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Poverty and Development in Latin America: Public Policies and Development Pathways

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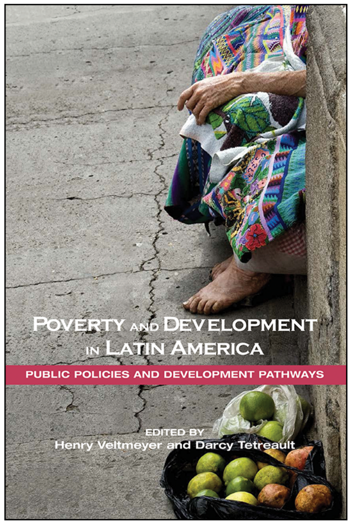

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Contents

1

The Poverty-Development Problematic

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No problem has troubled the international development community as much, or has engaged so many resources and effort, as poverty—a problem that has assumed global proportions with diverse regional, national, and local permutations. The "problem," "discovered" as it were in 1973 by the economists at the World Bank and then placed on the agenda of the organizations and development associations, remains a central concern of the international development community today at the end of the first decade in the new millennium. The World Bank, for example, defines its mandate as "working for a world free of poverty."

In the 1970s, when poverty was placed at the center of the development agenda, it was estimated to encompass some two-fifths of the world's total population. Toward the end of the century and the beginning of the new millennium, notwithstanding four decades of concerted effort and diverse strategies aimed at poverty reduction and alleviation, neither the scale nor the dimensions of the problem had diminished. As a percentage of the world's population, a slight improvement was recorded (perhaps 37 percent rather than 40 percent in 1980), but given four decades of population growth, the magnitude of the problem in terms of the sheer number of people who were still living in poverty or destitute was hardly diminished, if at all.

Nevertheless, over the course of the first decade in the new millennium, some progress was recorded, with an apparent substantial decline in the rate of extreme poverty in some places and also a reduction in the global scale of the problem. According to the Economic Commission for Latin America and the Caribbean (ECLAC 2009), the regional poverty rate in Latin America and the Caribbean for 2008 was 33 percent (equivalent to 180 million), which is high enough but down from 44 percent in 2000, 48 percent in 1990, and 40 percent in 1980. According to ECLAC's (2010a) *Social Panorama of Latin America*, the financial crisis of 2009 added only a tenth of a percentage point to the rate of poverty in the region (from 33 percent to 33.1 percent). The next year, the regional poverty rate fell by 1.6 percentage points (to 31.4 percent) (ECLAC 2011), thus it is hoped (and predicted) that the region has returned to the downward trend in the incidence and virulence of poverty that began in the early years of the new millennium. It is unclear whether this belated and rather uneven progress in the war on poverty in the twenty-first century is the result of efforts exerted by different agencies and stakeholders in the development enterprise in response to the United Nations' declaration of the "Millennium Development Goals" (MDGs), which included the stated goal and operational objective of halving the rate of extreme poverty by 2015. Or whether it is the result of policies implemented by governments within the framework of the post-Washington Consensus (PWC) on the need to "bring the state back in" and the search for a more inclusive and equitable form of development. There are also those who continue to argue, albeit with little evidence, that the best way to reduce poverty is to boost economic growth via the time-honored path of productive investment, technological innovation, human resource development, trade, and market-oriented structural reform.

It has also been suggested that the main reason for the recorded and reported "success" in reducing the global poverty rate was a change in international conditions in the world economy for a number of countries on the south of the development divide. The so-called "global financial crisis," which put an end to the short-lived boom in the export of primary commodities from the developing and less developed countries to the more developed, has given some credence to the argument about the importance of changes in the global economy in the reduction of global poverty.

It has even been suggested that most of the progress made in regard to alleviating and reducing poverty is not the result of international cooperation, government intervention, or changes in the global economy but should be attributed to actions taken by the poor themselves, especially their decision to migrate in the search for better opportunities and a more secure livelihood. For example, De Janvry and Sadoulet in 2000 argued that any progress made to that date in the war on poverty was the result not of development in one form or the other but of actions taken by the poor themselves.

Even so it is still unclear as to what the best explanation is or what weight to attach to the different factors involved in these explanations. Is the persistence of global poverty in diverse contexts, and the recorded or apparent progress made on the poverty front, the result of conditions over which governments and other "actors," including the poor themselves, have little or no control? Or is it the result of a failure to understand or address the root causes of the problem? Is it a matter of conflicting interests between the powerful few and the powerless many? Of policies that favor the rich or that are biased or work against the poor? Of "structures" or policies that make and keep people poor? Of misinformed actions or counterproductive strategies?

The research on these and other such questions will be discussed in this chapter and in other chapters of this volume. Much of this research is inconclusive or dependent on assumptions, predilections, or perspectives that have not yet been reconciled. What is nevertheless clear is the connection between social inequality and poverty, between poverty and the "pro-growth" policies of the post-Washington Consensus that have been shown to increase social inequality, and between the failure of the war on poverty waged by international organizations over the past fifty years and the prevailing relations of economic and political power. In this regard, the United Nations Development Programme (UNDP), for example, in its most recent report on human development in Latin America and the Caribbean (UNDP 2010), argued that there is a direct correlation between structured social inequalities (in power and production relations) and the persistence of poverty.

As for the source of the problem (the inequality-poverty nexus), the UNDP report is clear enough. It is located and can be found in the institutionalized practices and structures brought about by powerful economic interests that have advanced with the policies instituted under the post-Washington Consensus. In the words of the report, there exists a "direct correspondence between the advance of globalization, neoliberalism, and the advance of poverty social inequality, social inequity" (UNDP 2010, xv). "The most explosive contradictions," the report adds, "are given because the advance of [neoliberal] globalization marches hand in hand with the advance of poverty and social polarization." "It is undeniable," the report continues, "that the 1980s and 1990s [were] the creation of an abysmal gap between wealth and poverty" and that this gap constitutes the most formidable obstacle to achieving human development (UNDP 2010, xv).

Undeniable it might be, but it was not until 2010 that the UNDP—and also the economists at ECLAC (2010b)—finally made the connection between structured social inequalities and poverty, a connection long made in the scholarly literature critical of capitalist development in its neoliberal form. UNDP Regional Director Heraldo Muñoz in this regard notes, "[i]nequality is inherently an impediment to progress in the area of human development (the proposed 'solution' to the poverty problematic), and efforts to reduce inequality must be explicitly mainstreamed in the public agenda." For the UNDP, he adds, "Equality is instrumental in ensuring meaningful liberties; that is to say, in terms of helping all people to share in meaningful life options so that they can make autonomous choices."[1]

Posing the Problem: Poverty Matters

Poverty alleviation and reduction is a central feature of the international development agenda and has been for over three decades, ever since the World Bank, under the presidency of Robert McNamara, discovered that around two out of every five people in the world were unable to satisfy their basic needs as human beings. To redress this problem, which had scarcely been diminished in its awesome magnitude since its initial determination, the world leaders meeting at the UN Millennium Summit in 2000 agreed to a number of key social development objectives, including the goal of significantly reducing poverty by 2015—reducing by one-half the rate of extreme poverty [MDG #1]. However, the question arises—a question that oddly enough was not even raised at the Millennium Summit—as to how it is possible for a problem identified and diagnosed three and a half decades ago to be with us still.

