

CLASSIC

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# 39 The Uses of Global Poverty: How Economic Inequality Benefits the West

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*Why don't rich nations do more to reduce the severe poverty that paralyzes much of the world? This selection argues that people in rich countries, including the United States, actually benefit from global poverty in a number of ways.*

In the global village, there stand a wide variety of homes, from the stately mansion on the hill, to the modest abode blessed with electricity and running water, to the adequate but unheated (or uncooled) hut, to the flood-prone, tattered shanty cobbled together from gathered scrap. Those who live on the hill are aware of their neighbors, as their neighbors are aware of them. Most inhabitants of the global village recognize that wealth and the accompanying opportunities for education, health care, and consumption are not evenly divided and that a substantial gap exists between the more and less materially blessed populations. Not everyone agrees on why that is the case.

Consider the following comparisons of life in the global village: In 1999, the gross national income in purchasing power parity (GNI PPP)<sup>1</sup> in the United States was \$31,910. In Germany the figure was \$23,510, and in Australia, \$23,850. By contrast, the GNI PPP of China was \$3,550, in Indonesia it was \$2,660, and in Pakistan, \$1,860. On the bottom tier of states, we find countries like

Nigeria with a GNI of \$770 and Sierra Leone with just \$440. If we use the GNI PPP as a yardstick of economic power and the well-being of populations, we may begin to construct a picture of a global system characterized by the massive maldistribution of wealth, economic security, and purchasing power. Our village is one characterized by deep and fundamental stratification.

What have been the responses of well-off states to this global class system with its extremes of wealth and poverty? Not surprisingly, perhaps, political rhetoric has consistently elevated the goal of spreading the prosperity enjoyed by the advanced industrial states of the West around the globe. In remarks made at the United States Coast Guard Academy commencement ceremony in 1989, President George Bush phrased it this way: "What is it that we want to see? It is a growing community of democracies anchoring international peace and stability, and a dynamic free-market system generating prosperity and progress on a global scale. . . . If we succeed, the next decade and the century beyond will be an era of unparalleled growth, an era which sees the flourishing of freedom, peace, and prosperity around the world."

<sup>1</sup>Source: Reprinted by permission of the author.

If shared global prosperity was the goal, it seems safe to say that while there was some modest progress made in areas like Latin America, Eastern Europe, and parts of Asia, “we” did not really succeed, because the global wealth gap is still massive and growing. The rich countries remain rich, and the poor countries, for the most part, remain trapped in desperate, dire poverty. This has not changed.

Another thing that has not changed is the rhetorical commitment to spreading the wealth. In a speech in Coventry, England, in December 2000, President Bill Clinton laid out a “prescription for how the United States might help close the gap between rich and poor nations.” And in his farewell address to the nation in January 2001, the President declared that “the global gap requires more than compassion. It requires action.”

As of 2002, President George W. Bush has not addressed the question of non-Western development specifically, though it seems relatively safe to say that he too will join the political chorus of support for global prosperity, although his administration seems destined to be defined by a focus on war rather than development.

Western rhetoric, assistance programs, and advice seem to support the goal of global prosperity and its extension to the 1.3 billion who live on less than \$1 per day and those millions or even billions more who eke out a sparse existence just above the threshold of absolute poverty. But the reality of prosperity has touched only a relative few countries, while the struggle to meet basic needs touches many more. Social indicators like the GNI PPP highlight the differences we find in our village. But what explains them? Why does global poverty exist and persist? Why does a global class system with a thin layer of rich states and a broad strata of poor countries exist and persist? What explains why some villagers inhabit houses on the mount while others squat in mud huts below? Possible answers are many. This article explores one way of understanding the yawning gap between the planet’s wealthiest and poorest states.

In 1971, sociologist Herbert Gans published an article entitled “The Uses of Poverty: The Poor Pay All.”<sup>2</sup> In the article, Gans utilized a conservative theoretical perspective in sociology, functionalism, to inquire about the persistence of poverty in America. The functionalist perspective takes as its starting point the position that essentially all institutions and social phenomena that exist in society contribute in some manner to that society—that is, they are functional for society. If they did not contribute to the social order, the functionalists maintain, they would disappear. Using this perspective, functionalists may inquire about, for instance, the functions, both obvious and hidden (or manifest and latent, to use sociologist Robert Merton’s terms), of institutions like the education system or the family or social phenomena like punishment for deviance. These social theorists assume that institutions or phenomena exist because they are functional, and hence their guiding question is, What function do they serve?

