Six Causes of World Poverty

Introduction

1. The biggest challenge of the 20th Century was the spread of totalitarian ideologies: fascism in Germany and communism in Russia, and China.
2. Extreme Poverty will be the Great Challenge of the 21st Century.
3. Poverty intensifies the tragedies of malnutrition and hunger, sickness and poor health, illiteracy and social disunity, all of which lead to hopelessness, frustration, and fanaticism, and eventually to terrorism, and violence.
4. Extreme Poverty generates political instability, civil wars, domestic violence, threats to travelers, tourists and business people, even the world-wide spread of dangerous diseases, including the burning and destruction of limited forest lands and the pollution of streams and lakes.
5. Extreme Poverty is not caused by a shortage of food, medicine or resources, but more a reflection of the inequitable and unfair distribution of the world's wealth and opportunities.

6. Why is it the top twenty percent of the world's population have access to over 85 percent of the world's wealth? Out of the 205 nations of the world with 7.0 billion people, the 21 richest industrialized countries have roughly 10% of the world's countries, 20 % of the world's population and yet they own over 85 % of the world's wealth. The trend unfortunately is going in the wrong direction Share of the World's Wealth

	1960	2010
Top 20 %	70%	85%
Bottom 20%	2.3%	0.9%

The bottom 50 countries have a per capita income of less than \$3,600 (\$300 per month). The average income for the bottom 50 countries is one percent (1.0%) of the average top 20 countries. Over the past 200 years USA per capita income increased roughly 30-40 fold.
While in most countries of Africa and Asia, the increase has been only 3-4 fold.

The following countries are compared using a term call Purchasing Power Parity (PPP). The PPP rate is an amount of money needed to buy the basic foods, goods and services needed in different countries.

A. Rich countries (25) (Per Capital in PPP dollars, above $30,000 per capita

Qatar 103	Canada 42	Finland 36
Luxembourg 80	Australia 42	Japan 36
Singapore 61	Sweden 42	France 34
Norway 55	Germany 39	So. Korea 32
Hong Kong 51	Iceland 39	Israel 32
United State 49	Taiwan 39	Spain 30
Switzerland 45	Belgium 38	Italy 30
Kuwait 44	Denmark 38	
Austria 42	United Kingdom37	

B. Contender countries (18) (Per capita in PPP dollars is less than one/third below the poorest country in Western Europe, North America, Oceania, (WENAO) roughly $20,000 to $30,000. Examples include New Zealand (29), Saudi Arabia (26), Greece (25), Portugal (23), Poland (21), Uruguay (16), and Chile (18).

C. Third World countries (19) (Per Capita in PPP dollars is between 1/3 and 2/3 of the poorest WENAO country, roughly $10,000 to $20,000. Examples include: countries in Africa: South Africa (11), Gabon (17) and Botswana (17); in Asia: Iran (13), Turkey (15), Malaysia (17) Thailand (10); in South America: Argentina (18) Chile (18) Puerto Rico (16), Mexico (15), Panama (15); Costa Rica (13), Venezuela (13), Brazil (12) Columbia (11), and in East Europe: Hungary (19), Russia, (18), Romania (13) and Latvia, (18).

D. Fourth World countries (78) (Per Capita in PPP dollars), is more than 2/3 of the poorest WENAO country, less than $10,000. Examples include: Half of all 4th World countries are **in Africa** (Angola (6), Cameroon (2), Congo (5), Egypt (6), Ghana (3), Kenya (2), Mozambique, Nigeria (3), Zimbabwe (.5), **in Asia** (Bangladesh, China (9), Indonesia(5), India (4), the Philippines (4), Pakistan (3), Cambodia (2) and Nepal (1), 10 in **South America** (Ecuador, Guatemala (5), Nicaragua(3), Bolivia(5), Honduras, and 11 **in Eastern Europe**. Examples include: Ukraine (8), Armenia (6), Uzbekistan (3).

9. Why are these Countries of Asia, Africa and Latin America so Poor Today?
Let us Consider Six Explanations for the Extreme Poverty of the Africa, Asia, and Latin America.

1. 500 Years of Colonialism

Source: Wolfgang Reinhard, *A Short History of Colonialism.* Manchester University Press (2011) and Daron Acemoglu and James_Robinson, Origins of Power, *Prosperity, and Poverty: Why Nations Fail: The Origins of Power,* Crown Business; 1 edition (2012).

