

Can the Poor Organize to Fight Poverty: Theoretical Evidence On Policies

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***Abstract:** Central to this article is an argument that: "Self-organisation of the poor to provide for their own social security or as a means to combat poverty is inherently limited in what it can do". This article presents a surface scan on poverty as a concept to establish an understanding of the key influences on poverty status. A model that explains linkage of monetary income to capability of the household in terms of functioning is presented followed by another model on a link between national policies to household income/welfares. This policy link is associated with the poverty politics, explaining that poverty though measured at household level its alleviation needs national initiatives and strategies, hence defeating the argument that the poor at household level can organize themselves out of poverty.*

INTRODUCTION

Poverty has gained more attention in recent years. Different approaches have been employed to eradicate poverty. The difficulties encountered in this process have reduced the tone from eradication to alleviation (Squire and Kanbur, 2001). Adding to the difficulties in eradicating, yet new paradigms are emerging as regards who should be in the centre of the poverty alleviation if not eradication process? Should the poor initiate the process and own it as key actor? Or should the poor let the external systems intervene poverty phenomenon and facilitate the breaking process of the poverty vicious cycle?

This essay presents a surface scan on poverty, the poverty concept, to establish an understanding the key influences on poverty status. A model that explains linkage of monetary income to capability of the household in terms of functioning is presented followed by another model on a link between national policies to household income /welfares. This policy link is associated with the poverty politics that explain that poverty though measured at household level its alleviation need national initiatives and strategies.

POVERTY AS A CONCEPT

Poverty as a concept has resulted into so many definitions as the number of those who tried to define it. Two parameters are reflected one at the time and sometimes both. The parameters are income (it's insufficient) or capabilities. Another dimension taken into account in a cause of defining poverty is the level of parameter(s) analysis. The level can either be household level or country levels. At country level poverty and its link to capacities of economy to provide resources and develop infrastructures, is considered, to be affected by national policy and global economic context. The household level on the other hand by quality and quantity of resource is able to dispose in exchange for food and other basic necessities. The fact that poverty analysis entails a range of dimensions, underlines the point that poverty is complex and multidimensional (Rutasitara, 2005; Smith 2005, Laderchi et al, 2003)

Complex and multidimensional as it is, poverty concepts and definitions - for simplicity, can be reduced down to a statement that: 'A situation of insufficient resource to meet essential needs for decent human life'. The needs include food, clothing and etc. This definition is attached to economic way of thinking where income is said to be the means of acquiring the said needs. This definition accommodates the Monetary approach in defining poverty, the household is lacks income that is necessary to enable the household acquire the basic needs. And also, that 'Poverty' can be defined as lack of ability to maintain a minimum and substantive freedom to function within society with minimal adequacy. Or alternatively, it is briefly defined as a failure to achieve certain minimal basic capabilities (Rutasitara, 2005; Laderchi et al, 2003)

The later definition builds on the Amartya Sen's work on poverty - hence providing a new way of looking at poverty and the poor (Laderchi et al, 2003).

With these two symbolic definitions of poverty, a concept is clear. Borrowing Wuyts words, the poverty dimensions in respective ends are referred to as dichotomy. The dichotomies in relation to poverty are sort in two paradigms as displayed in Figure 1



Figure 1: Interrelated Sets of Dichotomies.

Source: Marc Wuyts (2006): Study Guide: Module1, Conceptualizing Poverty.

Summing up the dichotomies concepts, it can be realized that schools of thought around poverty are simplified into income based thinking - on one hand, to well-being based - on the other. For the purpose of this article, each of these thoughts, constitute a school of thought.

Income based school

As mentioned earlier this school defines poverty based on the income as a resource that allows access to basic needs including food. Explicitly this school defines poverty as situation of lack of sufficient means or income for a minimum level of living. Rutasitara, 2005, mentioned the means linked to poverty as food, shelter, clothing, a job, a piece of land to till and vulnerability to changing economic situation to mention all but some.

With respect to income based school of poverty, the population is either marked poor or non poor. Between the poor and non poor there exists a dividing line below which a person or a household is considered poor and otherwise is non-poor. This dividing line is nationally/countrywide determined and is referred to as poverty line. Poverty line is therefore defined as a consumption level that separates the poor from the rest of the population. It is a level at which people realize a full or decent life (Laderchi. et al, 2003). On this basis [income based] countries use economic parameters on determining an average income performance within. One of which is the GDP. It can - in few words, be explained as a measure of output of a country. GDP is defined as the market value of all final goods and services produced within a country in a given period of time or briefly GDP measures the totality of country's output for final use during a given period in time, usually a given year.

