Global Poverty and Wealth

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Poverty and wealth are often found side by side. They are two dimensions in our world that are interrelated because they affect each other and influence both the willingness and capacity of states to ensure a stable global system. Traditional approaches to IR are premised on the notion of state sovereignty. But, sovereignty as an absolute concept that reinforces separation between states has been tempered through the many processes of globalisation, including economic agreements and the establishment of international organisations, as well as with the emergence of human rights thinking as captured through the Universal Declaration of Human Rights. With respect to the emergence of human rights thinking, the premise goes that in the context of a common set of universal rights based on the individual, the sovereignty of the state can be challenged if a government does not respect or maintain these rights. Here, sovereignty means that a state does not only maintain rights, it also meets its responsibilities. In relation to poverty, globalisation raises the question of the obligation the wealthy owe to the poor and vulnerable. One of today's most pressing international problems is what to do about poverty and the approximately one billion people living in such a condition. As we start our scan of key global issues, it is appropriate to open this second section of the book by addressing an issue of this magnitude.

Poverty matters as a subject for reflection in IR on many levels, one of which is a prominent set of ideas around global justice that considers what states owe each other in the process of international cooperation. After all, it can be said that those with the power and ability to assist have a moral and ethical obligation to try and solve problems like poverty. This stems from what Peter Singer (1972) calls the 'rescue case', noting there is an obligation for someone to assist an infant drowning in a shallow pond if the child can be saved with minimal effort or inconvenience. In the context of global poverty, the logic flows that developed states have an obligation to help poor states because they can, with minimal effort. However, the obligation of developed states to help alleviate poverty is not just relevant because they can assist; it is also because they are very often implicated in creating the conditions for its existence. For example, Thomas Pogge (2008, 2010) argues that poverty exists due to a coercive global order – which includes international governmental organisations such as the World Bank and the International Monetary Fund – that disadvantages the poor and reinforces a context of poverty. This means that developed states and multilateral institutions contribute to the persistence of global poverty due to both the way they have structured the international system and how they operate in it. These perspectives indicate that a global problem like poverty requires a global solution that developed countries have both a moral, and strategic, responsibility to address.

Defining poverty

Defining poverty begins with a consideration of conditions that prevent regions, states and peoples from having access to wealth. Though there are many elements to this, there are four key structural conditions to consider.

1. History of exploitation

Many of today's poorest nations were previously exploited through colonialism and/or slavery. These actions have had lasting impact through entrenching inequalities between socio-ethnic groups within states. A prescient example is South Africa, which, under British and Dutch rule, restricted the rights of indigenous African groups in the areas of education, land ownership and access to capital. At the same time there was a concentration of wealth in the hands of the white colonising minority. Such actions were eventually enshrined in the creation of the apartheid system of racial segregation. However, even since its dismantling in 1994, poverty amongst the indigenous population is disproportionately high in comparison to white groups due to the fact that capital and land continues to be concentrated in the hands of a select few. Of course, some former colonial nations have emerged from their exploitation to become some of the world's leading economies – consider the US and Australia. Yet, even in these 'Western' societies there remains a legacy of colonialism that often affects indigenous peoples disproportionately. In more absolute terms, as decolonisation unfolded in the second half of the twentieth century, many new nations, particularly in Sub-Saharan Africa, were left with inadequate or weak political structures that soon gave way to other types of exploitation via dictatorship or corruption. In these cases, the bulk of the population experienced exploitation. In some states, these problems still persist.

2. War and political instability

When thinking of the fundamental conditions for economic development to take place in a state, security, safety and stability often come to mind. This is because peaceful conditions permit a government to focus on developing natural resources, human capacity and industrial capabilities. War and political instability often act as significant distractions as efforts are directed at combating violence or insecurity. For example, think of the conflict in Syria that began in 2011. This has led to a mass flow of millions of refugees seeking to escape the conflict, leaving behind a war-torn state that lacks the human and economic resources to govern itself effectively. It is a pattern that has been seen before – for instance, in the 1990s in Somalia, where instability still persists. The outlook for Syria in the years to come could well be even worse. It is also something that can be seen in the developed world, though to a different degree. Consider the United States: it spent upwards of $3 trillion on the invasions and occupations of Iraq and Afghanistan as part of its 'Global War on Terror' while, simultaneously, relative poverty and inequality increased within its own society, in part due to the government prioritising public spending on warfare. It is no surprise, then, that when surveys on citizens' qualities of life are undertaken, stable nations which do not typically engage in warfare – such as Switzerland and Denmark – are often top of the list.