Gans posed a similar question about poverty, asking, What are the uses of poverty? Clearly, the notion that poverty is functional for society as a whole is ludicrous: Who would suggest that it is functional for those who endure economic deprivation? So Gans offered a modified functionalist analysis: “. . . instead of identifying functions for an entire social system, I shall identify them for the interest groups, socioeconomic classes, and other population aggregates with shared values that ‘inhabit’ a social system. I suspect that in a modern heterogeneous society, few phenomena are functional or dysfunctional for the society as a whole, and that most result in benefits to some groups and costs to others.”

Gans sought to explain the existence and persistence of poverty in modern, wealthy America by highlighting the way that the existence of poverty has benefits for the nonpoor—not just “evil” individuals like the loan shark or the slum lord, but for “normal” members of nonpoor classes. He identified thirteen “uses” of poverty, including the notions that the existence of a poor class “ensures that society’s ‘dirty work’ will be done,” that “the poor

buy goods others do not want and thus prolong the economic usefulness of such goods,” and “the poor can be identified and punished as alleged or real deviants in order to uphold the legitimacy of conventional norms.” He was not arguing that poverty is good. He was suggesting that understanding poverty’s existence and persistence means recognizing that the poor have positive social and economic functions for the nonpoor. Thus, one would conclude that the elimination of poverty, while elevated as a societal goal, would be, in practice, costly to the nonpoor.

While Gans’s theoretically based inquiry into poverty was focused on America’s poor, the same question might be asked about the existence of global poverty: What are the “uses” of global poverty for the better-off countries of the world economic system? The purpose of such an inquiry would be, as it was in Gans’s inquiry, not to use a functionalist analysis to legitimate poverty or the highly skewed distribution of wealth in the global system, but to contribute to a deeper understanding of why it continues to exist by explaining how its persistence confers benefits on well-off states and their inhabitants.

The argument is not that advanced states are consciously conspiring to keep the poor states destitute: Well-off countries have historically sought to offer help to less developed countries. In reality, however, there are limited incentives for the better-off states to support the full industrial and technological (and even democratic) development of all the states in the global system. To the degree that the existence of a class of poor states is positively functional for wealthy states, we can begin to imagine why development and assistance programs that help ensure survival, but not prosperity, for poor populations are quite characteristic of Western policy.

This article notes eleven “uses” of global poverty. Global poverty is not, from this perspective, functional for the global community as a whole. The notion that the poverty of billions who live in economically marginal states is globally “useful” would be absurd. But it is not absurd to

ask how the existence of a class of poor states serves wealthy states. In fact, asking such a question might contribute to a better understanding of the dual phenomena of global poverty and the global “class” system.

**Point 1: The existence of global poverty helps ensure the wealth of affordable goods for Western consumers.**

The cornucopia of decently priced goods of reasonable quality enjoyed by Western consumers is underpinned by the low-wage work done in low-income countries. The labels on the clothing you are wearing right now likely contain the familiar words “Made in China” or perhaps “Made in Pakistan.” Your clothing is probably of reasonable quality, and you likely paid a reasonable (but not necessarily cheap) price for it.

The Western consumer of textiles such as off-the-rack clothing is a beneficiary of a globalized manufacturing process that has seen the movement of manufacturing to low-wage areas located in poor states that provide ready pools of workers needy enough to labor for a pittance. In China, the average hourly wage of apparel workers is about 23 cents. This benefits the consumer of that apparel. The worker herself (workers in this industry are usually female) derives less benefit: The average hourly wage needed to meet basic needs in China, according to Women’s Edge, an advocacy group, is 87 cents.<sup>3</sup>

Another way that the impoverished workers of the third world help reduce the cost of goods coming to Western consumers is through their agricultural labor. For instance, the comparably (and sometimes illegally) low wages paid to many poor migrant farm workers from Mexico and Central America in states like California contribute to America’s ample and reasonably priced food supply.

Stories about low-wage workers in developing countries have, in recent years, emerged in the Western press and provoked some expressions of outrage and the formation of groups like United

Students Against Sweatshops. These expressions have been small and limited. Imagine, however, the outrage if popular sports shoes, already pricey, climbed another \$50 in cost as a result of manufacturers opting for well-paid, unionized labor. Or imagine if the price of a head of iceberg lettuce, America's favorite vegetable, suddenly doubled in price to \$3.00. Which outrage would be more potent?

