

Wülker, Gabriele

Article — Digitized Version

Poverty—A structural problem of developing countries

Intereconomics

Suggested Citation: Wülker, Gabriele (1981) : Poverty—A structural problem of developing countries, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 16, Iss. 2, pp. 80-85, <https://doi.org/10.1007/BF02924716>

This Version is available at:

<https://hdl.handle.net/10419/139732>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

□ The establishment of a special cooperative development organization improves the efficiency of the requisite practical measures and makes them less vulnerable to corruption.

If agriculture is enabled to perform its important function³ in the development process, the industrial sector and the national economy as a whole will also pursue what is in the long run the best development policy. Such a development policy embraces the integration and enlargement of the internal markets. It

³ Cf. Erik Boettcher: Die Funktion der Landwirtschaft in der entfalteten Konsumgesellschaft (The function of agriculture in the developed consumer society), in: Hohenheimer Hochschultag 1961, Reden und Abhandlungen der Landwirtschaftlichen Hochschule Hohenheim, No. 12, Stuttgart 1961, pp. 77 ff; Herman Priebe: Ziele und Aufgaben der landwirtschaftlichen Entwicklungshilfe (Aims and tasks of agricultural development aid), in: Agrarpolitik im Spannungsfeld der internationalen Entwicklungspolitik, Schriften der Gesellschaft für Wirtschafts- und Sozialwissenschaften des Landbaues e. V., Vol. 11, Munich-Berne-Vienna 1974, pp. 251-262, see p. 253 f; Ismail D u y m a z , op. cit., pp. 27 ff.

is reasonable to make greater use of foreign aid on the basis of such an integrated strategy of fundamental development and mobilization of the country's own potential in the development process. With such a basic strategy, it ought to be easier to open up external development aid sources and prevent the aggravation of dependence.

The industrialized countries would have to focus on a much more personnel-intensive development policy in order to help the presented model to achieve an organizational break-through.

Simultaneous organization of the credit and goods markets (on the sides of output and input) for the small rural producers by cooperatives which possess a sound financial foundation and the proper personnel resources would guarantee increased productivity and steady progress of the production units of their members.

DEVELOPMENT STRATEGY

Poverty – A Structural Problem of Developing Countries

by Gabriele Wülker, Bonn*

The contrast between industrialized and developing countries is often seen as one between two opposites: Rich countries – poor countries. But the poverty in the developing countries is by no means identical with the need for help as perceived in the industrialized societies. Poverty in the Third World is, as the following article shows, a structural problem.

The "social question" of the developing countries differs fundamentally from the one with which the industrialized countries are faced today. Late in the twentieth century social need is not met in the industrialized countries as a mass phenomenon but only as a predicament of individual human beings unable to help themselves. The social security system of the state combats poverty with the aid of social insurance and social assistance, possibly supported by the individual himself, for instance through private insurance.

In the Third World poverty is, in contrast, a mass phenomenon. It is often subdivided between absolute

and relative poverty. In the latter sense it relates the poverty to the society as a whole, mapping out – one might say – its social dimension. The absolute poverty is due to the incapacity of the persons concerned to mutate their resources, to make better use of them or to apply exogenous resources to their own purposes. Relative poverty affects only a limited section of the population; absolute poverty is dominant.

Poverty is often put on a par with marginality, the term which in sociology indicates association with a peripheral group of society. It derives from relative isolation within the given social system. In the developing countries the term marginality applies to population groups which neither participate actively in the development process – in the sense of exercising influence on its course – nor are affected by it

*Prof. em., Ruhr University, Bochum; Chairman of the German National Committee of UNICEF.

passively, i. e. do not, or only minutely, benefit from it. Passivity means here that neither the economic circumstances of life nor the social status in society are altered. McNamara characterized the term marginality in 1973 as follows: "The poor do not receive their fair share of the economic growth nor do they make a significant contribution to it."¹

This means that in developing countries an industrial worker for instance is regarded as privileged: His wages are fixed, and if he works for a definite period of time for an established firm, he may even look forward to an – albeit meagre – social-insurance assistance.

Close on 800 million people – 40 % of all Third World populations – were included in the poor or marginal group in 1973, and the World Development Report of 1980 still put the number of people living in absolute poverty – outside the People's Republic of China and other state trading countries – at 780 millions². With poverty as wide-spread as this one is entitled to ask whether it is right to speak of "marginal" – implying, isolated – groups. Involved are clearly structural problems, and the distinction between absolute and relative poverty also seems questionable.