A. During much of the 16th and 17th centuries Spain took tens of millions of tons of gold and silver out of South and Central America. They established huge estates based on Indian-slave labor exporting millions of dollars worth of agricultural and natural resources back to Spain, with little benefit going back to South and Central America. The Indian population in the Americas dropped from 11 million to 2.5 million during this nearly 200 years.

B. From the 17th to the early 20th centuries Dutch East India Company conquered Indonesia, the fourth largest country in the world. Rich merchants in Holland set up 2,400 large plantations, using native labor to export hundreds of millions of dollars worth of spices (pepper, cinnamon, cloves) sugar, tea, tobacco to enrich the economy of Holland.

C. During the 18th through 20th centuries, France gained control of much of South East Asia (Laos, Cambodia, and Vietnam) and much of North and central Africa, exploiting their natural resources with little if any benefit going to local population. Estimates of over $50 billion worth of products, resources, and merchandise shipped back to France.

D. During the late16th through the early 20th centuries, “the Sun Never Set on the British Empire”. For nearly three hundred years, many billions of dollars worth of natural resources, minerals and produce were taken from India, Hong Kong, the Middle East and much of Africa. Much of the Industrial Revolution in Western Europe was funded by the profits of these extracted natural resources.

2.Unequal Terms of Trade.

In the post WWII period, many colonies gained their independence, but still unfair trade characterized the relationship between Europe and their former colonies. Unequal exchange: poor countries would export raw and unprocessed materials at cheap price but then purchased processed-manufactured products at a much higher price. The richer nations got richer and the poor nations got poorer.

Source: Gernot Köhler and Arno Tausch, *Global Keynesianism: Unequal Exchange and Global Exploitation*, Nova Science Publishers, Inc. (2001) and Samir Amin, *Mal Development: Anatomy of a Global Failure*, Pambazuka Press (2011), and *Imperialism and Unequal Development* (1977). Ranjit Sau, *Unequal Exchange, Imperialism and Underdevelopment: An Essay on the Political Economy of World Capitalism*, (1985).

3. Increasing Bank Loans and Bank Debt.

At the end of the 1970s, many oil-exporting countries had large amounts of extra money. They put this money into Western banks. The banks then loaned a lot of money to Third World countries to fund development projects, provide needed services, and to purchase military arms and equipment. However, several factors (a rise in world interest rates, a global recession, and low commodity prices) caused the size of these debts to start expanding very fast; several countries began to fall behind in their payments. In 1970, roughly 60 countries classified as low-income by the World Bank owed $25 billion in debt. However, by 2002, this debt reached $523 billion. In 1970, foreign debt in Africa was just under $11 billion, however by 2002, African debt owed was over $295 billion. In the past four decades $550 billion has been paid in both principal and interest over the last three decades, on $540 billion of loans, and yet a $523 billion dollar debt burden still exists largely due to onerous compound interest. In addition, in many cases, developing countries have paid the First World more (in debt-servicing) than the Northern countries have given in aid, loans and investment combined. It is estimated that for every dollar these poorer countries receive in foreign aid, at the same time they are forced to pay five to ten dollars for debt reduction.

Many poor countries now spend nearly 50 percent of all their exports just to pay the interest on the debts they owe. Between the unequal terms of trade and their bank debts, most of these poorer nations have had a very difficult time moving out of poverty. Take the region of Sub-Saharan Africa, for example. This region pays $10 billion every year for interest on debt accumulated. That is about 4 times as much money as the countries in the region spend on health care and education. These loans often carry strict conditions with them, like cuts in spending on health care, education and food subsidies. This makes life even worse for truly poor people in theses indebted countries.