What then accounts for the persistence of poverty in its most extreme forms and debilitating conditions even with and after a four-decades-long global war waged against it by so many powerful organizations such as the World Bank? How is it that so many dedicated people, so many resources, and so much effort have resulted in so little by way of solution to the problem? Is it because the war on poverty has been waged irresolutely or poorly targeted, fought with misguided ideas and the wrong weapons? Or is it perhaps, as some have suggested, that the war has been fought at cross-purposes, with a perverse insistence on macroeconomic policies that by some accounts exacerbate the problem if not reproduce some of its most perverse conditions? Is it perhaps because the war on poverty was fundamentally flawed in its conception and in the way that it has been conducted and led by international financial institutions such as the World Bank that have various masters to serve at once, both those organizations genuinely concerned to bring about an improvement in the human condition and the guardians of the capitalist world order who are at the beck and call of the rich and powerful in the pursuit of private profit? In any case, the persistence of poverty in a world of plentiful resources remains a serious challenge to us all.

Research Findings: Poverty at Issue

It is estimated, on the basis of a methodology elaborated by the World Bank, that anywhere from 950 million to 1.3 billion people across the world live in conditions of extreme poverty, that is, on less than a dollar a day, and are unable to meet their basic human needs; at least another 1.7 billion (depending on how "poverty" is defined) are "poor" according to the World Bank's measurement standards. In fact, other estimates of the world's poor are much higher, as much as double. But even by the more conservative World Bank proxy measure of extreme poverty, it means that nearly 800 million people each day do not get enough food, and about 500 million people are chronically malnourished. According to UN data and calculations, close to a billion people go to bed each night hungry and are vulnerable to life-threatening disease, malnutrition, and starvation. Also, according to the World Bank, close to one-half of the world's children are surrounded by wealth but live in poverty, and more than a third are malnourished. More than 840 million adults (538 million of whom are women) are illiterate, 640 million live without adequate shelter, 400 million have no access to safe water, and 270 million have no access to basic health services. In 2003, 10.6 million died before they reached the age of five years (roughly 29,000 children a day). According to UNICEF, 24,000 children die each day because of poverty.

Current and Recent Trends

Research shows that over the past five decades, the rate of poverty has hardly responded at all to the rate of economic growth—which system-wide averaged 5 percent from 1960 to 1980 under the aegis of the development state, 2.3 percent in the era of neoliberal globalization (1983–99), and around 3 percent from 2002 to 2008 (with wide dispersals from the average in some regions and countries) in the context of a global commodity export boom from 2002 to 2008. Over the course of these "development" decades, the percentage of the world's population living in poverty hardly changed at all, and the overall number steadily grew. Only in the first decade of the new millennium was some progress made in reducing the incidence of extreme poverty—and this only in some few places (mainly, it turns out, in China, Brazil, and Chile) and in conditions of a primary commodity boom. When this boom went bust in October 2008, and with the onset of a global financial crisis (that coincided with a global food crisis for many of the world's poor), much of this progress was reversed.

In explaining this progress and the recent trend toward a reduction in the incidence of extreme poverty, researchers have pointed toward three main factors: (1) the ascension of China in the world economy, with rates of economic growth averaging over 10 percent for a decade and a half (if one were to take China out of the equation, a different picture emerges—one of growing social and economic inequality between the global North and South, that is, rich and poor); (2) the shift from free-market capitalism and neoliberal policies toward a new consensus on the need to bring the state back in; and (3) actions taken by the poor themselves, such as to migrate in search of a more viable livelihood or labor market opportunities.

The China Factor

Aggregate economic performance, arguably a necessary condition of poverty reduction (a more equitable redistribution of society's productive resources and global output would be another), improved significantly in the developing world in the 1990s and particularly the 2000s, and over the same period average poverty rates decreased even faster. However, China's success was responsible for much of this (see, for example, the OECD report *Perspectives on Global Development*, 2010). China's economy has grown at an average annual rate of almost 10 percent over the past three decades. "Poverty in China," the OECD reports, "stood at 84% of the population in 1981 but had dropped to 16% by 2005. Excluding China, the picture is more mixed. Poverty in India—home to a sixth of the world's population—also fell fairly steadily from 60% to 42% over the same period" (2010, 98). This, the authors of the OECD report point out, "is certainly a worthwhile improvement but it will not be fast enough to eradicate poverty in a lifetime" (2010, 98). As for the rest of the developing world, the rate of poverty reduction during the 1990s was marginal.

Nevertheless, there has been some improvement since the early 2000s, particularly in "emerging economies" like China and India but also in parts of Latin America beset with some of the worst inequalities and bulwarks of poverty in the world. As earlier mentioned, according to ECLAC (2009), the regional poverty rate dropped from 44 percent to 33 percent between the years 2000 and 2008. In terms of these statistics, poverty in the region worsened significantly in the 1980s under the weight of the inequalities engendered by the Washington Consensus (with the incidence of poverty increasing from 40 percent of the population to 48 percent), improved marginally in the 1990s under the policy conditions of the so-called "post-Washington Consensus" (dropping from 48 percent to 44 percent), and then improved markedly in the following decade—raising questions that are very much at issue in this book. What lies behind and can be seen as responsible for this belated reduction in the incidence of poverty in the region? And can this improvement in the social condition of the poor be sustained?

As for the global trend regarding poverty, there is some dispute as to whether the trend is toward convergence, or a lessening of the global divide, or divergence, a deepening or extension of this divide. At issue here is China. When China is taken out of the equation, the global trend takes a different form than the convergence identified by *The Economist* in its January 22, 2011, thematic issue on what the editor termed "the Davos Consensus" on the relationship between economic growth and social inequality. In fact, by different accounts the extraordinarily rapid rate of economic growth sustained over two decades in China by itself explains most, if not all, of the observed trend toward convergence in regional and national incomes and the reported success in achieving global poverty reduction over the past decade.

However, there is a downside to this "development" in regard to or within China. Although large numbers of Chinese, some 40 million of mostly rural migrants, have been lifted out of poverty in the sense of increased access to work-related income, this has entailed the separation of many millions of rural Chinese from their means of production, pushing many of them into other nonincome forms and conditions of poverty—leading also to numerous almost daily outbreaks of political protest and conflict in rural society, inducing a mass exodus from the countryside, and leading many to replace rural poverty (in income terms) with urban poverty (not captured by official figures using the Chinese government's poverty line or the World Bank measure of $2.50/$1.25 a day). Although the scale of magnitude is very different, what is happening in China today in terms of the push and pull and the dynamics of rural-urban migration is comparable to the process of capitalist development that unfolded in Latin America in the 1960s and 1970s and especially the 1980s and 1990s.

Another downside that bears mentioning is the extraordinary degree of environmental degradation that has accompanied China's rapid economic growth. In a comprehensive assessment of the country's environmental record, Elizabeth Economy (2004) argues that air and water pollution, depletion of natural resources, and social environmental conflicts are undermining the long-term sustainability of the Chinese economy, not to mention the demand it makes on global resources.

The Feminization of Poverty[2]

Poverty in Focus is a regular publication of the International Poverty Centre (IPC). Its purpose is to present the results of research on poverty and inequality in the developing world. It specializes in the analysis of poverty and inequality and in offering research-based policy recommendations on how to reduce them. IPC is directly linked to the Poverty Group of the Bureau for Development Policy, the UNDP, and the Brazilian government's Institute for Applied Economic Research (IPEA).