3. Structural economic conditions

The way in which the international economic order is structured can either reinforce or ease poverty. Institutions like the World Bank and the World Trade Organization are dominated by wealthy nations. This has placed them under scrutiny due to embedded practices that often place developing countries at a disadvantage. For example, before the World Bank issues a loan to a low-income nation, certain conditions must be met. These are known as conditionalities. They can include policy changes such as the privatising of public services – for instance, the provision of water, sanitation and electricity. Imposing such conditions, or structural adjustments as the World Bank calls them, have frequently been shown to cause more harm than good.

4. Inequality

Inequality is an important contributor to poverty as it can reinforce divisions between the so-called 'haves' and 'have-nots'. In a relative sense, it can result in certain elements of a population lacking the tools and resources needed to counter the challenges they face. In an absolute sense it can render a whole state unable to rescue its citizens from dire circumstances because it lacks the financial resources. For example, in the United States approximately 16 million children live in poverty. This is despite the fact that it is one of the richest countries in the world. Inequality can be measured by looking at how much income a family has relative to the cost of living in that society. It is not the same as the absolute poverty a child living on less than $2 a day would experience in the Democratic Republic of the Congo, one of the world's poorest nations. Yet, it is still poverty when viewed in a relative sense through the lens of inequality. The nature of the problem is thus extensive since it is something that exists at both the domestic level (inequalities within states) and the international level (inequalities between states). Although there is a vibrant international charity system and a range of international assistance programmes, inequality remains a key structural condition associated with poverty.

Measuring and reducing poverty

Since the end of the Second World War states have come together to find ways to reduce poverty through prompting economic growth. As discussed earlier in the chapter, concepts of global justice underpin international poverty-reduction strategies, giving focus to approaches that seek to enhance the rights of the marginalised. The extent to which these efforts have been successful is highly debatable – but the intent has certainly been there. States have attempted to address the challenges of poverty at a global level in various ways. We discuss four approaches below.

1. Official development assistance (aid)

Typically, aid comes from developed states and is either channelled bilaterally (or directly) from one state to another or diverted multilaterally through international organisations like the United Nations. It is one way in which wealthy nations have attempted to meet their moral obligation to assist poorer nations. Indeed, developed countries have spent a great deal on official development assistance over the years. In 2014 alone, states spent over $135bn on aid according to a report from the Organisation for Economic Co-operation and Development (OECD). However, the success of such efforts has been inconsistent, and in some cases poverty has actually got worse. The reasons for this are complex but some examples may be helpful.

First, inappropriate types of aid can be sent. Instead of sending money that a developing country can use to address poverty, developed states sometimes provide goods that may or may not be helpful. For example, in Gambia a number of oxygen devices were donated to a hospital, but unfortunately they were not compatible with the local electricity voltage. This rendered the devices unusable, highlighting how aid needs to be properly thought through. Second, corruption in some countries has seen aid syphoned off into the offshore bank accounts of the political elite. For example, the New York Times claimed that over $1 billion in foreign aid intended to help Bosnia rebuild itself after years of destructive war was stolen by Bosnian officials for personal gain (Hedges 1999).

Aid has also been used for the political purposes of the providing state. For example, during the Cold War the United States and the Soviet Union used aid to prop up states that were sympathetic to their own political cause. In many of those places this did little to address poverty; rather, it helped fund regional wars that led to further instability and poverty. For example, the 1975–2002 civil war in Angola saw the Soviet Union and the United States provide aid in the form of military assistance to opposing forces. Aid has also come from developed countries or international institutions with specific conditions for use (‘conditionalities’) that have only served to make things worse. As already mentioned, such aid requires the receiving nation to restructure its economy in ways that may not benefit the most vulnerable people. For example, during the structural adjustment programmes of the 1980s in Latin America, income per capita fell in 18 countries. During similar programmes in sub-Saharan Africa, income per capita fell in 26 countries over the same period (Stewart 1991).

2. Trade and investment

The trade in goods and services together with foreign direct investment by private corporations can play an important role in poverty reduction. One of the ideas behind free trade and reducing barriers to investment between countries is to provide opportunity for states in the international system to grow economically. International trade in goods and services has risen significantly since 1945. Investment between states, or so-called foreign direct investment, has been a major source of that economic growth. But these global activities frequently hide an inconvenient reality: developing countries are often only involved in a minor way in global trade and investment activities. This is due to a number of reasons ranging from inadequate infrastructure such as roads, rail, and ports to limited access to financial capital. In comparison to developed nations, many developing countries have a higher proportion of lower skilled or undereducated workers in their workforce. As a result, investment opportunities that require high-skilled and high-income employment are more often found in developed countries and investment by corporations in developing nations typically targets a low-skilled and low-wage workforce. This reality is difficult to overcome. Although nations such as China and India are investing heavily in an attempt to level the playing field, they are more fortunate than others due to their comparative wealth and high historic levels of economic growth. Despite some notable exceptions, the general picture is that trade and investment have not assisted poverty reduction to any significant extent.