SOURCES: W. Easterly, "How did heavily indebted poor countries become heavily indebted? Reviewing two decades of debt relief, *World Development*, Vol. 30, Issue 10, 2002; O. Krueger "Resolving the debt crisis of low income countries; Origins of the developing countries' debt crisis: 1970 to 1982". *Journal of Development Economics*, Vol 1, 1987s; and N. Birdall, D. Rodrik, How to help Poor Countries, *Foreign Affairs*, 2005

4. Military Arms Purchases through Authoritarian Dictators.

The Millennium Development Goals (MDG) seek to encourage the richer countries to help reduce the tragic consequences of extreme poverty. Tragically, no one is linking the lack of funds to help the poor, with the immorally excessive expenditures on military weapons. One half percent of the world's military spending would save 6 Million children from death each year. The World Game (www.worldgame.org) has calculated that one third of the world's military spending would satisfy budgetary needs for addressing any and all global problems, from deforestation to HIV & AIDS, from clean water to illiteracy, from adult illiteracy to extreme poverty. Oxfam estimates that to insure that every child could go to school, it would take an additional $5.4 billion in aid – this is about two days worth of global military spending. Oxfam, "Guns *or Growth."* June, 2004. Available at: http://www.controlarms.org/documents/ guns or growth.pdf.

At the same time, despite the overall global decline, large amounts of scarce resources continue to be devoted to armaments. Between 1960 and 1991, total annual military expenditures by developing countries rose from US$27 billion to US$121 billion. Sadly enough, some of the steepest increases occurred in the poorest countries. Angola, Ethiopia, Mozambique, Myanmar, Somalia and Yemen have for many years spent more on their military than they have on their people's education and health.
http://www.globalpolicy.org/socecon/develop/oda/tables/milvsaid.htm

The United Nations Development Program (UNDP) estimated in 2000 that redirecting just one quarter of developing countries' military expenditures could have provided the additional resources to implement most of the poor countries needs for primary health care, immunization of all children, elimination of severe malnutrition, provision of safe-drinking water, universal-primary education, and reduction of illiteracy.

Why is it over the past 50 years that the Third World has imported more than three-fourths of all weapons sold since the early 1970s? Much of these military arms imports go to authoritarian dictators seeking to remain in power. If this money spent on the military, to keep their own people in line, had been spent on health, education, and economic development, many of the countries in Africa, Asia and Latin American would not be poor today. Over the course of the regime of Ferdinand and Imelda Marcos, $26 billion in foreign aid flowed into the coffers of the Philippine government. Before Marcos was deposed, he already had moved more than $10 billion of that money into secret foreign bank accounts. It is no wonder that poorer nations always seem to be getting poorer?

No one doubts that security is important in all countries, regardless of income level. However, militarism over emphasizes security based on big armed forces and weapons technologies and excludes many other important aspects of security. A more accurate definition of security would include the right to live without human rights abuses, poverty, hunger, and disease. I would argue that much of the violence and instability in the world today could be greatly reduced if even a small portion of many countries military budgets were spent to reduce poverty and injustice, and to promote development, democracy and human rights**.**

5.Global Corporations Maximizing Profits

Many writers have outlined the many negative consequences of corporations who pay low salaries, look the other way where forced child labor is hired and unhealthy and illegal working conditions are tolerated. Two books that very early outlined the ways that poor nations are exploited and impoverished by the machinations of global business interests include: Richard J Barnet and Ronald E. Mueller, *Global Reach: The Power of the Multinational Corporations*. (New York: Simon, 1974); and David C. Korten*, When Corporations Rule the World*, (West Hartford, CT: Kumarian Press, 1995).

Many large corporations are attracted by the rich natural resources, the high returns from low-paid labor, and the absence of restrictive taxes, environmental regulations, worker benefits, and occupational safety costs. Large western cartels dump surplus products in other countries at below cost and undersell local farmers. They expropriate the best land in these countries for cash-crop exports, paying subsistence wages to their laborers, leaving less land for food crops needed to feed the local population.

6. Debilitating Brain Drain out from the Poor Countries of the World.

The concept of "brain drain" is the process by which a developing country loses its most talented individuals to markets with higher pay and more opportunity. Every year, hundreds of thousands of trained university graduates leave the poor countries of the world to seek better-paying work in the rich countries. In the last decade, over 213,331 foreign doctors and 99,465 nurses moved to the USA and nearly 69,813 doctors and 65,000 nurses moved into Great Britain. This loss of health care professionals drastically damage efforts to improve health care services in many countries in Asia, Africa and Latin American. It is the US and Europe who benefit most from this brain drain.

Source: World Health Report 2006, Chapter 5, p. 98, Table 5.1