The January 2008 issue of *Poverty in Focus* highlights the importance of improving gender equity for pro-poor growth and improved well-being of poor families, with references to recent research literature and sharing of important and policy-relevant results. Naila Kabeer leads the issue with a summary of current knowledge about the relation between gender, labor markets, and poverty, explaining why there are no easy generalizations about the poverty implications of women's paid work. Gita Sen, for her part, approaches poverty as a gendered experience that has to be addressed with due consideration to its various impacts, responses, and policy implications. Joana Costa and Elydia Silva underline the burdens of gender inequalities for society as a whole and show how paid work by women reduces overall poverty and inequality. And Andrew Morrison, Dhushyanth Raju, and Nistha Sinha summarize a World Bank study that shows a robust relationship between gender inequality and poverty; poor women's paid work plays a key role in getting their families out of poverty. The prospects for achieving the Millennium Development Goals are both directly and indirectly improved by enhancing gender equity. Thus, there are close links between the reduction of both gender inequalities and multidimensional poverty. The empirical evidence suggests that developing countries with less gender inequality tend to have lower poverty rates.

Addressing gender inequality represents an untapped source for stimulating economic growth and promoting social development. This is particularly true in the developing world, where women are often systematically deprived of equal access to social services and to physical and social capital. Hence, empowering women by improving their living conditions and enabling them to actively participate in the social and economic life of a country may well be the key for long-term sustainable development.

John Sender, in the same issue of *Poverty in Focus*, presents data indicating that when women in rural Mozambique have greater autonomy, daughters are less likely to be neglected; rural wages provide an escape route from poverty for a new generation of women. Ranjula Bali Swain and Fan Yang Wallentin use evidence from India that microfinance may lead to increased empowerment, self-confidence, respect, and esteem for women. Irene K. B. Mutalima reports on the experience of microfinance in Africa and warns that gender concerns often take a secondary role to the financial sustainability of the credit institutions. Marcelo Medeiros and Joana Costa examine the claims of a "feminization of poverty," making the distinction between static levels and dynamic change, and argue that current poverty measures underestimate the real levels of women's poverty. Sylvia Chant also finds that the scant data on intrahousehold inequalities prevent certain knowledge about the feminization of poverty and that the focus should be on women's privation beyond incomes.

Food for Thought—and Action

In the vortex of a multifaceted crisis of global proportions, and at the precipice of a disastrously vulnerable economic situation, hundreds of millions of the world's poor are on the verge of hunger and starvation. According to the United Nations, for the first time in history more than a billion people face starvation worldwide. Secretary-General Ban Ki-moon announced his intention to fast for twenty-four hours in "solidarity" with the planet's one billion people who do not have enough to eat.

If only the secretary-general and others within the project of international cooperation would take more serious and consequential action in redressing this and other dimensions of the crisis as it affects the world's poor—according to the World Bank, close to three billion people, almost one-half of the world's population. Such action, to be effective or consequential, would have to take a very different form and truly require a global partnership of diverse organizations in the governmental, nongovernmental, and intergovernmental sectors—all directed against the world capitalist system and its operational agencies and agents and the guardians of the world order, which, unfortunately, includes some of the very same organizations that are leading the war on global poverty.

It might be said that this is the same as giving responsibility for guarding the chicken coop to the fox in the belief that the fox has both the wherewithal and the public concern to secure the survival, if not the well-being, of the poor chickens, all too vulnerable to climate change and other natural disasters. At issue in the threat of widespread hunger and mass starvation, a poignant expression of the situation faced by a large number of the world's poor—and a major indictment of the system that governs global production—is a fundamental change in the capitalist world order and the system of global food production and not merely regulatory reform in the search for good governance (Akram-Lodhi 2011).

As for the urgent need of many of the world's poor to access food and water—not to mention shelter, health care, and other conditions of human welfare—the issue is not to expand production or to increase the supply of goods and services on the market. The issue is that many of the world's poor do not have the income to afford to buy what is for them a need but for the system is a commodity. Katie Allen of *The Guardian* (Allen 2010) reports that food prices in many parts of the developing world are poised for a 40 percent rise.

In this connection, research suggests that the conditions of malnutrition, food insecurity, hunger, and starvation are often not caused by natural disasters such as drought; more often than not, and increasingly so, they can be attributed to (they are caused by) the dominant system of global food production and the dynamics of global finance and so-called "free trade"—and also, according to a recent UN report, due to the growing demand for commodities and natural resources from emerging markets and biofuel production (McMichael 2010).

The Financialization of Production, Crisis, and Poverty

A major trend offset by neoliberal globalization during 1980s and 1990s was a growing chasm between the economy based on financial transactions—many of them speculative or unproductive—and the real economy where most people work, engage in productive activity of one sort or another, and live. It is estimated that while in the 1970s the international flows of global capital served to an important extent to expand production and finance development, by the 1990s and into the new millennium these "international resource flows" were largely disconnected from the development process, resulting in a highly polarized world economy and society characterized by huge concentrations of wealth at one pole and deepening regional and localized pockets of poverty at the other (Petras and Veltmeyer 2011b).

Another issue behind the current global food crisis is the financialization of global production: the separation of the real economy in which people are engaged in productive activity from the money economy based on financial transactions increasingly divorced from the production process (Bello 2009). In this connection, it is estimated that the value of total financial transactions in just one capital market (the London currency exchange) is twenty times greater than the value of world trade. It is also calculated that by the mid-1990s, only 5 percent of total international capital flows had any productive function at all.

Under these and such conditions of profit-seeking capital, the financialization of development and deregulated capital markets (what some have dubbed "casino capitalism"), there has emerged a crisis in global food production, which, combined with an expanding process of "primitive accumulation" (forcing small-scale producers off the land), has deprived millions of the world's poor of the capacity to access the food they need to avoid going hungry or starving (Bello 2008).

Another factor in this "development" has been the conversion of land for food production into biofuels. A secret study by the World Bank, which reportedly has not been made public on pressure from the Bush administration, concludes that biofuel cultivation was directly responsible for the current explosion in grain and food prices worldwide. The US government at the recent Rome UN Food Summit claimed that "only three percent of food prices" were due to biofuels, but the World Bank secret report states that at least 75 percent of the then recent price rises were due to land being removed from agriculture—mainly maize in North America and rape seed and corn in the EU—in order to grow crops to be burned for vehicle fuel. The World Bank study confirmed what many critics have written about the madness of biofuels. It fits the agenda described in the 1970s by Henry Kissinger, namely, "If you control the food you control the people"—again substantiating the point made by UNRISD regarding the centrality of power relations in the poverty-development problematic.

An even greater factor concerns the speculative profit-seeking operations of finance capital. The machinations of global speculative capital and its role in global speculative frenzy—controlling something everybody needs or desires, then holding back the supply to drive up prices and capture windfall profits—is described in detail by Frederick Kaufman, contributing editor of *Harper's Magazine* (Kaufman 2010). The "food bubble" purposively created by Wall Street financers to create a "killing" on the market sparked riots in more than thirty countries and drove the number of the world's "food insecure" to more than a billion. In 2008, for the first time since such statistics had been kept, the proportion of the world's population without enough to eat ratcheted upward.

In a study of the impact of the global financial crisis on poverty, World Bank economists Martin Ravallion and Shaohua Chen (2009) calculate that the crisis in 2008 added another 94 million to the poverty head count just in Latin America, reversing a decade-long trend decline both in the region and worldwide. Moreover, they calculate that globally the ensuing production and food crises in 2009 added another 53 million people to the count of the number of people living below $1.25 a day and 64 million to the count of the number of people living under $2.00 a day. Given current growth projections for 2010, they argue, "there will be a further impact on poverty in that year, with the cumulative impacts rising to an extra 73 million people living under $1.25 a day and 91 million more under $2 a day by 2010."