3. Money lending

A third poverty-reducing strategy is lending developing countries money, or capital, so that they can invest in areas that will help them develop economically. Money lending is different from aid as loans need to be paid back, with interest. Loans can be provided for key infrastructure projects like bridges, roads, electricity lines and power plants. These can typically act as catalysts for economic development, but they require significant access to capital. The importance of access to capital resulted in the establishment of the World Bank in 1944. Its mission was to lend developing countries money at below market interest rates and also provide expert advice on the establishment of sound economic policies. On paper, the idea is a good one. However, the practices of the World Bank are not without controversy. As we explored earlier in the chapter, there has been criticism of the conditions attached to the loans. Although the most censured of the policies have been abandoned, damage has been done. In addition, the provision of interest-bearing loans to developing countries has created a huge problem of indebtedness. Many developing countries cannot afford to invest in important domestic programmes such as education and healthcare due to the burden of their debt repayments. This has sparked calls to cancel the debt of developing countries and allow them a fresh start. To date, although some debt has been cancelled, the larger challenges caused by the nature of outstanding loans and how they were imposed remain.

4. *United Nations' goals*

In response to the many failings noted above, a new approach emerged in 2000 when the United Nations and its member states moved to eradicate extreme poverty by 2015. The United Nations Millennium Development Goals (MDGs) consisted of eight categories or areas of focus for states to engage in:

1. Eradicate extreme hunger and poverty
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. To develop a global partnership for development.

A cross-section of approaches was employed for achieving these goals, including harnessing elements of the three strategies outlined above. The key thing however, was to have a coordinated approach to a set of agreed targets. However, the initiative proved a mixed bag in terms of results. For example, some goals related to education and child mortality have seen real – if uneven – progress, while rates of hunger and malnutrition have actually worsened in some cases. Exacerbating this further, the aftermath of the 2008 financial crisis has reduced the projected amount of money (and jobs) available to many governments. Anthony Lake, Executive Director of the United Nations Children's Fund (UNICEF), accounted for the mixed picture of success and failure as follows:

In setting broad global goals the MDGs inadvertently encouraged nations to measure progress through national averages. In the rush to make that progress, many focused on the easiest-to-reach children and communities, not those in greatest need. In doing so, national progress may actually have been slowed. (UNICEF, 2015)

Given these unsatisfactory results, the international community agreed that a more robust initiative was needed and the Sustainable Development Goals (SDGs) were adopted at the United Nations in 2015. They have 169 clear targets spread over 17 priority areas, all to be achieved by 2030:

1. No poverty
2. No hunger
3. Good health
4. Quality education
5. Gender equality

6. Clean water and sanitation
7. Renewable energy
8. Good jobs and economic growth
9. Innovation and infrastructure
10. Reduced inequalities
11. Sustainable cities and communities
12. Responsible consumption
13. Climate action
14. Life below water
15. Life on land
16. Peace and justice
17. Partnerships for the goals.

Like the Millennium Development Goals, the Sustainable Development Goals can be described as aspirational. Although the newer targets have their critics, one reason that they may offer greater hope in reducing poverty is that the planned interventions are more detailed. The target is not only reducing poverty, but addressing the many conditions that feed and cement conditions of poverty, including poor (or negative) economic growth. And the most vulnerable are now being targeted proactively, addressing one of the criticisms of the Millennium Development Goals.

Globalisation and the wealth–poverty dynamic

Globalisation is an important concept to add to the discussion of global wealth and poverty. It refers to a perception that the world is increasingly being moulded into a shared social space by economic and technological forces. Developments in one region of the world can have profound consequences for individuals and communities on the other side of the world. Central to the idea of globalisation is the perception of intensity. As a concept, globalisation is thus said to be ever increasing in scope, scale and speed to the point that it is effectively irrevocable. As such, globalisation is multi-dimensional. For example, globalisation is more than the goods that flow between geographically diverse communities. Globalisation includes not only the what, but also the how and the why, the frequency with which something occurs, the social consequences of this process and the range of people involved. Although the concept of globalisation is contested and subject to many different interpretations, it has clear relevance to the subject of this chapter.