**Point 2: The existence of global poverty benefits Western companies and shareholders in the form of increased profit margins.**

Labor costs typically constitute a high percentage of a company's expenditures. By reducing labor costs, companies can both keep prices reasonable (which benefits, as noted, the consumer) and raise profit margins. Not surprisingly, then, companies are not likely to locate in—and are more likely to leave—locations where wages are relatively high. The use of poor female workers in the third world is, in this respect, especially “beneficial” to companies. Women comprise about 80 percent of workers in Export Processing Zones and are often paid 20 percent to 50 percent less than male counterparts. The less costly the workforce, the greater the opportunity for profit. Not coincidentally, countries with an ample supply of poor workers willing to work for miserable wages are also countries with lax safety and environmental regulations, which also keeps down the costs to the Western employer and pushes up the profits. Hence, companies benefit directly from the existence of economically deprived would-be workers willing (or not in a position to be unwilling) to work for paltry wages in potentially hazardous, or at least very unpleasant, conditions.

**Point 3: The existence of global poverty fosters access to resources in poor states that are needed in or desired by the West.**

Poor states may sell raw goods at low prices to Western states, which can transform the resource

into a more valuable finished product. The position of the poor states in the world economy makes it less likely that they can derive the full benefit of the resources they possess for the government and people. The case of oil in resource-rich but desperately poor Nigeria is an example. Seven major foreign oil companies operate in Nigeria, all representing interests in wealthy states. The vast majority of benefits from Nigeria's oil has accrued not to the country's people, but to the companies (and consumers) of the wealthy states. There is no attempt to hide this: John Connor, head of Texaco's worldwide exploration and production, talking about a massive oil strike in January 2000, stated that the successful conclusion of the well test “sets the stage for development of a world-class project that will add substantially to the company's resource base.”<sup>4</sup> Clearly, the failure of Nigeria's people to benefit from the country's resources is also linked to a succession of corrupt governments, but the poverty of the masses and the powerful position of oil companies help to ensure that resistance to exploitation of resources for the benefit of non-Nigerian interests will be marginal.

**Point 4: The existence of global poverty helps support Western medical advances.**

The poor provide a pool of guinea pigs for the testing of medicines developed for use primarily in the West. The beneficiaries are not the poor themselves but Western consumers of advanced medicine (60 percent of profits are made in the United States, which leads the world in drug consumption) and the pharmaceutical companies, which stand astride a \$350 billion (and growing) industry. A series of reports in the *Washington Post* in December 2000 documents the disturbing practice of conducting drug trials on ill inhabitants of poor states. For instance, an unapproved antibiotic was tested by a major pharmaceutical company on sick children during a meningitis epidemic in Nigeria. The country's lax regulatory oversight, the sense among some doctors that

they could not object to experiment conditions for political or economic reasons, the dearth of alternative health care options, combined with the desire of the company to rapidly prepare for the market a potential “blockbuster” drug underpinned a situation in which disease victims were treated as test subjects rather than patients. This case highlights the way that nonpoor states actually benefit from the existence of poor states with struggling, sick populations. A reporter for the series noted that “companies use the tests to produce new product and revenue streams, but they are also responding to pressure from regulators, Congress, and lobbyists for disease victims to develop new medicines quickly. By providing huge pools of human subjects, foreign trials help speed new drugs to the marketplace—where they will be sold mainly to patients in wealthy countries.”<sup>5</sup>

**Point 5: The existence of global poverty contributes to the advancement of Western economies and societies with the human capital of poor states.**

Poorer states like India have become intellectual feeders of well-educated and bright individuals whose skills cannot be fully rewarded in less developed states. The magnetic draw of a better life in economies that amply reward their human capital pulls the brightest minds from their countries of origin, a process referred to as “brain drain.” Advanced economies such as the United States and England are beneficiaries of brain drain. The United States has moved to take advantage of the pool of highly educated workers from the developing world: Congress has passed legislation increasing the number of H-1B visas, or “high-tech visas,” to bring up to 600,000 workers to the United States over the next several years. The United States and England offer attractive opportunities to highly educated workers from poorer states. Notably, high-tech companies often pay the foreign workers less than their domestic equivalents would demand.

**Point 6: The existence of global poverty may contribute to the pacification of the Western proletariat, or “Workers of the world, a blue light special!”**

To some degree, the broad availability of good, inexpensive merchandise may help obscure class divisions in the West, at least in the arena of consumption. It is clear that those with greater wealth can consume more high-quality goods, but low-end “designer” merchandise is accessible to the less well-off in cathedrals of consumption such as Wal-Mart. At K-Mart, for instance, Martha Stewart peddles her wares, intended to transform “homemaking chores . . . into what we like to call ‘domestic art.’” Thanks in part to the low-wage workers in places like China, these goods are available to the unwashed masses (now washed by Martha’s smart and cozy towels) as well as to better-situated homemakers. Consumption appears to be one of the great equalizers of modern society. (It is worth noting, though, that many members of the Western working class are also “victims” of global poverty, since many jobs have gone abroad to low-wage areas, leaving behind, for less educated workers, positions in the less remunerative and less secure service industry or leaving former industrial workers jobless.)