Inequality and the Washington Consensus

A number of studies by World Bank and other economists concluded that the deeply entrenched and growing inequality in the global distribution of wealth and income is a major source of poverty and a major obstacle in the war on global poverty. The data regarding social inequality are astounding. For example, the poorest 40 percent of the world's population accounts for just 5 percent of global income (and the distribution of wealth is much more unequal!). On the other hand, the richest 20 percent account for three-quarters of world income, and the richest 10 percent consume about 60 percent of the world social product (World Bank 2008). Reducing inequality, concludes Oxfam International's Duncan Green, is essential to reducing poverty. Not only is inequality a fundamental source of poverty, but "the world's yawning social and economic divide" is morally repugnant (2008, 4). There is something deeply unjust, Green observes, "about a system that allows 800 million people to go hungry while an epidemic of obesity blights millions of lives in rich countries" (2008, 4). Extreme inequality, he continues, "provokes outrage and condemnation because it violates the widely held notion that all people, wherever they are, enjoy certain basic rights" (Green 2008, 5). Addressing social inequality and inequity, Green opines, "is essential if countries are to live up to their obligations under the international human rights framework established by the UN" (Green 2008, 5). Yet, he observes, "inequality and redistribution have been out of fashion with rich country decision-makers for many years and warrant barely a mention in the Millennium Development Goals (MDGs), which emerged during the course of the 1990s" (Green 2008, 5).

"In sway to the Washington Consensus view that 'a rising tide lifts all boats,' rich country leaders believed that economic growth alone would be enough to address poverty" (Green 2008, 5). Yet "by 2005 the manifest failure of this approach prompted a rash of high-profile publications from the World Bank, and the UN argued that tackling inequality is one of the most urgent tasks of our time" (Green 2008, 5). The virtual consensus of the economists at the World Bank, ECLAC, and the UNDP is that equality is good for growth and makes that growth more effective at reducing poverty. As Duncan Green argues (2008), reducing inequality is essential to reducing poverty.

More recently, a number of UN organizations have begun to focus more sharply on what the United Nations Department of Economic and Social Affairs (UNDESA) in its 1995 report on the world social situation termed the "inequality predicament." Both ECLAC's (2010a) *Social Panorama of Latin America* and the UNDP's *Regional Human Development Report for Latin America* *and the Caribbean 2010* identified social inequalities in the access to vital resources and services, the grossly inequitable global distribution of wealth and income, and the free-market policies that exacerbated these inequalities, as the fundamental obstacles to achieving the MDG #1.

In the words of the UNDP's 2010 report, there exists a "direct correspondence between the advance of globalization, neoliberalism, and the advance of poverty social inequality, social inequity. . . . The most explosive contradictions . . . are given because the advance of [neoliberal] globalization marches hand in hand with the advance of poverty and social polarization. It is undeniable that the 1980s and 1990s [were] the creation of an abysmal gap between wealth and poverty" (UNDP 2010, xv). Undeniable it might be, but it was not until very recently that the annual development reports of the UNDP, or the periodic official reports on the poverty problematic over the past decade, made the now obvious connection between inequality and poverty, a connection long made in the scholarly literature critical of capitalist development and globalization in its neoliberal form. ECLAC, in both the 2010 *Social Panorama of Latin America* and its 2010 report on Latin American development (*Time for Equality*), concludes that it is "time for equality: closing gaps, opening trails" and that the agency for doing so is the state, with "international cooperation" and "social participation."

Capitalist development, whether the market is free or regulated, generates social inequality in access to productive resources (which tend to be concentrated), wealth, and the distribution of income. Under these conditions of uneven global capitalist development, poverty can be attenuated by means of government intervention in the market but is nevertheless inevitable. Thus, the ideas and policy prescriptions advanced by Jeffrey Sachs (2005) for putting an end to poverty are not realistic or practical; they are not based on any evidence or social science. The issue for him and for those who reflect the same paradigm is as follows: what institutional and policy frameworks provide the optimum conditions for social welfare and human development, that is, for the alleviation (not the eradication) of poverty?

Recent experience with the macroeconomic and social policies established under the PWC suggest that what is required is to "bring the state back in"—to assign the state a substantive and leading role in establishing an institutional and policy framework for an inclusive and more equitable form of development (Wilson, Kanji, and Braathen 2001). What is required is a "development state" and "a mixed system," that is, a combination of capitalism and socialism—policies that combine regulation of the market and capitalist development with the social inclusion of the poor in public policy formulation, and the empowerment of the poor with a disempowerment of the rich.

A major finding of social scientific research, tacitly acknowledged by the economists at the UNDP and other operational agencies of the UN system, is that the existing distribution of wealth and income is based on power, on the capacity of the rich and powerful to set up a system that works in their interest. Given this economic and political power, and the unavoidable constraints of the macroeconomic policy regime that it sustains, the theorists and practitioners of development in the 1990s counseled reform—social reform in the direction of a new social policy (NSP), economic reform in the direction of a more nuanced macroeconomic policy (pro-poor redistributive growth), and political reform in the direction of decentralized governance and the strengthening of civil society (Ocampo 2007).

The proposed new institutional and policy framework is designed for a socially inclusive and equitable form of local development that builds on the one asset that the poor are deemed to have in abundance: social capital (Ocampo 2004; Uphoff 2004).

Bringing the State Back In: The Post-Washington Consensus

Liberalization through privatization and structural adjustment to reduce fiscal deficits has meant not only less intervention by the state in rural matters but also the dismantling of the institutions traditionally responsible for the sector, making rural development more difficult until these can be replaced with institutions devised by civil society at the local level. The reduction or withdrawal of public sector services has been particularly noticeable in some areas of rural life such as social spending (education, health), the financial system, and infrastructure (Echeverria 1998, 5).

Most countries in Latin America in the 1980s and 1990s complied with the requirements for macroeconomic equilibrium set out in what became known as the Washington Consensus. The results in terms of economic growth and social equity were paltry, although the upturn in 2004–2008 (due to a primary commodities boom) did bring some improvement. Annual growth averaged barely 3.2 percent in 1990–2008 (ECLAC 2010b, 52).

As for poverty, "an over-reliance on market forces and economic liberalization led to neglect of nationally designed and developmentally-oriented strategies, to the detriment of the world's poor."[3] Only at the turn of the new millennium was there any progress in reducing the incidence of absolute or extreme poverty. Research by the economists and sociologists at UNRISD and the IDB (1998d) suggests that this progress "occurred principally through state-directed strategies which combined economic development objectives with active social policies in ways that were complementary and synergistic."[4] As the authors of this study argued, "[i]t was only at the dawn of the new century that the social role of the State came to be seen in a new light, shifting from a focus on poverty (and the segmentation of services according to ability to pay) towards a more integrated vision" (UNRISD 2010, 176). In this connection, the ECLAC (2010b, 171) report on social inequality notes, "the reforms of the 1980s and the impact of the debt crisis actually widened income gaps, and it was only in the past decade that this trend was reversed, thanks to more inclusive labor market dynamics and the State's assumption of a more active role in income transfer."

The most important lesson drawn by the authors from their findings—although they did not take into account steps and actions taken by the poor themselves (migrant remittances, etc.) or the effect of changed conditions in the world market—is that "governments need to play a developmental role, integrating economic and social policies that support inclusive output and employment growth, while attacking inequality and promoting justice" (UNDESA 2009, iii). This is essentially the post-Washington Consensus.