It can be said that the process of becoming more interconnected as a set of nations has worked towards reducing poverty. Certainly the World Bank argues that globalisation has improved the material circumstances of those who have engaged in the global economy. Though such an analysis is accurate at one level, it fails to account for the structural conditions that influence poverty. An alternative view is that globalisation actually causes poverty by further entrenching inequality and concentrating any gains in the hands of those who are already wealthy and in powerful positions. For example, the internet has allowed many individuals to establish successful businesses and sell their goods all over the world. But how can you take advantage of this technology if you live in an area without access to the internet due to poor infrastructure, poverty or war? These citizens get left further behind and the inequalities that already exist are aggravated. Certainly, any analysis of the impact of globalisation on the wealth–poverty dynamic must recognise both of these perspectives. But, globalisation is a complex issue. If globalisation is only viewed in terms of ‘good’ and ‘bad’, we will not appreciate the multifaceted nature of global processes.

For the purposes of our analysis, globalisation has opened up many (primarily economic) opportunities, and this is evident in the reduction in numbers of those living in extreme poverty. This has dropped from over half the world’s population in 1981 to within reach of ten per cent today. This figure, from the World Bank, takes into account issues like inflation. But, it can also be said that globalisation has entrenched power relationships and inequalities and this has had material effects on poverty and inequality. A common critique relevant to our discussion on poverty is that globalisation is another word for ‘Americanisation’. According to this critique, many of the economic policies that supposedly ‘open up’ international markets are of benefit to US-based multinational corporations and create fertile ground internationally for American foreign policy objectives. On the other hand, globalisation can also be seen as hybridisation. This view was initially based on the creation of ‘new’ cultures and identities due to colonisation and the destruction of traditional indigenous groups. Applied to the processes of globalisation, hybridity has taken on a more positive character – framing globalisation as a series of processes that serve to benefit all sides involved in the exchange by promoting intercultural development and harmony.

Globalisation and neoliberalism

One reason that poverty has remained a key characteristic of the global economy is a suite of policy initiatives based on the economic philosophy of neoliberalism that have arguably failed the world’s poorest and most vulnerable. Since the 1970s, according to Stewart Firth (2005), the priority of the state has been to create and implement policies that promote a neoliberal economic agenda. That is, the opening up and deregulation of markets and the privatisation of essential services. In his book *Globalization and its Discontents* (2002), former World Bank chief economist and Nobel laureate Joseph Stiglitz provides a number of examples that highlight how the free market neoliberal agenda has driven the agenda of international institutions such as the International Monetary Fund and the World Trade Organization since the 1970s. This has seen trade deals and reforms that minimise the role of government, the removal of trade barriers – even ones that protect workers’ rights – and a reliance on the flawed belief that economic growth and increases in wealth will eventually trickle down to all segments of society. These organisations have fundamentally altered the traditional role of the state, whose priority has been more with the promotion and protection of an open, market-orientated system. States focused on the market often fail to meet the needs of the majority of the population and address poverty. Hence, the philosophy of globalisation, if viewed through the lens of neoliberal policies, has resulted in the welfare of citizens being diminished at many levels.

The global financial crisis of 2008 highlights a bigger challenge for globalisation in addressing the poverty issue. This event began in one nation and quickly reverberated across the world. Due to the interconnected nature of the global economy, what started out as a collapse of the American subprime mortgage market ended up having implications for markets outside the United States. Efforts to reduce poverty were impacted as recession and wealth contraction led to less money being available. Nations prioritised spending at home and foreign direct investment fell as corporations delayed or cancelled projects. These events had negative outcomes with regard to poverty levels in developed nations, but even more so for citizens in developing countries. While significant economic events like this are not common, the risk always remains that in an interconnected global economy the poorest will suffer the most when economic shocks occur.

Conclusion

It is one of the major conundrums of our world that poverty still exists amidst extreme and growing wealth. Today, the richest 1 per cent of the world’s population hold half the world’s wealth. In contrast, the bottom 80 per cent owns just 5.5 per cent. What is worse, statistics like this seem to be getting worse over time with regard to inequality and wealth distribution. It seems that while economic processes have helped lift many out of poverty, they have largely failed to mitigate income and wealth inequality. This result poses serious moral and ethical questions. What cannot be disputed is that the interdependence of our economies is best accompanied by an equal measure of ethical concern. That is, we owe each and every person a debt of responsibility for the actions we take and the policies we promote within our own states. Hopefully the recognition of this, perhaps best marked out by the United Nations 2015 Sustainable Development Goals, will lead to a more just world in the years ahead.

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