One can, therefore, fairly assert that income - in terms GDP, is affected by the country's participation in the global economy. This is because it is these goods and services that are shared in a global economy market in exchange for service and good that cannot be produced in the given country. Briefly the world market participation scale is reflected in the following issues:²

- Terms of Trade (TOT): This is the ratio of the price of export commodities to the price of import commodities. It implies that a country will need to export more in terms of value to be able to

² These issues are defined based on the Marc Wuyts article: Macroeconomic Policy and Trade Integration: Tanzania in the World Economy (2004).

afford the same volume of import, in the cases where the export prices are lower than the import prices. It is further implicated that terms of trade is determinant of the therefore export purchasing power. This is because:

Purchasing power of export = Terms of trade x Export volume.

- Real Exchange Rate (RER): Is the nominal rate, adjusted for the difference between domestic and world market inflation rates. It is affected by the ratio of the value (price) traded goods to value of non-traded goods.
- Trade Gap: This is Exports minus import. A negative sign will mean that a country imports have higher value than the exports.

Well-Being Based School

This school builds on the human capabilities. Rutasitara refers to this as social context of poverty. In this context a group is classified based on ability and in-ability to attain minimum life quality. On an in-ability perspective, poverty is considered as lack of a wider array of human non material needs. On the other hand, this school accommodates the poverty definition that goes as: A failure to achieve certain minimal basic capabilities, which include lack of substantive freedoms to function in a society with a minimum adequacy (Rutasitara, 2005). The definitions from this school rise issues other than the depleted wallets that face the poor and impoverished in a community or society, if you like. Issues include rights of and/ or access to community - or state-provided goods, freedom and respect.

This school has parameters that can be used to assess poverty. These parameters are as well considered to be keys that can unlock the poverty trap, according to Smith (2005). And he has put the parameters, or rather keys to capability, follows (Smith, 2005: 31-45):

- Basic Education to build the foundations for self reliance
- Health and Nutrition for Adults to work and Children to grow to their potential
- Credit and basic insurance for working capital and defense against risk
- Access to functioning markets for income and opportunities to acquire assets
- Access to the benefits of New technologies for higher productivities
- A non-degraded and stable environment to ensure sustainable development
- Personal endowment to gain freedom from exploitation and torment

- Community empowerment to ensure effective participation in a wider world.

These key to opening the poverty trap, as an analysis of capability poverty perspective - can be summed up into a concept of human development which as well has many dimensions. Health, education and standard of living are dimensions that are basic and can be measured while others like democracy and political freedom environment are considered additions and are either hard to measure or overlap with existing dimensions.

Where do the Two Poverty Schools Meet?

The two schools on poverty, however, seem to have much in common than differences as one would imagine. In the course to explaining the Hows and Whats of capability approach on defining poverty, Laderchi and her friends came out with a model as featured in Figure 2. The model indicates the transformation that incomes have to undergo before it is realized as functioning [capability]. It can be seen that - income in terms monetary value, is a necessary but not the only element that can explain the poverty extent at household level. Income, in monetary terms provides a converting ability of the household into what Sen would name as capability while Laderchi names it as functioning. Alternatively for households in poverty, according to Laderchi and friends, environment and publicly provided goods highlights the contribution that a government has on improving this functioning at household level (Laderchi et al, 2003).

It can fairly be asserted, therefore that, cutting across the two schools, poverty is said to be assessed based on either income level or equivalent estimates of the income enough for basic consumption. Basic consumption in this case defines the household capabilities.

