ECONOMICS OF POVERTY AND SOCIAL JUSTICE: A BRIEF ANALYSIS

DILIP KUMAR SEN*

Abstract. This is a spotlight on the author’s feelings about the perspective of poverty in SAARC nations. The author strongly holds the view that people are not born to alleviate their poverty – they are born with the right to express themselves as well as to apply their talents and creative power. Even poor parents long to see that their children have come out victorious in the struggle for existence. They gladly starve themselves to assist their children to march on in life. At the same time, we are seeing that the society has provided some opportunities for the people; and many of us are satisfied with what the society has done for them, as against a class of people in the society enjoying political and economic honeymoon. But it is a tragedy that we have not yet had the opportunity to see that the poor producers are turned into economic growth agents either in the field of agriculture or industry. It is a pity that we never feel that social justice is never like anything to be given out of favour – rather it is to be given as a matter of social obligation and responsibility. We still ignore in our calculus of Economics that it is the hardworking poor who are the most efficient of our social classes. Their rates of returns on capital are the highest, their choice of technology, more appropriate to our resource base, their consumption less import-intensive, their willingness to stake their own equity more apparent and their repayment of loans more reliable than the better-off classes of our society. To leave the toil of this class unrewarded, its skills under-used and its capacity to use resources under-utilized is a luxury that no poverty stricken and externally dependent nation can afford. Hence the need for the society’s categorical duty towards the have-nots is to honor the principles of justice in regard to awarding co-ownership of the factors of production by turning them into growth agents, if there is at all to be any social justice in the truest sense of the term. It is, therefore, imperative for the economists, national planners and thinkers to realize

*The author is Professor of Accounting and Finance, School of Business, Independent University, MBA Building, House # 15, Road # 14, Baridhara, Dhaka 1212, Bangladesh (E-mail: maadsen@yahoo.com).
this humanness of people. They are required to be very much particular in devising policies and strategies for the establishment of social justice. And if they do so in real earnest, there will be no need for any separate endeavor to alleviate poverty and the need to be concerned separately for poverty alleviation will automatically disappear.

I. INTRODUCTION

First of all let us recall some of the key facts about world poverty. More than a billion people today survive on less than a dollar a day. Sixty percent of humanity have an income per capita of under two dollars a day. A billion souls go to bed hungry, most days, and a similar number do not have access to safe drinking water. It is hardly surprising then that a million children die each month of malnutrition. We can surely all agree that such global human deprivation is a monumental moral outrage.

Poverty is morally unacceptable everywhere in the world not only in our societies of SAARC (South Asian Association for Regional Cooperation) belt, where some people are enormously wealthy, and enjoy first world life styles whilst the majority of their fellow citizens are not guaranteed the minimum subsistence or human dignity. All major religions of the world preach that poverty is morally repugnant. To the extent that we have been, for decades, soliciting foreign aid in the name of the poor, the persistence of poverty in our countries is a fraud against the international community. And, indeed, it is increasingly regarded as such by the electorates of aid-giving countries. Human beings do not need only food, shelter, clothing, drinking water and medi-care. They also need education, the right to participate in politics independently and the right of access to all the opportunities provided by the society for self-improvement. At the same time, the social system should be such that producers have the right to become economic growth agents in the fields of both agriculture and industry. In other words, they should have the right to share in the “ownership” of economic growth machinery. On the other hand, most existing societies have fostered institutions which systematically deny “entitlement” to the factors of production. The society deliberately ignores the fact that this “entitlement” can very well help people develop human potential and can help them liberate themselves from the bondage of poverty. And this “denial of entitlement” tantamount to “absence of social justice”. Hence, this paper on the “economics of poverty and social justice”.

Researchers of economics are counting poverty basically in two ways. First, they draw two poverty lines – one, by portraying the “moderate poor”
and the other by portraying the “extreme poor”, and counting heads under each line. Second, they develop a composite index to look compositely at the number of persons, who are below the given “poverty line”. This is how to measure the “aggregate intensity of poverty”. They draw the “basic poverty line” (moderate poor) – by first costing the average nourishment (calorie and protein) needed to maintain the productive power of human beings, and adding a mark-up of approximately, 35% to allow for the other “basic needs”. The logic for this 35% is based on the empirical finding that people living in the neighborhood of “poverty line” spend about 65% of their total expenditure on food items.