Is Poverty Felt Subjectively?

In the critique of international cooperation, and development aid in particular, it is often assumed that the poor are not sensible of their poverty. Any change in the sense of modernization – however contentious this concept may be – was merely felt to be a disturbance of the (apparent) equilibrium of extant orders.

Poverty will indeed not be felt as such as long as the reference framework remains unchanged. In a tribal or caste society the economic framework is narrow but relatively stable. Poverty is accepted more or less as a matter of course. Attitudes fall into line with the facts of the situation as long as the perceived or felt needs are satisfied.

The framework has however undergone a world-wide change. Growing contacts with other societies and economies and improved global communications have created awareness of the scope for greater well-being and well-feeling: The others' ways of life seem desirable. Another aspect is coming into play: Oscar Lewis, the anthropologist, has shown in his studies on Central America that poverty in the past developed structures and defence mechanisms which were continuous and stable due to socialization inside the

family. Lewis even spoke of the subculture of poverty. However, at present traditional forms of living and old values are put in question, as a result of the mobility, of the changes of social and economic systems. The people are becoming more and more aware of their poverty and are in general sensible of its representing a handicap and a fault.

This is especially true of the young people who, having received no education or training whatsoever, are growing up without any hope of a career. Many others prepare by hard work for some vocation or other but fail to find suitable work. They represent a potential of frustration and political turbulence which may have serious national and international consequences. The present rebellions in Central America are only the tip of an iceberg of frustration. The followers of Ayatollah Khomeiny belong for the most part to poor social groups in town and countryside who hope for more social justice from him than was their lot under the Shah's rule.

It would be an illusion to think a return to the pre-industrial phase possible. The various efforts and trends in the Third World to revitalize indigenous cultures and religions and the nostalgic sympathetic currents in the industrialized countries cannot alter the evanescence throughout the world of the belief in an immutable fate. The individual is being given more freedom for action; there is growing appreciation in the developing countries of the need for change in the economic and social sphere.

Awareness of the possibilities for change may prepare and activate the populations of the developing countries for the utilization of these possibilities. Discontent and frustration will however spread just when the chances for change are improving somewhat, for the demands for change grow faster than they can be satisfied with the given means. The history of revolutions shows that they do not erupt when the need is greatest, when the struggle for survival is at its hardest, but only after the pressure has begun to subside or when further advances are in jeopardy³.

The dualism between propertied and needy groups has not been overcome in the developing countries, in spite of increasing international and national

¹ Robert McNamara: Address to the Board of Governors, Washington 1973, p. 11.

² World Development Report 1980, World Bank, Washington, August 1980, p. 45.

³ J.C. Davis: Eine Theorie der Revolution (A theory of revolution), in: Wolfgang Zapf (ed.): Theorien des sozialen Wandels, Cologne, Berlin 1970, 2nd ed., pp. 399-417.

development aid. The Brazilian bishop Helder Camara once stressed: "The rich are getting richer and the poor poorer." His remark has to be understood in relative terms: The rich are getting richer very much faster than the poor are getting less poor. This fact has a variety of causes and effects:

The backwardness of the 40 % of poor groups does not relate purely to economic disparities caused by lack of resources. In the extra-economic sphere there also exist wide differences between the various groups in society. The birth and fertility figures of the poorer sections of the population are on average higher than those of the higher ones: "Being poor, they have many children; having many children, they are poor." Children are still regarded as an economic asset because they have to make an early contribution to the family income. Outlays on education if planned at all cover only education and training for a few children. The more children are born, the lower the health status of the later arrivals, so that their capacity to learn and work is impaired from the outset. Malnutrition and undernourishment, high infant mortality, low expectation of life, large-scale illiteracy or secondary illiteracy – all these are factors which keep the physical, mental and psychological development of these population groups below the level of their materially advantaged countrymen. Their capabilities and thus their efficiency for a development process are significantly reduced.

Productivity falls off steeply in developing and industrialized countries alike as educational standards go down. Disparities in the general level of education have still another effect: In the groups with lower skills for the working process there is also a lower degree of motivation and mobilization for the utilization of opportunities than is met among their more highly skilled countrymen and even more among the inhabitants of industrialized countries.