**Point 7: Global poverty benefits the West because poor countries make optimal dumping grounds for goods that are dangerous, expired, or illegal.**

Wealthy countries and their inhabitants may utilize poorer states as repositories for dangerous or unwanted material such as nuclear waste. The desperation of cash-strapped states benefits better-off countries, which might otherwise have difficulty ridding themselves of the dangerous by-products of their industrial and consumer economies. For instance, in December 2000, the Russian Parliament, in an initial vote on the issue, overwhelmingly supported the amendment of an environmental law to

permit the importation of foreign nuclear waste. The alteration of the law was supported by the Atomic Ministry of the Russian Federation, which suggested that over the next decade, Russia might earn up to \$21 billion from the importation of spent nuclear fuel from states like Japan, Germany, and South Korea. Likely repositories of the radioactive refuse are Mayak and Krasnoyarsk, already among the most contaminated sites on the planet.

India has also emerged as a dumping ground for hazardous junk from the world's industrial giants. The western Indian city of Alang, for instance, is host to the world's largest shipbreaking yard, where Western-owned ships are sent for dismantling and, ostensibly, recycling. The process of "breaking" the old vessels, however, endangers workers and the environment because it releases asbestos, PCBs, and other toxic wastes.<sup>6</sup>

**Point 8: The existence of global poverty provides jobs for specialists employed to assist, advise, and study the world's poor and to protect the "better-off" from them.**

Within this group of specialists we find people in a variety of professions. There are those who are professional development workers, operating through organizations like the United States Agency for International Development (USAID) to further "America's foreign policy interests in expanding democracy and free markets while improving the lives of the citizens of the developing world."<sup>7</sup> The Peace Corps is also built around the goal of bringing Western "know-how" to the poor with volunteer programs that promote entrepreneurship and agricultural development.

Academics in fields as diverse as economics, sociology, international affairs, political science, and anthropology study, write about, and "decipher" the lives of the poor and the condition of poor states. Texts on development, articles debating why poverty persists, and books from university presses are only some of the products of this

research. Journalists and novelists can build careers around bringing colorful, compelling representations of the poor to the warm living rooms of literate, well-off consumers. Still others are charged with the task of protecting wealthy states from "invasions" of the poor: U.S. border patrols, for instance, employ thousands to keep those seeking better fortunes out of U.S. territory.

**Point 9: Global poverty benefits inhabitants of wealthy countries, who can feel good about helping the global poor through charitable work and charitable giving.**

From the celebrity-studded musical production "We are the World" to trick-or-treating for UNICEF, those who inhabit the wealthy corners of the world feel good about themselves for sharing their good fortune. The Web site of World Vision, a faith-based charity that offers the opportunity to sponsor poor children, features a speak-out area for contributors. On that site, a young Canadian sponsor wrote, "A few days ago I woke up early and turned the TV on . . . looking at those children made me realize I could help them. I thought if I have enough money to pay for the Internet, cell phone, and a couple of other things I didn't need, I said to myself, [then] why not give that money to people who need it instead of spending it all in (*sic*) luxury and things that are not really important. . . . I immediately picked up the phone and called to sponsor a child! I am happy. I can help someone who needs it!"<sup>8</sup>

Apparently, we need not feel guilt about consuming many times what the unfortunate inhabitants of the world's poor states do if only we are willing to give up a few of our luxuries to help them. Indeed, not only do the poor not inspire guilt, they may inspire positive feelings: As the World Vision writer notes, she feels "happy" because she can "help someone who needs it." No less a figure than the world's richest man, Bill Gates, is also "dedicated to improving people's lives by sharing advances in health and learning with the global community" through the Gates Foundation.<sup>9</sup>

A related point is that the poor we see on television or hear about in news or music give those of us in wealthy countries the opportunity to feel good about ourselves, regardless of our position in the socioeconomic structure of our own states. Consider the memorable lines from the 1985 Band-Aid song, “Do They Know It’s Christmas?” which was produced by British pop artist Bob Geldorf as a charitable act to raise money for Ethiopia’s famine victims: “And the Christmas bells that ring there are the clanging chimes of doom. Well, tonight, thank God, it’s them instead of you.” Indeed, even the underpaid blue- or pink-collar worker in the West can relate to that sentiment.