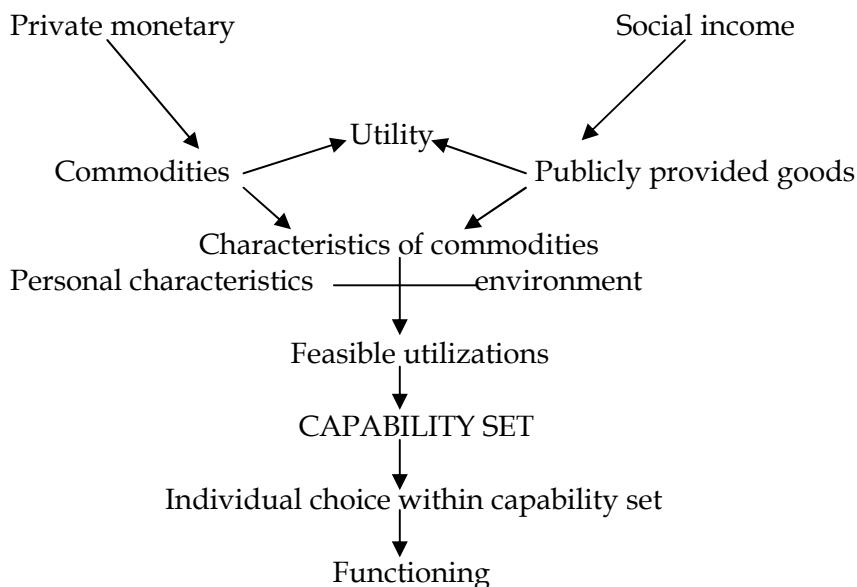


Figure 2: Capability Approach - (The Links Model):

Source: Laderchi Et al (2003: 255): Capability approach –the links Model.

POVERTY IN A GLOBAL PLATFORM: HISTORICAL AND TANZANIAN PERSPECTIVES

In a global perspective, poverty has gained popularity for some time. In Africa poverty was central in freedom fighting, a fight toward political independence, that started in the early decades of twentieth century. After attaining independence, countries like Tanzania pursued human development as a crucial element towards real development. The centralized government led economic plans were mainstreamed. Issues closely linked to economies were identified. Tanzania, for example, embarked into eradicating the poverty, together with ignorance and diseases. The three [poverty, ignorance and diseases] were declared not only the national enemies to economic progress but also obstacles to real development.

The centralized and government led economic plans were critically challenged. It was learned later that economic growth does not automatically translate into poverty reduction. For the poverty to be reduced specific economic plans that have the poor in mind are important. This thinking brought up another economic planning model in the name of broad based economic planning. It turns out however that the broad based was not broad enough to assist in the poverty reduction. Here comes the pro-poor economic planning.

Pro-poor economic planning enjoyed the attention and support from the global economy through the HIPC (Highly Indebted Poor Countries)

initiatives. These initiatives aimed at assisting these poor and indebted countries planning on a pro-poor basis. The condition for this support was a participatory poverty reduction strategy. An indicator for this compliance was categorically determined as PRSP (Poverty Reduction Strategy Papers) (Laderchi, et al, 2003)

The PRSPs were preparation as a condition to attract the HIPC initiatives offer, served a window dressing purposes. The consultancy element in PRSR is associated and accountable for the traditional thinking that an economic growth has a direct impact in poverty reduction. The papers were then modified to different direction including an emphasis - on not only economic growth, but also sustainable economic growth that will lead into poverty reduction. On the donors' side it triggered policy reforms that aim at supporting the development strategies in developing countries, and then the Millennium Development Goals. This process in Tanzania was marked in transformation of PRS I, PRS II and finale the MKUKUTA.

The globe has come a long way, from industrial revolution developed countries to independence from colonization for most developing countries and to Structural Adjustment and Poverty reduction.. This move aimed at development and more recent poverty alleviation strategies however have witnessed an increase in poverty. One asks: With the world in economic growth plans and more that, the broad based and pro-poor economic growth, what is it that we do not hear of the national success stories? In the areas where good news on poverty alleviation was noticed why don't we hear more of such experiences? What are the loop holes in global poverty combat? Is development a destiny or process? If it is a process what are the challenges and what is the best next step, for developed countries?

Answers to this questions in relation to a central question on the impact of the self organization for poverty requires a conceptual understanding on a link that exists between a macro policies levels and household welfare in a given state. It should be borne in mind that economic growth is measured based on the macro policy performance while poverty incidences are measured based on household welfare indicators.

Symbolic representation of this conceptual framework as model that explains the connectivity nature between the household welfare and state macroeconomic policies is displayed as Figure 3.