To blame the intellectually more advanced groups, the members of which have generally had personal experience of the advantages of industrial civilizations, for this would be unfair. Social and economic differentials abide also in socialist countries, in spite of their maxim of an egalitarian society – even in radical phases like the Cultural Revolution in the People's Republic of China.

A defect – and a political danger – is the virtual absence of any action to assist marginal population groups in organizing a representation of their interests. They do not yet possess the status of a political partner and are thus exposed to a constant risk of falling victim

to arbitrary action by dominant political and economic power groups. The Latin American "Promoción Popular" programme for the mobilization and sensitization of farm workers and smallholders therefore envisages as its most important object that of educating these disadvantaged groups and to make them aware of their potentialities as independent political partners within their societies.

Pivotal Growth and Poverty

All developing countries have been pushing forward their modernization with bi- and multilateral support ever since they gained independence, and done so as a rule by giving priority to industrialization. Their central aim was economic growth, demonstrable by rising average per-capita GNPs. The employment problem was subordinated to the objective of economic growth. The UN's Economic World Report for 1967 already contained the criticism that many decisions had mistakenly too strong a technical bias.

Complicated capital-intensive production processes were at first often chosen, in spite of the different production methods and consumption habits of industrialized and developing countries. This did not cause the same social stresses as in the early phase of 19th century industrialization but involved the developing countries in probably even greater difficulties including long-term indebtedness and mass unemployment, with the latter aggravated by the continuing population growth. The economic growth was lopsided because it was based on advanced technologies. Its diffusive effect on economically weak sectors was virtually nil. The poor sections of the population were simply by-passed as their technological skills were low: Their illiteracy and poor physical condition made them unattractive for industrial employment; at best they were used as unskilled workers during the construction phase.

The expectation that it would soon be possible to withdraw labour from the traditional occupations thus proved erroneous. The productivity in agriculture and artisan trades did not improve at all or only slowly, and education and infrastructure did not fare better. What psychological and social change there was was incipient and incidental. Only a limited percentage of the working population participated in the increase of production and productivity in the secondary sector. The ILO's world employment programmes indicate only a relatively small increase in employment in the industrial sector at the expense of the agricultural sector.

A common failing of development strategies right to the present has been that two closely interlocked levels were not treated as of equal importance. There is a need, on the one hand, for promotion of the modern sector (incl. industrialization) and, on the other, for the furtherance of all measures for the satisfaction of basic needs, i. e. inclusion of the marginal sector.

Economic growth remains nevertheless an indispensable prerequisite of all development and is the more important the greater is the numerical growth of the population. Every additional member of the population requires outlays and investments on nutrition, clothing, health services, education and training, and provision of a job until he in turn makes a contribution to the society and economy. If the younger age-groups are large, capital has to be withheld from immediate productive investment for the benefit of infrastructural investments which it will take decades to amortize.

The Strategy of "Progressive Modernization"

In countries with a low per-capita GNP the absolute poverty continues to dominate. The connection between the extent of absolute poverty and per-capita income is nevertheless not unambiguous: Differences in income distribution had the result, for instance, that in Colombia the proportion of the population below the poverty line was twice as large as in South Korea although both countries have about the same average per-capita income⁴. 50 % of all people in absolute poverty live in Southern Asia, with the main concentrations in India and Bangladesh. East and South-east Asia and Africa south of the Sahara account for one sixth each, and about 100 million are found in Latin America, North Africa and the Middle East⁵. Most of the poor live in the rural areas or urban slums, the latter being the case in Latin America in particular. They are farm labourers, smallholders or tenants, engaged in small rural or urban artisan trades, or shopkeepers and thus belong to the traditional or "informal" economy. Their incomes are small, their productivity is low. To integrate them into the labour market remains an incredibly difficult task. To this day

they have always lacked the physical and human resources to change their situation, with the result that 75 % of the growth of the GNP has benefited the propertied 40 % of the population and no more than 12 % the lowest 40 % – the poor and "marginal" people⁶.

Since the late sixties the International Labour Office has made it one of its objectives to do away with these social and economic inequalities. Under the watchword of "Strategy of Progressive Modernization" it has evolved strategies for the promotion of the traditional informal sectors – agriculture, crafts and trade – *pari passu* with the industrial modern growth nuclei⁷. The modern production sphere is not to be contracted but neither is it to be expanded further. More investments are to be directed into the informal sector with a view to a decisive advancement of productivity and employment.