Two things seem immediately fuzzy/hazy while one draws “poverty line” in this way. One is circular reasoning: the “poverty line” is being defined on the basis of the proportion of total expenses that people in the neighborhood of this line spend on food items, i.e. already presupposing the line itself to be defined. The other one is the questionable implicit assumption that people in the neighborhood of this line are actually spending their incomes to consume the “prescribed” amount of nourishment and that they are spending on or are even able to fulfil their other basic needs with the remainder of their incomes. It may be talked about later that even if people are in the neighborhood of “poverty line” drawn by poverty researchers, they may not be spending the income thus given for research-defined “basic needs” in the “prescribed” amounts. However, either of these two fuzzinesses/hazinesses keeps the meaning of the resulting “poverty line” quite unclear/hazy, and the two together make for significant dearth of clarity on the question.

WHAT DOES POVERTY LINE CONCEPTUALLY SIGNIFY?

Let us first define poverty. It is a state in which a family’s income is too low to be able to buy the quantities of food, shelter, clothing, medicine etc. that are deemed necessary to maintain productive life of its members. In a word, poverty can be defined as not having basic needs met.

Poverty researchers do calorie and protein counts in order to maintain the productive power of people, i.e. to maintain a “healthy productive life”. The approximately 35% that they add to this may possibly, cover more or sees some reasonable space for dwelling, some minimum clothing and some cost of education and health care. Every person needs these in some amounts to maintain his/her productive power. Poverty researchers have not defined the “poverty line” by taking into account all these elements in precise quantum as they do for nutrition. They have just taken recourse to the fuzzy/
hazy matter method of adding approximately 30% to the nutrition costs. The “poverty line”, taking all these costs together, seems to conceptually catch nothing more than the full cost of maintaining the “productive power” of people (i.e., what Marx called the cost of maintaining the “labour power” of people). By explaining the concept thus precisely it should have been possible to avoid the undesirable fuzziness/haziness if one had wanted it. The calorie and protein counts have already been taken from the health science; so, the minimum quantities of the other “basic needs” could also have been ascertained by means of technical and/or cultural reasoning or by social consensus instead of submitting to circular reasoning. Be that as it may. It is, indeed, important to get to know that conceptually the “poverty line” more or less stands for a measure of the cost of maintaining the labour power of people. And if it were intended to measure something else, this should have been made most explicit for conceptual clarity. This is because such poverty count and a concern for poverty alleviation essentially in this sense, suggest a particular standpoint in human and social ideology. This particular standpoint of social justice needs explicit presentation to create situations for the open debate on its ethics vis-à-vis poverty alleviation.

MECHANISMS CAUSING POVERTY

There are at least four significant mechanisms which cause poverty, even when a community has no absolute shortages, as discussed below:

(i) Differential access to and/or ownership of resources (including human resources)

It is easy to see how ownership of and/or access to productive resources determines poverty, particularly in subsistence economies. This may happen even when a community has enough resources but these are concentrated in the hands of a few. Such a skew distribution is determined and supported by the institutions of the community, namely its ideology explaining why it is justified, its codes of conduct exhorting the poor not to lose heart and keep trying for a better life in this world (capitalist work ethic) or in the next (most religious ethics); and, finally, the law and order enforcing institutions in the community ensure the maintenance of the code and curbing of protests.

In short, all institutions (It) play a very significant role in engendering poverty through the creation, acceptance and perpetuation of an unequitable distribution of resources.
(ii) Differential access to and/or ownership of technology

No technology or poor technology means lower production and hence poverty. This was the situation in eighteenth century when England led Malthus to formulate his pessimistic theory on population, which later lost support with the experience of a massive increase in production during the period of the Industrial Revolution.

Technology is dependent on scientific knowledge and resources, and as a result it interlocks with wealth. So the rich and developed countries possess most of it, and the rich in the poor countries have some access to it. There are only two ways to acquire it. First, it can be acquired through investments on scientific education and Rand D in technology, giving scientists and engineers all the incentives to make practical applications on a commercial basis. This is a long process, but one that ensures control over and appropriateness of technology.