**Point 10: The poverty of less developed states makes possible the massive flow of resources westward.**

Imagine if large and largely poor countries like China, Nigeria, and India consumed at U.S. rates. At present, Americans consume a tremendously disproportionate share of the world’s resources. With their profligate use of all manner of resources, most notably fossil fuels, Americans are the greediest consumers of natural resources on the planet. On both an absolute and per capita basis, most world resources flow westward. Notably, an October 4, 2000, article in the *Seattle Times* reported that bicycles, long a characteristic and popular means of transport for Chinese commuters, are losing popularity: “Increasingly, young Chinese are not even bothering to learn to ride bikes, because growing wealth has unleashed a plethora of transportation choices, public and private.”<sup>10</sup> The new transportation of choice is still largely public buses or private taxis; the Chinese have not yet graduated to mass private cars. But it is interesting to ponder whether there would be enough (affordable) oil for everyone if the Chinese, with their growing population and prosperity, became a country of two-vehicle families or developed a taste and market for gas-guzzling sports utility vehicles. In this case, the West likely benefits from the fact that few can

afford (at least at present) to consume at the rate its people do.

**Point 11: The poorer countries, which reproduce at rates higher than Western states, are useful scapegoats for real and potential global environmental threats.**

What is the bigger environmental threat to our planet? Is it the rapid growth of the populations of developing states or the rapid consumption of resources by the much smaller populations of developed states? The overdevelopment of the West may well be the bigger threat, though the growth of populations in third-world countries, which is often linked to conditions of underdevelopment, such as a lack of birth control and the need to have “extra” children as a hedge against high child mortality rates, makes an attractive alternative explanation for those who would not wish to fault the SUV-driving, disposable-diaper using, BBQ-loving American consumer for threats to the global environment. While some Western policymakers express concern about the environmental threats emerging from rapid population growth or the use of “dirty” technology in developing states, there is comparably little serious attention given to the global threat presented by the profligate consumption by Western states. The poor divert attention from the environmental problems caused by Western overconsumption.

I have talked about eleven ways that the continued existence of global poverty benefits those who reside in wealthy states. The argument I have offered to explain the persistence of a strata of poor states and the yawning global gap highlights the idea that while global poverty (and the status quo) is beneficial to the wealthy West, serious steps to alleviate it will not be taken.

It is surely the case that poverty does not have to exist. But while we in the West derive the benefits and bonuses of these economic inequalities, it seems likely that our efforts to support, advise, and assist the less developed states will remain at levels that are financially and politically convenient

and feasible, and will target survival rather than true prosperity for those outside our gated, privileged, greedy Western neighborhood. In Gans's words, "Phenomena like poverty can be eliminated only when they become dysfunctional for the affluent or powerful, or when the powerless can obtain enough power to change society."

### CRITICAL-THINKING QUESTIONS

1. The author provides a number of ways in which people in rich nations benefit from global poverty. Which do you find most convincing? Why?
2. What weaknesses do you find in the arguments? Explain.
3. From another angle, do you think that rich countries provide assistance to poor countries? In what ways?

### NOTES

1. The figures in this paragraph come from the Population Reference Bureau Web site (<http://www.prb.org>), which provides excellent demographic data. According to the PRB, the

"GNI PPP per capita is gross national income in purchasing power parity divided by mid-year population. . . . GNI PPP refers to gross national income converted to 'international' dollars using a purchasing power parity conversion factor. International dollars indicate the amount of goods or services one could buy in the United States with a given amount of money. GNI PPP provides an indicator of the welfare of people that is comparable across countries free of price and exchange rate distortions that occur when GNI is converted using market exchange rates."

2. *Social Policy*, July/August 1971.

3. Information on issues of trade and Chinese women is available at <http://www.womensedge.org>. The information cited is from the April 2000 Web issue of *Notes from the Edge*.

4. "Texaco in massive oil strike in Nigeria" in *The Namibian*, available online at <http://www.namibian.com.na/Netstories/2000/January/Marketplace/texaco.html>.

5. Stephens, Joe, "As Drug Testing Spreads, Profits and Lives Hang in Balance," *The Washington Post* 17, (December 2000): A1.

6. Information on both issues is available at the Web site of the environmental group Greenpeace at <http://www.greenpeace.org>.

7. The Web site address is <http://www.usaid.gov>.

8. The charity's Web site address is <http://www.worldvision.org>.

9. The foundation is at <http://www.gatesfoundation.org>.

10. The article is cited at the Web site of the Competitive Enterprise Institute: <http://www.cei.org/CHNReader.asp?ID=1227>.