Furtherance of the Informal Sector

The traditional informal sector occupies an important position in economic life. It produces simple consumer goods and provides services unavailable to the poor consumer in the traditional sections from any other source. Insofar as this is the case, these small artisans, traders and service enterprises are absolutely essential.

The ILO has cast light on the informal sector – euphemistically described as "modern informal sector" – in a number of studies. Two of them – on Nouakchott in Mauritania⁸ and Lomé in Togo⁹ – have been picked out here as examples. They give altogether similar results:

The productivity of the informal sector is substantially below that of the modern formal sector. The latter normally employs only workers who have had a school education; informal enterprises on the other hand employ remarkably large numbers of illiterate youngsters as apprentices and of unskilled workers without any schooling on productive work. 25 % of the informal enterprises in Lomé are headed by illiterates; no more than 5 % have passed through a secondary school. Their earnings and wages stand nevertheless comparison with those in the modern sector.

⁴ World Development Report 1980, op. cit., p. 46.

⁵ World Development Report 1980, op. cit., p. 45.

⁶ Hollis Chenery et al.: *Redistribution with Growth*, Oxford University Press, 3rd ed., July 1976, Introduction, p. XIV.

⁷ Keith Marsden: *Towards a Synthesis of economic Growth and social Justice*, in: *International Labour Review*, Vol. 100 (1969), No. 5, pp. 389-418.

⁸ Georges Nihan, Robert Jourdain: *The modern informal sector in Nouakchott*, in: *International Labour Review*, Vol. 117 (1978), No. 6, pp. 709-720.

⁹ Georges Nihan, Eric Demo, Comlavi Jondoh: *The modern informal sector in Lomé*, in: *International Labour Review*, Vol. 118 (1979), No. 5, pp. 631-644.

Without detriment to the modern production sector the informal sector could expand in both towns year after year with an increase in employment. Lack of management know-how rather than scarcity of capital has been identified as the bottleneck. The strong point of the informal sector is its importance for the labour market because it provides employment for unskilled workers who would otherwise be without jobs, its flexibility and better adaptability to consumer requirements and the financial capabilities of the lowest income groups. This is one reason why the ILO has come out in favour of more active promotion of the informal sector in the framework of development planning.

The discussion with reference to the traditional production and consumption structures about so-called adapted, new or progressive technologies must be viewed in this context¹⁰. E. F. Schumacher has calculated that the cost of a working place for such labour-intensive production is only about 10 % of the investment required for a working place with modern technology¹¹.

The supply and demand for the mass consumption of the marginal population tally because the focus is on simple food and consumer goods matching its low purchasing power. Many of the articles for the bazaar trade could no doubt be made in modern plants and be marketed quicker and at lower prices. As against the apparent advantages there are however a number of disadvantages: Modern production forms prerequisite considerable investments for the training of skilled personnel and imported materials and machinery. In return traditional workers are released in considerable numbers. The World Employment Conference of 1976 dealt with the problems involved in detail under the theme: "Employment, Growth and Basic Needs – A One-World Problem".

The less developed a country is, the greater is the need to avoid selective technological progress and, by implication, to promote the traditional production methods in the artisan trades and agriculture in the interest of the poor population *pari passu* with the modern industrial sector. The priorities have to be fixed

according to the level of development and extent of unemployment, i. e. the degree of poverty. For a transitional phase, the duration of which is a function of the development potential and opportunities, it may well be perfectly sensible and economically advantageous to promote the traditional sector. Chenery speaks in this context of a revision of the thinking in cost-benefit analyses¹².

"Target-Group Approach"

In spite of intensive promotion of agriculture in the framework of development plans and international cooperation, the masses of the absolutely poor peasant population have remained virtually untouched by the countless programmes and projects. The investments for the intensification of agricultural production through introduction of new technologies or crops, improvement of infrastructures and water services, provision of credits, etc., did not work through to the basis. This was by no means due to a negative attitude in principle of the subsistence farmers to innovations. It was found repeatedly in empirical studies that smallholders turned down innovations because the risks of even small borrowings worried them.

