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Distorting Poverty to Promote Capitalism

How Billionaires Talk in Davos

by GARRY LEECH

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While attending the World Economic Forum in Davos, Switzerland last week to discuss global development and poverty, Microsoft chairman Bill Gates claimed that foreign aid from wealthy nations and philanthropy were successfully alleviating global poverty and inequality. According to Gates, “The poor have in fact been doing quite well and people really should feel good about their generosity.” He went on to note, “This is very good news, it means equity in the world is closer than we think.” But is this in fact true? Are foreign aid and philanthropy proving to be as successful as Gates claims? Or are they helping to promote a narrative that seeks to gloss over the brutal realities of global capitalism?

World Bank statistics support Gates’ claims by showing that the number of people enduring “extreme poverty” (less than \$1.25 a day) has diminished significantly from 1.94 billion to 1.22 billion over the past 30 years while the number of people living in “poverty” (less than \$2.00 a day) has remained relatively constant over the same period. These numbers suggest that three quarters of a billion people have elevated themselves from “extreme poverty” to either a life of “poverty” or out of poverty completely. However, many of those who have escaped poverty still earn less than \$2.50 a day, which means that they are classified as poor. In fact, some three billion people, almost half the world’s population, live on less than \$2.50 a day.

The process of urbanization in recent decades has resulted in a dramatic demographic shift in many countries in the global South, which has been highlighted by the emergence of scores of mega-cities and their corresponding slums with populations near or above 20 million. This process has mirrored the apparent successes in poverty reduction noted above because statistics show that urban poverty levels are often lower than those in the countryside. The implication is that rural residents enduring extreme poverty can improve their economic situation by moving to urban areas where they can earn higher incomes. But in actuality, despite these higher incomes, rural migrants to cities often experience increased economic and physical insecurity.

As long as people have access to land they can often meet their basic needs by utilizing readily-accessible natural resources for food, shelter and clothing. In many traditional and indigenous rural communities people engage in subsistence farming and sell or trade their surplus production in local markets. But when peasant and indigenous families are forced to abandon their lands they usually have no other option than to move to towns or cities in order to survive. Without access to land, they are compelled to work as wage laborers in order to earn the necessary income to purchase the basic needs that the land previously provided for them.

A common myth in the capitalist narrative is that the Industrial Revolution liberated the rural population from the land so they could become wage laborers in the cities and improve their standard of living. But if the English rural population felt “liberated” by the emergence of factory work then why didn’t people flock voluntarily to the cities to take advantage of the new industrial jobs? Why did it require a series of Enclosure Acts passed by parliament to force peasants off the land that had provided them with their basic needs for centuries so they had no choice but to migrate to the cities to become wage laborers (and consumers) in order to survive?

The history of capitalism is the history of the forced displacement of people from the land. In other words, capitalism is a process that ensures that people no longer have the capacity to meet their own basic needs. As Karl Marx noted, “The expropriation of the agricultural producer, of the peasant, from the soil, is the basis of the whole [capitalist] process. The history of this expropriation assumes different aspects in different countries, and runs through its various phases in different orders of succession, and at different historical epochs.”

This process has been evident in the aforementioned enclosure of the “commons” in Britain; the forced displacement from the land (and corresponding genocide) of indigenous peoples throughout the Americas; the forced removal of more than 12 million blacks from rural Africa to work as slaves in the “New World”; and the intensification of the forced displacement of peasants in the global South in recent decades under the process of capitalist globalization, which ensures access to valuable natural resources and a surplus army of cheap laborers for multinational corporations.

Poverty statistics help legitimize this process of forced displacement by suggesting that it is beneficial for displaced rural populations because as wage laborers (or informal sector workers) many of them increase their income levels above \$2.00 a day, thereby lifting themselves out of poverty. But the burgeoning shantytowns surrounding many cities in the global South highlight the fact that the number of rural residents moving to urban areas in recent decades has far outstripped the number of jobs created. As a result, many migrants are forced to endure the

economic insecurity of the informal economy; in other words, a life without a formal job, income security or social benefits. According to the United Nations, the percentage of the economically active population in the global South engaged in the informal economy has almost doubled in recent decades from 21 per cent in 1970 to approximately 40 per cent.

In most countries the cost of living in urban areas is significantly higher than in rural regions, particularly with regard to food and housing. So while many of these new urban residents earn a higher income by rummaging through municipal garbage dumps in search of any item of value they can sell as illegal street vendors, this income is often insufficient to meet their basic food needs and other increased costs of living such as housing, utilities and transportation. Consequently, despite now earning more than \$1.25 a day, or even surpassing the poverty level income of \$2.00 a day, many migrants to urban areas face even greater economic insecurity than they did in the countryside.

This economic (and poverty) reality is evident in a 2009 United Nations report which states, “Despite higher rates of poverty in rural areas, rural food insecurity is not necessarily higher than that in the cities. In fact, ... in 12 of 18 selected low-income developing countries, the incidence of food insecurity (as measured by food-energy deficiency) in urban areas is the same or higher than in the countryside, even though urban areas on average have higher incomes.”

One of the problems is the fact that the limited financial resources of the urban poor also have to cover the higher urban costs of housing, utilities and transportation among other things. Therefore, as the UN report notes, “Food security in the cities thus depends to a large extent on individual household circumstances as the household operates within this ‘purchasing environment.’ The question becomes whether the relatively higher income compared to rural dwellers can compensate for what may be higher food prices and demands to spend remaining income on other needs, as well as the much lower capacity to buffer food price shocks by actually growing or raising the food the family need.”