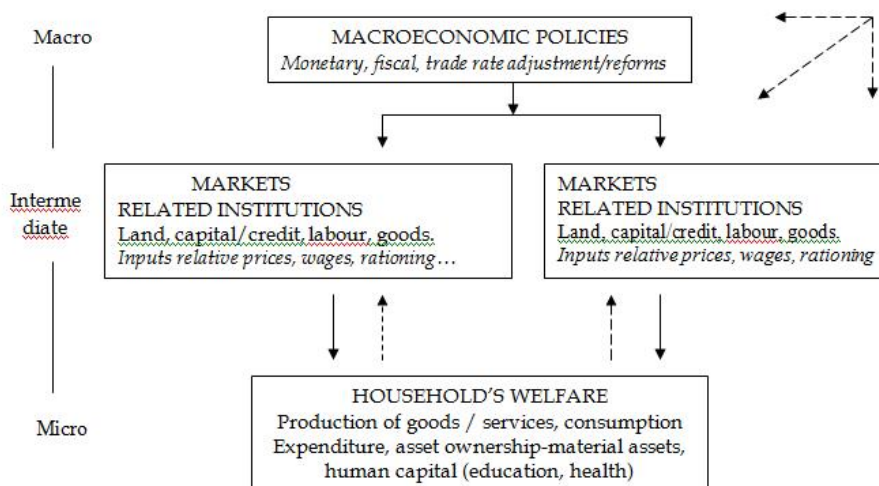


Figure 3: Linking the Macro-economic policy to household welfare (Policy linkage Model)

Source: Rutasitara (2005: 21)

The model classifies the economic activities in three levels namely the micro, intermediate and macro as follows:

- The micro level concentrates on the household welfare where production of goods/services on one hand and consumption/expenditure on the other. Note that poverty incidence is measured at this level of community. The human capital development targets the quality and quantity demand of the household, education and health service supply in particular.
- Next to micro, in ascending order is the intermediate level: this level deals with units [institutions] larger than the households. While household are more naturally set the units in this level are more or less formal. Some of them have been in place long enough to make life without them impossible. These institutions are considered market oriented or related institutions. It is at this level where marketing of goods and services produced at micro level [household] is organized. The quantity and quality of social services an individual at household level has accessed may contribute to position in the institutional organizations. This is the case for quality and quantity of goods and services so produced. Values at this level are offered in terms of capital, credit, Inputs relative prices and wages just to name some

- The highest level for economic consideration is the Macro level. At this level formal rules that affects what is happening at the previous two levels. Contents of this level are categorically the Macroeconomic Policies which determines the issues that are grouped as monetary, trade, policy adjustments and reforms. One the fairly argue that this level negotiates the cross border state issues and transactions on behalf of the two lower levels. Any formal supports that micro and intermediate levels enjoy are either direct or indirect handed to, by the macro level. This includes funds and agreements from international organization and services like education and health that are given to households. This partly explains the interpretation of the three arrows at the top of the right corner, signifying external forces interruptions into the system. And this is the base for my standpoint in this issue.

This model categorically displays the impact that a nation state, with its authorities at its disposal, has on the household welfare. And it is the welfare that will determine level of income the household will have, based on income school of thought or the capability the household will posses, based on well-being school.

The following example (Figure 4) can explain the operational terms of the model in Figure 3. In economic sense, it is a fact that countries have no choice but to trade for its survival. The international trading sector (World Market) has its dynamics and price mechanism that allows manipulation, macro economics policies if carefully prepared are crucial in protecting a nation state against the manipulations. In a case of agrarian economies like Tanzania, agricultural activities at household level do matter. This is because household contributes significant quantity of goods for marketing both in and outside the country. Table 1 explains this fact with reference to 1992 production in Tanzania.

Table 1: Social Structure of Crop Production 1992

Form of production	Domestic consumption		Exports	Total
	Non-marketed	Marketed		
Small holder peasantry	51%	34.1%	6.4%	92%
Plantation/large farms		0.9%	7.5%	8.4%
Total	51%	35.0%	14.0%	100.0%

Source: O’Laughlin in Study Guide Module 1/ Unit 4: How Poverty Works: Gender and Market Divide

The Table above highlights the fact that small holder peasantry, which represent the household economy (where poverty is measured and reflected), need to be stimulated for quality and quantity produces. This have to be supported by the intermediate level policy institutions that captures and supports the peasantry production through organizing input availability and internal markets for while excess is produced and channeled to external markets (exports) based on macro economics policies.

POVERTY AND POLITICS ON POVERTY

Briefs on the two models (Figures 2 and 3) highlight the politics of poverty as a response to questions posed above.

Why is it that we do not hear of the national success stories?