Implications for Public Policy

A major finding and conclusion reached by the academic community is that poverty fundamentally is a structural problem rooted in the social, rather than the institutional, structure of an economic system and that the problem (structured inequalities) has been seriously exacerbated by the policies implemented by virtually all governments over the past three decades under the Washington Consensus. The root cause of poverty can be traced back to the way that society and the economy are organized, with extremes of wealth at one pole and poverty at the other. In the context of this "inequality predicament," the structure and conditions of which can be identified at both the global level and the subnational level, ECLAC (2010b) argues that it is "time for equality—for closing gaps, opening trails." In other words, it is time to act and to do so collectively, with the agency of government intervention, international cooperation and social participation.

The policy framework for this action is constituted by measures designed (1) to substantively change the structure of social inequalities in the global and national distributions of wealth and income and to improve access of the poor to means of production and productive resources (land, capital, technology, etc.) and (2) to ensure democratic governance and a participatory form of development that empowers the poor. This means, above all, allowing the poor to take charge of, and take ownership of, their own development effort—to take action for themselves, with the support of their government and the international development community.

The Agency of the State, With International Cooperation and Social Participation

An analysis of the conditions of the relative success in having achieved an appreciable reduction in the incidence of extreme poverty over the past decade, notwithstanding a failure to change the basic social structure of poverty, has demonstrated the importance and the centrality of the agency of the state. By diverse academic accounts and official reports, a major agency of this poverty reduction was government intervention, with international cooperation and social participation, in the form of a strategy formulated and pursued within the framework of a new consensus and a new Comprehensive Development Framework, as well as a new development paradigm.

Pathways Out of Rural Poverty: Where Development Comes In

According to the World Bank in its *World Development Report 2008: Agriculture for Development*, there are three major pathways out of rural poverty: (1) farming, (2) labor, and (3) migration. Each pathway, the report points out, is littered with obstacles and pitfalls that can be removed or overcome with appropriate policy intervention and international cooperation.

Farming. In this sector analysts and theorists have identified two basic models for organizing agricultural production and farming. From the perspective of economists at the World Bank, the forces of productive and social transformation at play in the process of capitalist development point to the need for a model of corporate capitalism. This corporate model of large-scale agricultural production and a global food regime (see Akram-Lodhi 2011) is geared to the forces of change at work in the global economy and links the producer to the system of capital, markets, and technology needed to expand production and is designed to ensure the increased productivity of agricultural labor and the capacity of producers to compete on the world market.

However, farming on this model provides a pathway for very few of the rural poor; the vast majority are unable to take this pathway. For one thing, it requires that the small-holder "peasant" farmer be converted into a capitalist entrepreneur, able to access capital, modern technology, and the world market. Thus, many analysts conclude that for the rural poor, the more appropriate model—a model more likely able to sustain rural livelihoods and reverse pressures to abandon farming as a way of life—is one advanced by diverse organizations of peasant producers and articulated in theoretical terms by a growing community of scholars of agrarian change and rural development (Akram-Lodhi, Borras, and Kay 2007). The model is one of small-scale agricultural production based on principles of cooperation, solidarity, and food sovereignty.

The policies prescribed by this model (see Kay 2009) include support for the small-scale producer, including land reform (expropriation of land not in productive or social use, land redistribution, legal security), credit, price support, and protection of local markets from forces of undue foreign competition.

Labor. Labor is regarded by political economists in both the classical tradition and the Marxist tradition to be the major driving force for economic development. However, labor, in one form or the other, is also seen as a, if not the, major pathway out of rural poverty. In this respect it is of critical importance that governments, with international cooperation and social participation, design and implement policies that facilitate the incorporation of the rural poor into the labor force, be it in the formal sector of paid employment (waged or salaried labor) or, as is increasingly the case, in the informal sector. In regard to the former, the policy should include social inclusion in government programs in the areas of education, health, and social security. In regard to the latter, the best or most frequently recommended policy is for governments to provide credit and microfinance. A microcredit or microfinance strategy of local development has been promoted by the Inter-American Development Bank in its interventions over the past two decades. By a number of accounts the strategy has had a measure of success in reducing poverty. However, the strategy has also had its share of critics (see, for example, Weber 2002), and the precise contribution of the strategy and associated policies to redressing poverty is not clear. It awaits a more definitive systematic evaluation.

Migration. Migration to the cities or beyond—to the United States, Canada, Europe, or elsewhere in the region—has also been conceived to be an important pathway out of poverty, both rural and urban (World Bank 2008). In the case of Bolivia, it is estimated that over 50 percent of Bolivians now live and work abroad, and the number of Mexicans who have crossed the border as an escape from rural poverty or in search of better conditions and opportunities is in the many millions. People migrate for all sorts of reasons: poverty to be sure, but also out of landlessness, insecure or unsustainable livelihoods, and the search for new opportunities, employment, and better conditions for themselves and their children. Migration, however, is also a mixed blessing. While providing an avenue for mobility or improved conditions for individuals, it also deprives many rural communities of their most productive members, exacerbating conditions of rural poverty.

On the other hand, it has been argued that migration is a factor of rural development in the form of migrant remittances, which in many communities constitutes a major source of foreign exchange—in the case of Mexico, second only to oil exports and greater than manufactured products.

Currently, governments both in the region and abroad do not actively promote outmigration, that is, they do not have any policies explicitly designed to support or to induce outmigration. But some of them do have policies designed to help migrants adjust to their new situation or to protect their rights (although this is primarily a responsibility assumed by or assigned to the NGOs in the area rather than governments). In this connection, governments should implement policies designed to integrate migrants into city life—to facilitate their incorporation into the labor market and ensure inclusion in social programs and services, particularly education, that facilitate their adjustment to a new life.

It has been discovered by both researchers and governments that on the whole, migrants are disproportionately entrepreneurial—that is, that they have a greater-than-average propensity for innovation, self-employment, and setting up their own enterprises. In this, migrants constitute a major driving force for economic development. To take measures, such as credit provision, designed to take advantage of this propensity would be of benefit to the recipient community or country, as well as the migrants themselves.

Fiscal Expenditures: Investment in People (Human Capital)

A key feature of the PWC is a new social policy targeted at the poor and the inclusion of the poor in social programs designed to (1) provide the infrastructure for social development (health, education, security) and (2) capacitate the poor in taking advantage of existing "opportunities" for self-development and improvement in their social condition.

Regarding the agency of governments within this consensus, the policy entails measures designed for decentralization, greater inclusion in social programs, local development, and targeting of the poor in social expenditures. The problem with this policy, and the entire strategy within which it is framed, is that the policy and the strategy are predicated on the building and mobilization of social capital. The problem is that while a social-capital strategy (Durston 2001) has proven to be relatively effective at the level of community-based local development, it has also proven to have severe limitations. First, in focusing on social capital to the exclusion of improved access to building other forms of capital, improved access to which requires government intervention, it seriously reduces the scope of economic development, which requires improved access to natural, physical, and financial forms of capital as well as social capital. Second, it is predicated on the poor seeking to make improvements and change within the local spaces of the "power structure," which, a number of studies suggest, is a major structural source of poverty and a major impediment to the poor. In this circumstance, a better policy vis-à-vis empowering the poor would be to assist them in their struggle to challenge the rich and the powerful—to intervene in this struggle on the side of the poor, rather than the rich and powerful, who, according to the UNDP in its latest report on human development in Latin America (UNDP 2010), tend to have much greater access to the levers of political power.

UNRISD in its 2010 poverty report makes precisely the same point, one that has been made for decades by scholars in the political economy tradition but that only recently seems to have dawned on the consciousness of the development practitioners within the UN system. With this convergence in academic (theoretical) and policy perspectives, redressing the inequality predicament can be taken as the most effective policy response to the poverty problematic. Unfortunately, neither the academic literature nor the two UN system reports provide any policy guidelines or prescribe any precise policies. At the moment there appears to be no adequate or defined policy response to a problem that is of critical concern to the social movements in the region. On this see Petras and Veltmeyer (2011b).