The other approach is to transfer technology from somewhere else, which is not easy. Those who have it are usually reluctant to part with it. They will sell the machines but not the technology of producing the machines, which makes them expensive and difficult to operate and maintain. International action in the field of technology transfer is not a success story; but possibilities still exist.

It is the political will and social commitment of a human population to its pursuit which are the key factors in acquiring technology (of the right kind).

(iii) Differential access to income/employment opportunities

It is often the case that households in possession of some resource (e.g. labour power) do not have the opportunity in the community to employ them gainfully. Such a situation may emerge as a result of the anti-productive attitude of other persons in the community who are in possession of various productive assets, such as land or water bodies (e.g. the rich landowners in northern Bangladesh would keep part of their land fallow, because either they do not need the extra income or find money lending more profitable than agriculture). In this regard non-availability of institutional credit at cheaper rates, the usual experience of the poor, has been a traditional deterrent in developing societies against utilization of human resources. The Grameen Bank experience of Bangladesh has proven this point adequately.

Once again institutions (It) appear to be more responsible than absolute shortage of resources in causing poverty.
(iv) Terms of trade

A low wage rate or salary is often the cause of poverty; likewise a declining price of primary commodities in the international market may cause poverty to a country. The prices of different factors of production, the commodity produced and the commodity imported, is ultimately determined by the relative manipulative power of their owners. A backward agricultural community with its semi-feudal relationships between landowners and wage labourers will experience low agricultural wages. A modern industrial state with an active and powerful labour union will show fairer wages for industrial workers. A poor country dependent heavily on foreign aid will hardly be able to get reasonable prices for its primary commodities; whereas a cartel of middle income countries may ensure a much higher price for their primary commodities.

In negotiating more favourable terms of trade, population size and quality are both likely to play a positive role. The only situation where a large population may have a negative impact is when own negotiators from this country/community consider their population size to be a liability and hence cannot take a bold stand with their perceived benefactors (donors, or aggressive merchants from other communities). A large population becomes a liability only when its leaders do not have a positive worldview and a vision of the future, which results in a dispirited population struggling for mere survival.

A WORD ON THE IDEOLOGY OF POVERTY COUNTS

Poverty counts study treat those who are identified as poor or those whose poverty alleviation in the above sense is being studied, as little more than a kind of productive “domestic animal” or “slave”. Such domestic animals need to be given adequate nourishment, a shelter over their heads, medi-care to prevent and treat diseases, some “training” (i.e. education) in certain matters as well as some clothing for protection against rain and cold to maintain and sustain productive power. Such animals are not regarded as having a right to the net incomes accruing from their products. It appears that a similar ideology operates/works behind the above kind of poverty counts for human beings too, consciously, or otherwise. These productive beings also seem to be kept on or above the “poverty line” to maintain their productive power. And the net income/surplus from their outputs is enjoyed by the “masters”, i.e. the elites in the society. In such an ideology, the problem of poverty alleviation is essentially the problem of bringing all such producers above the “poverty line”. The faster this achievement, the more
commendable the “development effort”. This is what is the predominant feeling of the society. According to the society, it does not matter if its other classes of people achieve/gain much faster economic growth and development by appropriating the full net income coming from the efforts of the producers as well as by other means such as foreign “development assistance”. The society headed by the elites feels that the poverty alleviation objective is being realized; and what is then much to worry about? The devised composite index to measure the aggregate intensity of poverty is very much in consonance with such an ideology. This index is designed to compositely count the number of persons, who are much below the “poverty line” irrespective of how much is the growth of incomes, of other classes of people in the society. There are suggestions that transfer of income from the moderately poor to the extremely poor would be desirable from the point of view of social welfare. But there is hardly any suggestion that transfer of income from the extremely rich to the extremely poor would be far more desirable. From all these together, it reveals that such poverty counts reflect a development ideology of raising the incomes and wealth of the “privileged” classes of people in the society. This ideology ensures only that the productive power of the “underprivileged” classes is to be just maintained. This is rather an extremely reactionary ideology. It is not a matter of even the least surprise that today’s “unipolar” world progress of some country in terms of such poverty counts is being welcome all over the world. The “underprivileged” people are also being consoled that since their poverty is being reduced, they should remain satisfied with the society’s development performances. And they should be least bothered about their net incomes, which are taken away by other classes of the society. They should not also worry about other resources flowing into the society and those enjoying a much faster growth of incomes.