Not only do many migrants to urban areas face increased economic insecurity despite achieving higher income levels, but they are also forced to endure the skyrocketing levels of violent crime that is the brutal reality of daily life in many cities in the global South. Many also struggle to cope with the disintegration of the social networks and cultural practices prevalent in their rural communities; social and cultural practices often directly linked to nature and the land.

The problem with focusing largely on income as the principal measure of poverty is that it reduces human well-being to money and markets, which are both central components of the capitalist system. In the same manner that the well-being of a nation is primarily determined by its Gross Domestic Product (GDP), the primary determinant of individual well-being is income. And in the same way that GDP tells us nothing about the distribution of the wealth generated or the well-being of the people within a nation, individual income (particularly at the low end of the wage scale) sheds little light on the quality of life experienced by individuals. Not surprisingly these two—GDP and individual income—are intimately linked, since the forced displacement of peasants from the land forces them to sell their labor for a wage in order to purchase their basic needs; activities that contribute to economic growth by increasing a nation’s GDP.

As Indian philosopher and physicist Vandana Shiva points out, in capitalism “if you consume what you produce, you do not really produce, at least not economically speaking. If I grow my own food, and do not sell it, then this does not contribute to GDP, and so does not contribute towards ‘growth’.” Consequently, under the logic of the capitalist system, those who engage in traditional and sustainable modes of production and consumption must be incorporated—often through coercion—into the capitalist market economy as wage laborers and consumers.

This is precisely what occurred in Mexico under the North American Free Trade Agreement (NAFTA) when U.S. agricultural subsidies of \$4.5 billion a year allowed large U.S. corn growers to flood the Mexican market. During the first decade of NAFTA some two million Mexican farmers who had produced for subsistence and local markets were forced to quit farming and seek jobs in urban areas because they could not compete with the U.S. subsidized imports. But NAFTA had only created 700,000 manufacturing jobs at its peak in 2000; nowhere near enough to offset the number of peasants forcibly displaced from the land. And by 2003, more than 300,000 of those jobs had moved overseas, primarily to China, where multinational corporations were being better served through labour costs that were even lower than in Mexico.

The result has been increased insecurity for hundreds of thousands of displaced Mexican peasants who have been forced to endure the rampant drug violence related to the social breakdown that has resulted from the free trade agreement. Many rural migrants now struggle to survive in the informal economies (including the violent drug trade) of Mexico’s cities or they endure the treacherous life of an illegal immigrant in the United States. During the first six years of NAFTA, the number of Mexican-born people living in the United States doubled, which suggests that the so-called illegal immigration problem is directly linked to free trade policies that displace rural populations.

Many of these displaced Mexicans, who used to be able to meet many of their basic needs from the land despite being classified as living in extreme poverty, have elevated their economic status because they now earn more than \$2.00 a day by working in the informal economy or for drug gangs or as so-called illegal aliens in the United States. And while these migrants now endure increased economic and physical insecurity in the city, much of the land they previously farmed has been taken over by foreign mining companies or multinational agri-businesses to extract valuable minerals and to produce tropical foods and agro-fuels for export to wealthy nations. As a result, both the peasants and the land they used to farm have been incorporated into the global capitalist economy, thereby contributing to economic growth and increased profits for corporations.

It is precisely this process that has resulted in the gross global inequality highlighted in a recent Oxfam report. According to the report, the richest 85 people in the world now possess the same amount of wealth as the poorest 50 percent of the world’s population, or 3.5 billion people. Despite Bill Gates’ optimism that we are closer to achieving global equality than we might think, the historical trend under capitalism suggests the opposite. The wealth gap between the global North and the global South has grown from a factor of 3:1 in 1820 to 35:1 in 1950 and to 72:1 in 1992 to 167:1 in 2010.

Throughout the history of capitalism far more wealth has flowed from the South to the North than vice-versa. Today much of that wealth is transferred to nations in the global North in the form of debt payments (often for loans that have been paid off several times over due to the amount of interest paid). In fact, the annual debt payments made to the North by many nations in the global South exceed the amount that flows in the opposite direction in the form of development aid, remittances and philanthropic donations. As a result, argues Shiva,

The poor are not those who have been “left behind”; they are the ones who have been robbed. The riches accumulated by Europe are based on riches taken from Asia, Africa and Latin America. Without the destruction of India’s rich textile industry, without the takeover of the spice trade, without the genocide of the native American tribes, without Africa’s slavery, the Industrial Revolution would not have led to new riches for Europe or the U.S. It was this violent takeover of Third World resources and markets that created wealth in the North and poverty in the South.

Foreign development aid from wealthy nations and philanthropy provided by Bill Gates and others of his ilk help to distort this historical trend by creating the impression that wealth (and generosity) actually flow from the North to the South, thereby humanizing a global capitalist system that primarily benefits people in the global North. In actuality, a more effective solution to poverty would be the cancellation of the foreign debt owed by many nations in the global South in conjunction with providing people with access to the best arable lands to produce food for local markets and ensuring that valuable natural resources are exploited in a sustainable manner for the benefit of domestic populations.

Such a paradigm shift would result in millions of people enjoying greater food and physical security as well as better social services (such as health and education) provided by governments utilizing natural resources for the benefit of their own people rather than to pay off northern banks, generate profits for multinational corporations and ensure the privileged lifestyles that many of us in the global North enjoy. As Shiva has noted, from the perspective of those in wealthy nations who truly want to make poverty history, “It’s not about how much more we can give, so much as how much less we can take.”