In 1975 the World Bank evolved the "target-group approach" for agrarian programmes to fight rural poverty: The absolutely poor in the countryside are the direct target group of this approach¹³. An analysis of their poverty demonstrates that poverty is the product of a large number of closely connected factors: Inadequate availability of land or defective tenancy conditions, lack or insufficiency of social services (schools, health care), threat of famine in case of crop failures which is more real for the rural poor than for town-dwellers living in absolute poverty.

It is no good to tackle only a few of these factors. Any and every measure, whether for betterment of the human factor or more productive resource utilization or better access to the arable area, must be integrated in an overall plan. "Integrated development planning" with due regard to the aspirations of the population and its participation are essential for success in combating poverty.

Poverty a Political Issue of the First Order

The debate on the extent of poverty and marginality and the pressing need for precisely targeted action against it is pursued with increasing fervour, especially by the industrialized countries and the spokesmen of international organizations. One cannot speak of

¹⁰ Gabriele Wülker: Neue Technologien in der Dritten Welt (New technologies in the Third World), in: P. Meyer-Dohm (ed.): Bildungsökonomische Probleme der Entwicklungsländer, Tübingen 1978, pp. 320-335.

¹¹ E. F. Schumacher: The Work of the Intermediate Technology Development Group in Africa, in: International Labour Review, Vol. 106 (1972), No. 1, pp. 75-92.

¹² Hollis Chenery et al., op. cit., p. XVI.

¹³ IBRD: Rural Development: sector policy paper, Washington 1975.

genuine development while 40 % of the populations live in absolute poverty. The increase of production in the Third World is, apart from a few countries, concentrated in the main in the relatively small modern areas of the primary and secondary sectors. The infrastructure investments reflect this trend. A high proportion of the total investments is taken up by these areas; their productivity growth is correspondingly fast. This process is reinforced by the preponderant hold of the propertied groups on real estate, means of production and political power.

The evolution of a social concept of development policy remains a task primarily for the developing countries themselves. At critical discussions of this subject the representatives of the developing countries are, also at international conferences, often insisting on their sovereign right to decide on the alleviation of social distress in their countries. At the World Employment Conference of 1976 for instance they received the ILO strategies for including marginality and poverty in the planning and for switching the priorities to a lower level of development with scepticism and suspicion¹⁴. The representatives of the Third World look on this as a new form of imperialistic exploitation and deliberate reduction of their countries to an inferior economic level.

At all the world trade conferences the negotiations focused on economic aspects and objectives; the social component received no consideration. The

economic demands of the developing countries were high-pitched. Whether social disparities were to be reduced by the transfer of large resources from the industrialized to the developing countries was not discussed.

A Round-Table Conference on the Least Developed Countries (LLDCs) was recently held in Bonn¹⁵. At this meeting the Secretary General of UNCTAD, Dr. Gamani Corea, was asked straight-out by German participants what strategies were envisaged for use against the social disparities and poverty. Dr. Corea's answer was evasive: The Least Developed Countries, he said, needed budget and programme aid. He too, excluded the social aspects from the discussion.

The developing countries are awakening to their social problems, but they are not yet fully aware of the need for coordination of economic and social planning. The economic and social transformation has so far taken place selectively inside the population groups. The political change has however a growing impact on the population groups which are living in poverty. They are increasingly becoming aware of being discriminated. Poverty is thus becoming a political issue of the first order.

¹⁴ ILO: Employment, growth and basic needs: a one-world problem, Geneva 1976.

¹⁵ Round Table Conference on the Least Developed Countries (LLDCs), German Foundation for International Development (DSE) and UNCTAD, Bonn, Dec. 1-3, 1980.

PUBLICATIONS OF THE HWWA-INSTITUT FÜR WIRTSCHAFTSFORSCHUNG - HAMBURG

NEW PUBLICATION

Karlhans Sauernheimer

INTERNATIONALE KAPITALBEWEGUNGEN, FLEXIBLE WECHSELKURSE UND GESAMTWIRTSCHAFTLICHES GLEICHGEWICHT

(International Capital Transactions, Flexible Exchange Rates and Overall Economic
Equilibrium)

Large octavo, 242 pages, 1980, price paperbound DM 48,-

ISBN 3-87895-199-X

V E R L A G W E L T A R C H I V G M B H - H A M B U R G