WHAT IS “EFFECTIVE POVERTY LINE”? 

Poverty can be defined as not having basic needs met. So, that section of a population in a human ecology would be considered poor for whom:

\[ C_t \text{ (basic)} < D_t \]

i.e. their basic consumption needs are not met.

But we would like to look at the problem in a different way. Instead of regarding the poor as productive animals if we treat them as human beings, we have to accept that they have their own lives, social philosophy as well as their own awareness of poverty. One manifestation of this is the reality that, however poor they may be, the main objective of their life is not necessarily
to maintain their productive power. A person may earn an income equal to or less than what one needs to maintain one’s productive power, and yet one may not spend that income only to maintain one’s productive power; one proves one’s humanness by spending in other directions even accepting a loss in one’s productive power. Human beings, even if very poor, forego adequate nourishment or health care for themselves to spend for children’s education; poor mothers of our society, in particular, and well known to be making such sacrifices for the welfare of their children – they suffer more illnesses, sometimes recovering without treatment or sometimes dying prematurely, yet some dying in ’fulfilment’ if one sees one’s child able to stand up to life. Many among the poor are also attracted by special consumerist urges or by demonstration in neighbors’ homes, to buy a presentable dress or a watch or a radio set, for themselves or for their children, even accepting a loss in nourishment and thus of their productive power. It is commonplace in culture for a family to forego nutrition oneself in order to be able to treat guests with a feast of mutton and chicken. The poor are known to thus disregard the prescribed menu of expenditure out of their small incomes needed to preserve their productive power, to spend in other directions in a bid to meet their human needs. Economists can easily examine the above statement making an inquiry into whether people standing on the “poverty line” drawn by them are really consuming on an average the prescribed 2112 calories and 58 grams of protein daily. If they do not do so, then such “poverty line” fails to deliver its intended objective, i.e. to ensure the maintenance of the productive power of people on this line to whom this income is being assigned with such specific objective. In such a situation one has to give these people an income higher than the “poverty line income” in order to ensure the maintenance of the people’s productive power in view of the “human leakages” from people’s incomes. In other words, the “poverty line” itself has to be drawn at a higher level in order to allow for such human leakages to be effective in maintaining the productive power of the people (“effective poverty line” – B). Speaking other way round, even within the framework of such reactionary ideology, the “effective poverty line” is not “A” but “B”. The difference between these two lines, in one sense, measures the difference between free human beings and people as domestic animals (or slaves). Not only this. If line “B” includes expenses which rise with the expenses of others in the society (e.g. more glamorous dress, children’s education, marriage expenses etc.) as it naturally would, then the “effective poverty line” would be related with the demonstration of consumption standards and for that matter, with income inequalities in the society. Hence, it would not be a fixed line, and be moving upward along with the general standard of consumption in society. It should not be very difficult to
determine this line with the help of household surveys; nor should this present any particular problem in assessing progress or deterioration in the general ‘poverty’ situation over time even if this line keeps moving upward with time. In fact, the relativity of the poverty concept becomes built into this measurement. Such relativity, moreover, does not present any special problem in inter-country poverty research either.

PEOPLE’S POVERTY AWARENESS

The objective or aim of people’s poverty awareness lies basically in preserving the productive power of people, tempered only to allow for some “human leakages” from their incomes. But even after such allowances, some intense needs of the people may remain unfulfilled; or they may remain indebted or in other ways so dependent on others to meet some such needs that they may nevertheless consider themselves poor even if they are on or above the “effective poverty line”. If we could agree that the purpose of poverty alleviation is not to promote the mental peace of poverty researchers nor the elites of the society but to alleviate the torment of poverty awareness of those who consider themselves poor, for humane reasons as well as for reasons of social welfare and social stability, then it should be imperative to investigate as well as to seek to understand the sources of poverty awareness of the people themselves. To understand this point better, we may cite the case of a research study of a SAARC nation. In a research study of Bangladesh, the villagers have listed some of their needs as very important though they are generally not at all considered in conventional poverty research. These needs are, however, safe water (for drinking, bathing and washing dishes), good sanitation, security of personal movement and security of women’s movement without fear of molestation – all of which are income dependent. It is also found in the study that they have put down their children’s actual cost of education and sound health care costs, which they may not be in a position to spend, but without which they can neither give reasonable education to their children nor can maintain their health properly. These also, as we feel, add to the meaningfulness of the villagers’ implicit “poverty line” compared to that of conventional poverty research. The people talk of their life rather than doing abstractions for academic research, so that there is no fuzziness in what they may talk about.