As for the poverty problematic more generally, in addition to structural change vis-à-vis inequality, an effective policy response has proven to be, or would be, for governments to include the poor in their social programs and to target them in their social polices. Every country in Latin America over the course of the 1990s, in the context of the PWC, has formulated a variation of the NSP and designed a program of measures to implement it. Although there has not been any systematic and comparative evaluation of these policies, it is nevertheless evident that the policy has had positive outcomes and results and is a contributing, if not determinant, factor in the relative success of some countries in the region having reduced the incidence of extreme poverty over the past decade.

Over this period a number of countries, with very different policy regimes that range from the "orthodox neoliberal" (Mexico, Peru, Colombia) and "pragmatic neoliberal/social liberal" (Chile under Bachelet, Argentina, Brazil) to the radical populist/socialist (Bolivia, Ecuador, Venezuela), have had a measure of success in reducing the incidence of extreme poverty. Each country, irrespective of the ideological orientation of the governing regime, essentially pursued the same policies, with different degrees of success. Perhaps the most successful case—widely regarded as an exemplar or the paradigmatic case of the NSP—is Brazil, which has managed to reduce the rate of extreme poverty by 40 percent in just five years. In various scholarly assessments of this record, there are four determinant factors of this success: (1) various policy measures designed to redress the country's inequality predicament (ECLAC 2010b; UNDESA 2005); (2) increased and targeted expenditures on social programs; (3) social inclusion of the poor, and their active participation; and, most notably, (4) direct cash transfers to the poor, conditional on their inclusion and participation. This conditional cash transfer approach (see chapter 8) is now widely touted as the model of the NSP for reducing the incidence of extreme poverty. The policy is a new form of social welfarism in which the poor are expected to, and do, assume a more active role in the development process.

The strategy and policies of poverty reduction in Latin America in the new millennium have generally been constructed and pursued within the framework of a PWC predicated on the institutional framework of a capitalist system of economic production and development—on state-led social reform of these institutions. However, two countries in the region have pursued a different approach: the same strategy and policies but within a different systemic framework: socialism, in the case of Cuba, and a mixed economy (socialism of the twenty-first century) in the case of Venezuela.

In the case of Cuba, poverty in its extreme form (absolute poverty) by 1985 to all intents had been eradicated in a strategy of socialist human development, pursued in the 1960s and 1970s, but the specter of income poverty reemerged in the 1990s in the wake of the collapse of socialism in the USSR and in the context of a major economic downturn, which required of the regime a program of "structural adjustment" (market-oriented policy reform). This structural adjustment strategy and associated policies of economic reform by some accounts (Espina Prieto 2008) generated new forms of structured social inequalities that accentuated the poverty problematic of the economic downturn. However, a continuing policy of socialist human development pursued by the government, not unlike the policy implemented by other governments in the region within a different institutional and systemic framework (although in the case of Cuba, not one school or one clinic has closed down), meant that the emerging inequalities and poverty were kept in check.

As for Venezuela, poverty over the same period in the new millennium was targeted and attacked systematically, not only in the inclusion of the poor in new social programs (*misiones sociales*) and the targeting of expenditures and investments on the poor but also by a policy of engaging the poor directly in decision making at the level of community development. The basic mechanism of this development "from below" was the institution of the Community Council. Again, in regard to the improvement image in social conditions vis-à-vis poverty, the relative contribution of the NSP implemented by the government and broader structural change is not at all clear. This issue needs a closer look and further study.

As for international cooperation in the policy arena of social programs and participatory development, the dominant strategy, formulated by World Bank economists in 1989 and advanced thereafter, has been to require governments to prepare a Poverty Reduction Strategy Paper (PRSP) as a condition of financial and technical assistance (see chapter 7). Although once again there have not been any systematic evaluations of this strategy and the policies that flow from it (existing studies include Dijkstra 2005; Klugman 2002; Morrow 2001), indications are that the policy has been somewhat effective. As to whether the success of countries in the region on the poverty reduction front can be attributed to this strategy, to changed conditions in the global economy, or to actions taken by the poor themselves is not clear. Nevertheless, based on the evidence there is no reason not to pursue this strategy. At the very least, it is a useful part of the multifaceted strategy that is called for in the war on global poverty.

The Academic Pivot: Explaining Poverty Up Close and From Afar

Explanation is a matter of theory, identifying the critical factors involved in making people poor and keeping them poor, preventing effective action. At this level numerous factors have been identified over the years, but they can be sorted into two categories: factors that relate to the type of individual involved or conditions (for example, values and attitudes) for which the individual might be held responsible or could change, and factors that relate to the social or economic system, that is, the predominant form of social and economic organization, the working of which creates conditions that are "objective" in their effects on the individual, essentially determining who is rich and who is or will become poor.

Explanations of poverty given in both academic studies and an array of poverty-watch organizations and research centers have ranged from discriminatory practices and attitudes, lack of equal opportunity, barriers to accessing strategic resources, lack of education, exclusion from essential government services or other resources or assets, policy biases or dysfunctional institutions, and diverse systemic factors such as the capitalist mode of production, neoliberal globalization, exploitation, the policy agenda and institutional framework, systemic forces, location in the social structure or geographical marginalization, and so on.

What is most striking about the explanations given by economists and sociologists over the past sixty years of development efforts, and used by governments and international organizations to inform policy or action, is the lack of congruence between theory and practice—between the type and range of explanations given most often by academics in their studies of poverty and the strategies pursued and actions taken by the governments and organizations that have led the fight against poverty at the global level. Sociologists for the most part, and also those economists oriented toward a structural or some institutional form of analysis, have emphasized structural factors and generally insisted that poverty is a function of the way that the society or economy is organized—the "structure" of institutionalized practices, the dynamics and machinations of economic and political power rather than social exclusion, or a failure of the poor to grasp and act on their "opportunities."

However, policymakers, and also organizations such as the World Bank that define poverty alleviation or reduction as their mandate, generally locate the source of poverty not in the system itself but in the culture of poverty, a culture that traps the poor and prevents them from taking action to seize their opportunities and take one of the available pathways out of poverty. In effect, they blame the poor themselves for their poverty.

The thinking that prevails in the global circuit of policymaking is reflected in a report tabled by the G8 in its 2000 summit. In this study "poverty" is defined as a condition of "multidimensional deprivation" that reflects not only a lack of income and resources but also a dearth of opportunities caused by "low capabilities and geographical and social exclusion" and an inability to access resources and essential services. For example, limited access to education affects the ability of the poor to get jobs and to obtain information that could improve the quality of their lives. Poor health due to inadequate nutrition, hygiene, and health services further limits their prospects for work and from realizing their mental and physical potential.

As for the "structural" (or systemic) explanations of poverty, a large number of studies seek to establish as a fact that poverty is a social condition at one extreme of the unequal distribution of wealth and income, a socioeconomic structure that is undoubtedly the result or "product" of specific social relations of production and power dominated by the rich and powerful and beyond the ability of the poor to control or affect in any way—a structure that arises from actions taken and institutionalized practices, which, as the sociologist Durkheim emphasized, are "external to individuals" and "coercive in their effects" on them.