Nation states need to pioneer and spearhead the poverty reduction strategy. Locally made strategies are crucial if a country needs to make a step forward. Next to strategy formulation is resource allocation. The emphasis in poverty alleviation programmes need to, among others things, establish a good link between the three policy levels namely: micro (household), intermediate (institutions) and Macro (policy). Efforts are needed to mobilize the internally available resources before going for the foreign support. On strategies for poverty reduction they were tailored to fit all developing countries, notably, African countries were simply window dressing to impress the donors who wanted to see Poverty Reuction programme in place before committing more resources. And notably, countries were not happy with the PSRPs which according to many in Africa - and possibly in other developing countries, were repackages of structural adjustment programmes with no real focus on poverty (Laderchi et al, 2003). These programmes have not exploited the potentials at both local and national levels, and this has resulted into the of poverty reduction strategies.

As for resource mobilization, Peter P. Houtzager assigns this role to nobody but a nation-state. He argues that:

'The territorially defined nation-state today remains the only actor able to extract the vast resources from society that make possible significant distributive and redistributive policies and the only actor capable of providing public goods on a significant scale. It is also the organizational form of authority with which most people have contact in their daily lives and that provides the most readily available route for poor social groups to influence the conditions of their own life. And more generally, the state is also the only actor with a legitimate monopoly over violence with the potential to make war in the international arena and maintain order domestically. No supranational

institution approximates the capacity of even a weak nation state in this area.' (Houtzager, 2003: 4)

These words - so beautifully put, speak for themselves that nation-state have all the mandate and they must organize resources and concepts from within if they aiming at reduction poverty. This is yet to be experienced for this matter no success stories at across nations.

Good news on poverty alleviation, Yes: Why don't we hear more of such experiences?

Poverty reduction had worked in some cases, but the world has not recorded nation-wide scenario for poverty eradication. A number of success stories are associated with projects that cover small communities. The impact may be overemphasized in a number of cases. There are cases where the impact of poverty reduction strategy is much less than the income a household would earn if the project funds were handed to households. Which means if the funds allocated in poverty alleviation were to be given directly to the poor, as assumed income, it could have left the households in a better income level than what the programme had stimulated (Alkire, 2002; Houtzager, 2003). Arguments for or against this concern may be made. Economics related to poverty has asserted that for a rate of growth of national income in terms such as GDP, need to be significantly over and above the rate of population growth to have poverty reduced. This means that in order for a nation state to reduce poverty, its economy has to grow and its population be controlled in addition to efforts on income redistribution within its borders (Moore and White, 2003). For sustainable poverty alleviation, the three parameters i.e. economic growth (income raise), wealth redistribution and the proportion of individuals lifted - the poor in particular number need to be in the same direction and magnitude if success in poverty alleviation is to be realized.

Is development a destiny or process?

A nation state has development as its primary goal. To achieve this, a nation has to explore how best resources within its borders can be utilized. In a global economy scenario where resources are depleted, venues outside the borders are to be exploited to support - if not, strengthen the economic capacity of the state. This capacity is defined in terms of state ability to provide social services as a cushion for social security or a means to combat poverty, as it lowers household expenditure avenues. The challenge for both developed and developing countries is on how well they should exploit resources beyond their borders. And resources beyond the borders are actually within the borders of the other country. Two questions are important at this point.

- Question one: In this scramble for limited economic resources will one country work to eradicate poverty in the other country?
- The second question: Is it feasible that this scramble and partition for global economic resources across the borders be left to the households?

In line with the first question, Houtzager (2003: 21), has pointed out that 'there is an element on of direct conflict between policies that favour (international) capital and policies that favour the poor;and policy conflict is mainly on resources use and allocation. For question two, to have a yes as an answer, nation state should work harder on smoothening the poverty traps to empower the households (ibid, page 4-5).

What are the loopholes in global poverty combat?

Though development and poverty alleviation are closely linked, a shift from development focus to poverty alleviation is equivalent to a shift from global economy to developing economy platform. In this case developing countries focus on a poverty line and proportion of people above and below this line. This could be taken as localization of economic standards in a time of globalization. The developing countries find themselves less aware on what others are doing especially in developed countries by over focusing its attention to its local communities. Sharing the experience on poverty reduction with the poor countries will not help the poor. This should be taken to mean that developing world needs to understand poverty in their terms and learn how global power dynamics can be part of either a solution or problem. Thinking of technological challenges such power alternatives³, or thinking of who is financing the social security schemes in developed world when the population is aging? What are developed countries doing to keep up with development? Answers to these questions require national frontiers to organize and understand domestic resources availability, identify and highlight areas for global resource competition if its movements globally. This understanding will lead into identification of who do we compete with for resources, partners and competitors in a fight against poverty. This is what I refer to as global loop holes in campaigns for poverty alleviation.