One could add more items to “poverty line” which may not have been explicitly mentioned in this research study. This may be because these might not immediately occur in the dialogues between the villagers and the researchers within the time bound for dialogues; although those must have been present behind their awareness of poverty. However, their poverty
awareness could have been intensified had they considered such items as maternity care, minimum marriage expenses for children, cost of reasonable service from the law-and-order and judicial machinery, provision for meeting calamities, provision for living in old age, higher cost of old age medi-care etc.

Now about awareness of conventional poverty counts in particular. Let us look at one’s current income regardless of one’s reserves. Even if one’s such reserves disappear or if one gets into debt to meet unforeseen calamities, a simple rise in one’s income is being regarded as an improvement of one’s poverty situation. The neglect of provision for old age is particularly revealing of the “inhumane” ideology working behind such poverty counts. There is, of course, no need for such provision when one is no longer productive. But perhaps it cannot be denied that in the people’s awareness of poverty there would be included a provision, if they are encouraged to so provide, for not becoming an object of social charity in old age. One could think of other such needs, namely, privacy of dwelling, life insurance, provision for funeral expenses after one’s death, etc., which one would desire to be fulfilled if one were not to regard oneself as poor. Thinking in this way, gives focus on another poverty line – “C”. This defines an income to meet one’s human needs – one’s wages as a human being to live with security and dignity, to provide for calamities and for old age, and to move forward with the aggregate march of society. A part of this income may be conceived in terms of reserve capital or other kinds of provisions for the unforeseen situations or for the future. This “human poverty line” would also be influenced by the average consumption standards in the society. If a television set is installed in the house of a poor neighbor, this may quite legitimately increase the “poverty” of the poor. Needless to say, such “human poverty line” – “C” – can be objectively drawn only by some process of social consensus. It should not be difficult to obtain such social consensus – the tradition of taking “public opinion polls” is quite common place today. The poor, the middle class and the rich – the definitions of these three social classes are in the final analysis relative, and can be determined for social analysis purposes only by social consensus. Those in the society who are lagging far behind the average consumption standards are poor; those who are in the neighborhood of the average belong to middle class; and those who are much ahead are rich. To lag far behind in this sense is the basic source of one’s self-identification as poor, as well as the basic cause of one’s misery from a poverty awareness; and it is this misery which needs to be alleviated out of a human concern for social welfare, and for social stability.
It is again an important point to keep in mind that one’s poverty depends not only on one’s current state of poverty but also on the “initial condition” from which one might have come to the current state. Even with aggregate development and growth of an economy some might be getting poorer while others might be moving forward. The person who has come down to a given poverty level from a better-off level and one who has risen to the same level of poverty from a worse-off situation cannot both be said to be at the same level of welfare in as much as an improvement or deterioration from an existing state is itself an welfare-influencing factor, whose weight moreover should also be influenced by the demonstration of what is happening to fellow members in the society. The composite index designed to measure the aggregate intensity of poverty and being suggested to be an index of welfare of the poor, lacks a sensitivity to this character of dynamics of poverty. Until this can be handled in the index, an awareness of this important deficiency of the index should be explicit in order not to be complacent about any improvement in the composite index associated with painful falls into deeper poverty of some members of society while others moving forward. Needless to say, this consideration is relevant for measuring the aggregate intensity of poverty in the context of poverty lines.