What the UN in a 2005 report dubbed the "the inequality predicament"—the unequal distribution of wealth and income to such an extreme that just 350 of the world's super rich dispose of more income than all of the world's poor together, some 1.4 billion the world's poorest—is a major source of enduring poverty. In fact, if the poorest 47 percent of the world (about 2.7 billion persons) were to pool their incomes, they could barely purchase the assets of the world's wealthiest 225 individuals (UNDP 1999, 3). The gross domestic product (GDP) of the forty-one Heavily Indebted Poor Countries (567 million people) is less than the wealth of the world's seven richest people combined. Thus, any "solution" to the poverty problematic should take into account and change the system that generates poverty and keeps the poor in their place (Chossudovsky 1997). As noted by Cimadamore, Dean, and Siqueira (2005), it must fall to the state, the greatest repository of power, capacity, and authority—if not the political will—to allocate more equitably the productive resources of the society, or at least to regulate the market, the economic institution that the rich and powerful have used so effectively to advance their economic interests.

A study by Weisbrot et al. (2005) makes this connection clear—that poverty is the indirect consequence of policies and a system that generated a huge concentration of wealth, sprouting an enormous number of billionaires in conditions of deepening and spreading poverty in the developing countries. The Center for Economic Policy and Research, a network of critical economists, put the neoliberal hypothesis—that if the poor countries were to let their economies be dominated by private capital and the free market, they would converge with the rich countries—to the test. It divided countries into five groups, from the poorest to the richest. Then it compared how these countries fared between 1960 and 1980 (before the introduction of neoliberal policies) and 1980 to 2000 (when these policies were widely embraced). The results reveal the impact of neoliberal policies, touted by the World Bank as "pro-poor." The study concludes that the neoliberal policy reform agenda recommended, but not imposed, by the World Bank has a deleterious effect on developing countries, reducing their economic status (and creating new forms of poverty) relative to states (mostly in Asia) that did not embrace the neoliberal policy reform agenda.

Structuralism in its most persuasive form has brought to light the connection between social inequality and poverty on the one hand and policies pursued over the past two decades under the Washington Consensus, as well as conditions of global multiple crises generated by these policies, on the other. In diverse "structuralist" accounts, the world is on the threshold, if not in the throes, of a crisis that will dramatically reduce the capacity of billions of the world's population, with few resources and little income, to access potable water and nutritious food and affordable housing, sinking them further into the morass of hunger. For example, the doubling of world food prices in conditions of a global financial meltdown and recession since 2008 has forced an added 100 million people below the poverty line, triggering food riots from Bangladesh and Egypt to Haiti.

A striking if puzzling feature of the many reports on poverty by the World Bank and other international organizations is that they have documented at length, and illustrated with tables and graphs, the complex and varied dimensions, forms, and conditions of poverty but yet managed to elude any reference to its structural sources, attributing it instead to various deficiencies of the poor themselves or to institutional rigidities, social exclusions, or prejudices that can be remediated by education, rational argument, or legislation. It is as if the economists at the Bank know everything there is to know about poverty but understand nothing.

Who and Where Are the Poor? Measurement Matters

Most of the debate and controversy surrounding the concept of poverty has to do with matters of methodology and measurement rather than conceptual issues. Poverty is conceptualized by virtual consensus as a state of deprivation, a condition in which individuals or households lack the capacity or the resources needed to have a minimally decent standard or quality of life—to meet their basic needs. Over the years, there has been some discussion as to the range and number of these needs, ranging from five basic needs to as many as twenty-seven (Max-Neef 1986), including nonphysical or "spiritual" needs such as freedom of choice and participation in decisions that affect one's life. This discussion has been limited, however, compared to the debate surrounding the question of how to operationalize these "needs"—how to move from conception to measurement (translate a theoretical definition into an empirical indicator).

Where controversy has arisen is at the level of empirical measure—how to measure the quality of life of the population within different societies and to measure shortfalls and deficits related to basic needs (Laderchi, Saith, and Stewart 2003; Streeten 1998). At this level, the center of debate has been on the use of GDP per capita as a measure of "development" conceptualized as economic "growth" and poverty as a deficit in the distribution of this growth. At issue in a series of unsettled debates is in regard to the World Bank's methodology of a universal standard for a poverty line, adjusted to local purchasing power, in which poverty is defined empirically in income terms as having to subsist on less than $2.00 a day (now $2.50)—extreme poverty as $1.00 (now $1.25) a day. By these measures around 2.4 billion people, around a third of the world population, today are deemed to be poor—about half of them destitute or extremely poor.

This methodology, used by most international development associations, differs from that used by many governments, such as the United States, China, India, and so on, in which the poverty income line is measured in terms of a basket of goods needed to meet basic needs. This measurement methodology has been fraught with controversy, however, and the surrounding debate has not yet been settled. One issue has to do with the rather arbitrary nature of setting the poverty line. The issue has plagued policymakers for years. How should a country define a reasonable poverty line? At issue is who and how many in the population are deserving and in need of government support. In both China and India, the official poverty line is below the World Bank's already conservative $2.00 per day (India's by about 75 percent, and China's by about 25 percent). This is because important basic needs are not being included. India's "basket," for example, specifies three basic meals a day and nominal expenditure on health care and education but does not include expenditures for housing or transport (the same is true of China). In many other countries, even after housing and transport costs are factored in, it is evident that there are large groups and numbers of people just above the official poverty line or the World Bank's poverty line who are in need, even dire need, and in poverty by any reasonable definition or other calculations and judgments.

Academic studies by sociologists or welfare economists on the whole have opted for an alternative methodology for measuring poverty based on the integration of the income factor into a broader measure or index that includes a number of nonincome conditions of poverty such as access to nutritious food, health care, education, housing, transportation, and other vital services that in many countries are "commodities" (not services provided by the government). In this methodology, the concept of poverty is operationalized in terms of variables such as (1) the percentage of the population age fifteen years and older that is illiterate; (2) the percentage of the same population that has not finished primary school; (3) child mortality rates; (4) the percentage of the population with public health insurance and pensions; and, in the area of housing, (5) the percentage of houses with running water or (6) with sewer systems and (7) with electricity.

By using an "integrated" measure of poverty understood in its acute conditions and multidimensional forms, and that includes a number of these "basic needs" variables, the number of the population deemed to be poor can be considerably higher than measured by the poverty line approach. For a systematic analysis of the limitations of conventional measures of poverty, and a proposal for a "new index for developing countries," see Alkire and Santos (2010).

Poverty Reduction Programs and the Rural Poor

There are a number of mutually reinforcing alternatives for addressing the problems of rural poverty. These alternatives cover a wide range of possibilities from overall planning to specific details. Five approaches may be considered central to design of a strategy for reducing rural poverty: (1) a favorable institutional and policy framework, (2) affirmative action programs to assist the poor, (3) sustainability, (4) investments in human capital, and (5) greater participation by communities in designing and carrying out strategies (Echeverria 1998; IDB 1998a, 1998b).

The World Bank, together with the IMF, in 1999 formulated a new approach to its lending policy in regard to promoting Wolfensohn's Comprehensive Development Framework (CDF) and enhancing the implementation by governments of their own poverty reduction strategies. The approach was simple in concept but potentially radical in its implications for development assistance. It was to require all governments, as a condition of accessing official "assistance" from the Bank and the Fund, to prepare a PRSP in which the government outlines the steps it proposes to undertake in the direction of reducing poverty. The PRSP must be prepared through a participatory process involving both domestic stakeholders and external development partners. The PRSP approach, in effect (or at least as the Bank understood or presented it), is based on "country ownership" and "participation" (Dijkstra 2005; Klugman 2002; Morrow 2001).

Anthony O'Malley (see chapter 5) identifies four schools of thought ("perspectives") on how to achieve poverty reduction, each with a number of cons and pros, though the program as a whole awaits a more systematic assessment and evaluation.