WHY SELF-ORGANIZATION WOULD NOT WORK FOR POOR?

³ Power alternatives include cases of Fuel and electrical power. If developing countries are not thinking of the alternatives as Gas prices are hiking while electrical power, especially the HEP, is impeded by prolonged drought, power crisis may worse that it is seen.

The poor are poor because they are not well educated. The converse is also true that they are poorly educated because they are poor. This case may be extended in similar extent to credits, market access, access to technology, stable and non-degraded environment as well as issues around health and nutrition. It is clear that these issues - which I have previously named as key to unlock the poverty trap, are well beyond the household boundary. At this point it is necessary to clearly state that poverty incidence reflected headcount ratio and headcount index are household-based measurements. While the measures on poverty are at household level factors that account for extent of vulnerability are controlled beyond the household boundaries (Rutasitara, 2005; Smith 2005). This means a unit larger than household, similar or just like what Peter referred to as nation state, have legitimate authority to mobilize resources necessary to mitigate the vulnerability nature in relation to poverty.

Houtzager (year???) in his introductory note to the book: *Changing Path*; he had noted two clear points on this direction. First he states that:

‘...There is a little evidence for the belief that the uncoordinated action of a multiplicity of local actors in either civil society or the market alone can either solve problems such as market and state failure or challenge authoritarian political elite on a scale sufficient to lift large number of people out of poverty and political subordination (p: 2).

The second statement of interest to this article is:

One cannot create a politics of inclusion solely or even primarily around civil society, the very strength of civil society, its lack coordination pluralism is also its weakness. It spreads power thin and wide relative to the concentration of power of market and state actors. The ability of civic associational life no matter how well networked to act as an effective restraints on the state and to counter market-based inequality and exploitation by large corporate actors is severely limited. The required coordination for such tasks is particularly difficult because civic life itself suffers profound inequality and division -it often reproduces forms of social stratification (p: 12)

Houtzager (year???) is simply saying that self coordination in form of civic association or the poor will not work without political coordination. And that civic society will not succeed to work on exploitation which in most cases is responsible for poverty. This coordination needs a strong support from political and public support, if it is to successfully provide for social security or as means to combat

poverty. Hence an emphasis that: 'Power dynamics concentrated in political and economical powers imply that growth of economy coupled with income redistribution strategies, such as taxing the rich to finance social service can significantly reduce poverty' (my italics)(Houtzager, 2003; Moore and White, 2003).

From the definition of poverty and a base on poverty school of thought, it is clear that issues that hold (deciding to open or close) a door to poverty alleviation are left into the nation state operational zones. The income-based school of thought for instance - as placed in Rutasitara's Model in Figure 3, a household income will depend very much on how the policies are made, interpreted and implemented. The political society at national level will be responsible to organize the markets (refer Figure 4) for crops whose sales income will influence the position with respect to poverty line. The poor as a group, tends to have limited resources, experience and command on the market conditions making them price takers with the policy set markets as the only defense. With everything they have in limited level their success is also limited whenever they decide to organise for themselves. National political societies need to have self organisation based on the legitimacy they command across the boarder.

It must be noted however that self conscious of the poor on the situation they are in is paramount for the state effort to have a supporting ground and a sustainable impact in relation to in terms of participants and beneficiaries in poverty alleviation programmes. Resistance to poverty alleviation plans may come from the poor because of their ignorance and more strongly from the rich especially when the plan is coupled with redistribution of resources. In practical terms, redistribution means taking the wealth from the rich to the poor. Bell et al (1974) mentioned that the rich will not let the wealth go that easy but they will offer a little to protect the large portion. Manipulatively as well, the rich will be seen the poor through education even in health services. This is because is in their interest to create a group of healthy and educated poor to take care of the riches' capital. This means GDP growth and wealth redistribution which includes taxing the rich are important frontiers to built nation state capacity for organized social security and combat poverty. And it cannot be organized by the poor themselves but a national campaign/effort is necessary.

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