POVERTY VIS-À-VIS SOCIAL JUSTICE

Notwithstanding submitting several considerations to poverty dynamics in the foregoing paragraphs, we are roaming about in the arena of a reactionary outlook, which does not have any concern for social justice. Mere poverty alleviation is, in fact, not the means to establishment of social justice, even if poverty is measured more humanely than it is conventionally being measured. Mere poverty alleviation is at best more than a humanitarian concern of those who have a sympathy for the poor. But social justice is never a matter sympathy – it is matter of human right. An ideology of lifting the poor, the have-nots of the society only above the “poverty line” by a few percentage points a year while the rich would get richer by any extent possible, has no awareness of social justice whatsoever. It is really true that we all want to alleviate poverty; but is this all that we should want? The tradition of development thinking in the SAARC nations was, indeed progressive, and the constitutions of these nations have not yet discarded the principle of social justice. But it is really unfortunate that the main stream of today’s economics profession in these countries has nevertheless moved away from this principle and embraced a reactionary social and development philosophy. Our economists are talking today of transfer of incomes from the moderate poor to the extreme poor rather than from the rich to the poor. We
are not hearing any more of the principle of income growth for the poor to be faster than income growth for the rich, which should have been recognized as an elementary principle of welfare economics. We are not hearing of concerns that the rich are getting richer by appropriating the surplus of the poor. Why should the poor, the have-nots be lifted only above the “poverty line”; why should not the poor producers get the major share of the value of their products? Why should not they be the co-owners of the growth factors? Is it not possible to adopt necessary principles, policies and strategies towards such an objective? This is certainly possible, if we have a real desire to achieve this objective.

To attain this goal, one possible approach is that the society would take initiative to award the co-ownership of factors of production. This may be initially done by organizing the small producers into producers’ cooperatives for initiating different kinds of joint enterprises including collective marketing taking over imports (of their inputs) as well as exports (of their products) so that the benefit of their surplus remains in their hands. It may further be recommended that such small producers’ cooperatives should be suggested to save and re-invest at a high rate of interest (e.g. 30%) from out of their increased incomes thus gained. And it is required to do so as a condition of loans that might be extended to them to undertake cooperative enterprises so that they might become the main growth agents in these countries. We are not really seeing much by way of growth agency in other quarters of the society who are appropriating the surpluses of the producers to spend them in conspicuous consumption and capital transfers abroad. A policy of assisting the producer classes of the society to become growth agents could yield in one stroke economic growth, social justice and poverty alleviation. Consequently, the need to have an extra concern for poverty alleviation would disappear – this would become a redundant objective.

II. CONCLUDING REMARKS
The foregoing paragraphs represent the outcome of the author’s reflections on the meanings of “poverty” and three poverty lines – “A”, “B” and “C”, ideology of “poverty counts”, “effective poverty line”, people’s poverty awareness and poverty vis-à-vis social justice. Based on the discussions on these, one truth comes to mind. This truth is: people are not born to alleviate their poverty – they are born with the right to express themselves in their life, to show their creativity and to utilize their talents. Parents long to see that their children have come out victorious in the struggle for existence. They
gladly starve themselves to assist their children to march on in life. It is, indeed, important for economists, national planners and thinkers to appreciate this humanness of people. To fulfil such human urges is the most basic of all human needs. This includes fulfilling one’s own, and that of one’s children’s. If some body is or and cannot afford to utilize the creative power of both, s/he has to endure this painful situation with intense tension between the two.

Last but not least, all social welfare economists, national planners and development thinkers of the SAARC nations are invited to contribute towards devising policies and strategies for turning the poor producers into co-owners of growth factors, that is, growth agents to pull these nations out of their present state of almost stagnation and towards creating wider social awareness in this direction. It is imperative for them to keep in view, while devising these policies and strategies, that social justice is not like anything to be given *ex gratia* (*i.e.*, out of favour) – rather it is to be given as a matter of social responsibility. They should also keep in mind that it is the hardworking poor, who are the most efficient of our social classes. Their rates of return on capital are the highest, their choice of technology more appropriate to our resource base, their consumption less import-intensive, their willingness to stake their own equity more apparent and their repayment of loans more safe and reliable than the better-off classes of society. To leave the toil of this class unrewarded, its skills underdeveloped and its capacity to use resources under utilized is a luxury that no poor and externally dependent nation can afford. It is, therefore, an indispensable task of the welfare economists as well as national planners and thinkers to make contributions towards devising policies and strategies for establishment of social justice in the spectrum of socio-economic activities so that the need to be concerned separately for poverty alleviation automatically disappears.
REFERENCES