Pathways and Public Policies

As Alain De Janvry, one of the leading authors of the World Bank's *World Development Report 2008: Agriculture for Development*, noted in an earlier study on poverty in Latin America, the exodus of the poor to the cities had been, and still was, the primary mechanism of poverty reduction in the region, explaining virtually all of the advances made on the rural front of the global war on poverty. "Reduction in the number of rural relative to urban poor," De Janvry and Sadoulet (2000, 389) argued, "has been mainly the outcome of migration, not of successful rural development."

The authors conceived of four "exit paths" available to the rural poor: exiting (outmigration), agriculture (farming), development (assistance), and pluriactive, with reference here to the livelihood strategies pursued by many if not most of the rural poor, which is to combine farming with off-farm wage labor. Without going into details, then as now (at least in Latin America) most of the rural poor remain poor not because of the low productivity of agricultural activity or their regressive worldview but because they have been rendered landless or near landless in a process of "primitive accumulation" of capital. Dispossessed of their means of social production, they had little choice but to turn from direct production to labor in one form or another, working the land owned by others or, more often, searching for nonfarm employment in the countryside or in the cities. Most of the rural poor had (and still have) no option but to turn from farming to migration and labor, often both.

In this view—entirely, and in many cases quite consciously, ignoring the structural sources of poverty—the only way out of poverty is for the poor to participate in the opportunity structure of modern industrial-urban capitalist society, and the best policy advice that can be given to the poor is for them to adjust to, and not resist, the forces of change. "Development" in this context implies intervention in the form of helping the poor make this adjustment—to capacitate them to take advantage of the opportunities open or made available to them, a policy matter of "equity," "inclusion," "participation," "empowerment," and "good governance" (World Bank 1994a; UNDP 2006; Bebbington, Hickey, and Mitlin 2008).

In the Latin American context, the rural poor include large numbers of landless or near landless peasants, but most, over 50 percent in many cases, are semiproletarianized, that is, in their livelihood strategy they have to combine agricultural production or tenant farming with wage labor—what the World Bank economists conceive of as the labor-migration (De Janvry's pluriactive) pathway out of poverty.

In theory, the labor released from the land would be absorbed by urban industry, incorporated into the labor markets of the growing urban centers. But reality has not confirmed this theory. In practice what has occurred is a process of partial or semiproletarianization. Rather than being converted into a modern urban-centered working class, the vast majority of the rural poor, dispossessed of the land, has been converted into a rural semiproletariat, retaining access to some land but increasingly reliant on wage labor as a means of livelihood and household income, and an urban semiproletariat of informal workers, working "on their own account" on the streets rather than exchanging their labor power against capital. Over 50 percent of the rural poor in Latin America can be categorized as semiproletarianized in these terms, with substantial evidence to suggest that they will never complete the theorized transition—the process of social transformation into a modern wage-earning working class.

The role of the state (the government, to be precise), with international cooperation, is to assist the rural poor in this process of productive and social transformation—to pave their chosen path out of poverty, facilitating access to productive resources such as education and a decent job, and to ensure their inclusion in essential government services, empowering them to act, develop their capabilities, and seize their opportunities for self-advancement.

The Politics of Poverty Reduction

There is an obvious theoretical blind spot in the World Bank's 2008 *World Development Report*, trapped as it is in the old paradigm of modernization theory, which is that the pathways out of poverty identified are conceived entirely in terms of economic adjustment to the presumably irresistible forces of agrarian transformation and capitalist development. In these terms, the opportunities of the rural poor to "farm their way out of poverty" are few, and the majority are expected—and encouraged—to take the pathways of labor and outmigration.

The report's "three world" categorization (agriculture based, transforming, and urban) suggests a remarkably uniform triad pathway out of rural poverty: (1) commercially oriented entrepreneurial smallholder farming, (2) rural nonfarm enterprise development, and, more particularly, (3) rural nonfarm waged labor, outmigration, or both. These pathways can be complementary and mutually reinforcing. In the report's typology of livelihood strategies, it is the latter two (outmigration and rural income diversification) that are usually found to be the normal route out of rural poverty.

What is surprising, considering the extensive field experience of at least one of the report's leading authors (De Janvry) in the contentious area of land reform, is how it entirely ignores the struggle of small-scale agricultural producers and other categories of "peasants" that make up the bulk of the rural poor in each of the "three worlds," the political dynamics of social change that arise out of this struggle, and the "voices of the hitherto excluded"—which the World Bank itself commissioned but subsequently ignored; voices that have been loudly raised by the international peasant movement *Vía Campesina* against the economic model used by the World Bank to guide its thinking and practice.

In Latin America, for example, the struggle for land reform has brought the small-scale producers and the mass of landless and near landless "workers"—generally conceived of as "peasants" in diverse forms—into a relation of political conflict with the big landlords and rural bourgeoisie, who through different means under changing conditions in diverse rural contexts managed to acquire the lion's share of the arable and productive land, and also the state apparatus, which in this context generally assumes responsibility for mediating this conflict.

Conclusion

Few problems have engaged as much attention and concern over the past five decades of capitalist development as poverty—the inability of a substantial part of humanity to satisfy even their basic human needs in a context of unparalleled wealth, the result of an unprecedented global expansion of society's forces of production based on new forms of social cooperation and technological development. Poverty in a world of plenty, it could be said, is a monstrous problem and totally unacceptable because it is incontrovertible that the global community of nations and international organizations has at its disposal the means and more-than-sufficient resources needed to "make poverty history."

The question that then arises, which we tackle in this volume from different angles and perspectives, is, What explains the fact that until recently so much effort and so many resources targeted at the problem in such a long war resulted in so little improvement, so little change? And what, if anything, has changed in the new millennium, when, according to diverse official reports, the problem of global poverty has finally begun to yield signs of improvement? Is it changes in the global economy, as some have argued? Is it because the poor have taken in greater numbers the pathways out of poverty available to them, paved by actions taken by governments with international cooperation? Or is it, as the architects and officials of international cooperation for development allege in their self-congratulatory official "reports," the result of the successful new millennium poverty reduction strategy constructed by the international development community and pursued by governments with international cooperation and social participation?

It is too early in this book to arrive at an indicative or definitive answer to these questions. The one overriding conclusion that we have come to on the basis of a review of the academic literature and the official reports on the poverty-development problematic is that any proposed solution to the problem must address, and come to terms with, what has been described as the "inequality predicament." The predicament is how to ensure a more equitable distribution of the world's wealth and the income-generating assets built up globally on the basis of social cooperation—how to prevent the appropriation of these assets by the super rich, a small number of powerful men acting and free to act in their own interest and at the expense of the many. The problematic of this predicament is the subject matter of subsequent chapters, but we can anticipate the discussion and analysis provided in these chapters with the observation made by the authors of the ECLAC report (2010b) on the war on poverty in the region: "It is time for equality—for closing gaps and opening pathways."

Notes

1. Cited from the UNDP website: http://content.undp.org/go/newsroom/2010/july/pnud-presenta-el-primer-informe-regional-sobre-desarrollo-humano.en.

2. This section can be found in www.ipc-undp.org/pub/IPCPovertyInFocus12.pdf.

3. Cited from the UNDP website, with reference to UNDESA (2009): www.un.org/en/development/desa/newsletter/desanews/publication/2010/02/index.html.

4. Cited from UNRISD's website, with reference to UNRISD (2010): www.unrisd.org/80256B3C005BB128/(httpProjects)/791B1580A0FFF8E5C12574670042C091?OpenDocument.