, France, Germany, and the United States, do so at the expense of the peoples they conquered, colonized, even enslaved? Karl Marx, for one, described the development of capitalism as based on the exploitation of workers by owners of the means of production. Lenin and others expanded Marx’s analysis to include colonialism as exploitation of poor nations by rich nations. Gustavo Gutierrez seems to agree: “In the Bible poverty is a scandalous condition inimical to human dignity and therefore contrary to the will of God.” The Bible expresses “indignation” at poverty and “the cause of poverty...the injustice of oppressors” (*A Theology of Liberation*).

To ask for the causes of mass poverty assumes that people, if not very rich, are at least moderately well off and that something has happened that impoverishes them, namely, conquest, oppression, or natural disasters. What if most people, in most places, in most of recorded history were materially poor? Then the important question is: “How did some few people in some few places grow materially rich?” What if the immense wealth of rich countries is not stolen but produced by them? Nathan Rosenberg and L.E. Birdzell’s *How the West*

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Grew Rich and others show that it is not poverty but wealth that calls for an explanation. According to them, throughout world history mass poverty has been the norm:

If we take the long view of human history and judge the economic lives of our ancestors by modern standards, it is a story of almost unrelieved wretchedness. The typical human society has given only a small number of people a human existence, while the great majority have lived in abysmal squalor. Only during the last two hundred years has there come to Western Europe, the United States, Canada, Australia, Japan, and a few other places one of history's infrequent periods when progress and prosperity have touched the lives of somewhat more than the upper tenth of the population.

The change is from the situation where only a small minority were wealthy and the vast majority poor to one where a majority were well-off (if not very wealthy) and a minority poor: "The West's achievement was not the abolition of poverty but the reduction of its incidence from 90 percent of the population to 30 percent, 20 percent, or less."

To frame mass poverty in these terms makes poverty alleviation primarily a matter of increasing economic production, not simply redistributing what has already been produced. What eliminates absolute poverty is rapid and sustained economic growth that is widely shared. Economies that grow relatively rapidly over many years grow out of mass poverty. The enemy of the poor is not the rich but situations and structures that prevent or hinder economic growth (See Paul Collier's *The Bottom Billion*). For example, in 1960 South Korea had a per-capita GDP of \$291.08, which was 10.05% of that of the U.S., and Zimbabwe had a per-capita GDP of \$53.40, 1.84% of the U.S.'s. South Korea experienced rapid economic growth for the next 50 years, and by



Loyola University New Orleans alumnus Dawson McCall in Uganda as part of POISE, a nonprofit foundation he created with a mission to help marginalized students who would not otherwise be able to pursue their educational aspirations.

2010 it had a per-capita income of \$28,768.22, or 61.78% of U.S.'s. Zimbabwe over these years did not grow consistently; some years the economy contracted (between 2000 and 2008), and by 2010 it had a per-capita GDP of \$369.15, or .79% of the U.S.'s (Penn World Tables, 2012).

In addition to South Korea, countries that have escaped mass poverty include Taiwan, Malaysia, Singapore, Hong Kong, Thailand, and Indonesia (*East Asian Economic Miracle*). Rapid growth in these East Asian countries and China between 1981 and 2008 reduced the percentage of people living in absolute poverty there from 77% to 14% (World Bank, *Poverty Reduction and Equity*, 2012). In China alone, more than 663 million people were lifted out of extreme poverty in these years (World Bank, 2012). And these countries did it by high rates of economic growth.

This is not to claim that redistribution has no role to play in poverty alleviation. For countries that have grown economically rich, social justice for the relatively poor requires redistribution from the rich. The alleviation of relative poverty comes from redistribution. The focus of this brief article, however, has been the alleviation of absolute poverty; economic growth has been and continues to be necessary to overcome this kind of poverty. ■