

Causes of Poverty

A GDRC compilation of articles on the causes of poverty and related issues.

I. Types of causes of poverty

A. Individual

Poverty is explained by individual circumstances and/or characteristics of poor people. Some examples are:

- amount of education, skill, experience, intelligence.
- health, handicaps, age.
- work orientation, time horizon, culture of poverty.
- discrimination, together with race, sex, etc.

B. Aggregate

There are two types of aggregate poverty theory: case and generic. There is no agreement on which is the correct explanation of most poverty.

1. Case. *Add up* all poverty explained by individual theories, and that is equal to total or aggregate poverty. In other words, according to case theories of poverty, individual and aggregate explanations are really the same. According to these theories, aggregate poverty is just the sum of individual poverty.

2. Generic. Poverty is explained by general, economy-wide problems, such as

- inadequate non-poverty employment opportunities
- inadequate overall demand (macro problems, macro policy)
- low national income (Less Developed Country)

If generic theories are correct, poverty is caused by one set of forces (general, economy-wide problems) but distributed according to individual theories.

II. Case vs. Generic Theories of Poverty

A. What difference does it make whether poverty is caused by case or generic causes?

Answer: It makes a lot of difference.

Example #1: Suppose somehow we significantly reduce racial discrimination. Will total poverty fall?

Case answer: Yes.

Generic answer: No. Poverty will only be redistributed.

Example #2: Suppose we give poor people effective skill training and compensatory education. Will total poverty fall?

Case answer: Yes.

Generic answer: No. Poverty will only be redistributed.

B. What can you do about poverty?

1. If case theories are correct: Address the individual cause of poverty. For example, if poverty is caused by inadequate skills or education, then the solution is skill training or compensatory education. If poverty is caused by discrimination, then the solution is antidiscrimination policies.

2. If generic theories are correct: Improve the quantity and quality of jobs.

C. How can you tell which is correct--case or generic theories?

1. Remember that the things that cause poverty in case theories explain its distribution in generic theories. Because of this, both theories are consistent with the same facts (statistics). Therefore, it is very difficult, maybe impossible, to determine which is correct through direct test.

2. There's some indirect evidence pointing to generic theories: For example, there is the failure of poverty to fall during periods of large training programs, and the failure of poverty to fall with rise in general educational level of population. Further indirect evidence later on in the course.

3. Most people assume case theories are correct. Why?

- Micro experience (fallacy of composition -- assuming that what's true of the part must be true of the whole).
- Poverty scholars study the poor instead of the economy.
- Antipoverty policy would be too hard (expensive) if generic theories were true.
- Blaming the victim.
- A desire to help the poor. (P.S. If generic theories are true, how can you help the poor?)

Source: Maxwell School, Syracuse University

Acute causes of poverty:

- **Warfare:** The material and human destruction caused by warfare is a major development problem. For example, from 1990 to 1993, the period encompassing Desert Storm, per capita GDP in Iraq fell from \$3500 to \$761. The drop in average income, while a striking representation of the drop in the well-being of the average Iraqi citizen in the aftermath of the war, fails to capture the broader affects of damages to the infrastructure and social services, such as health care and access to clean water.
- **Agricultural Cycles:** People who rely on fruits and vegetables that they produce for household food consumption (subsistence farmers) often go through cycles of relative abundance and scarcity. For many families that rely on subsistence production for survival, the period immediately prior to harvest is a 'hungry period.' During these periods of scarcity, many families lack sufficient resources to meet their minimal nutritional needs. Being familiar with these cycles has enabled development practitioners to anticipate and prepare for periods of acute need for assistance.
- **Droughts and Flooding:** Besides the immediate destruction caused by natural events such as hurricanes, environmental forces often cause acute periods of crisis by destroying crops and animals.
- **Natural Disasters:** Natural disasters such as hurricanes and earthquakes have devastated communities throughout the world. Developing countries often suffer much more extensive and acute crises at the hands of natural disasters, because limited resources inhibit the construction of adequate housing, infrastructure, and mechanisms for responding to crises.

Entrenched factors associated with poverty:

- **Colonial Histories:** One of the most important barriers to development in poor countries is lack of uniform, basic infrastructure, such as roads and means of communication. Some development scholars have identified colonial history as an important contributor to the current situation. In most countries with a history of colonization, the colonizers developed local economies to facilitate the expropriation of resources for their own economic growth and development.
- **Centralization of Power:** In many developing countries, political power is disproportionately centralized. Instead of having a network of political representatives distributed equally throughout society, in centralized systems of governance one major party, politician, or region is responsible for decision-making throughout the country. This often causes development problems. For example, in these situations politicians make decisions about places that they are unfamiliar with, lacking sufficient knowledge about the context to design effective and appropriate policies and programs.
- **Corruption:** Corruption often accompanies centralization of power, when leaders are

not accountable to those they serve. Most directly, corruption inhibits development when leaders help themselves to money that would otherwise be used for development projects. In other cases, leaders reward political support by providing services to their followers.

- **Warfare:** Warfare contributes to more entrenched poverty by diverting scarce resources from fighting poverty to maintaining a military. Take, for example, the cases of Ethiopia and Eritrea. The most recent conflict over borders between the two countries erupted into war during 1999 and 2000, a period when both countries faced severe food shortages due to drought.
- **Environmental degradation:** Awareness and concern about environmental degradation have grown around the world over the last few decades, and are currently shared by people of different nations, cultures, religions, and social classes. However, the negative impacts of environmental degradation are disproportionately felt by the poor. Throughout the developing world, the poor often rely on natural resources to meet their basic needs through agricultural production and gathering resources essential for household maintenance, such as water, firewood, and wild plants for consumption and medicine. Thus, the depletion and contamination of water sources directly threaten the livelihoods of those who depend on them.
- **Social Inequality:** One of the more entrenched sources of poverty throughout the world is social inequality that stems from cultural ideas about the relative worth of different genders, races, ethnic groups, and social classes. Ascribed inequality works by placing individuals in different social categories at birth, often based on religious, ethnic, or 'racial' characteristics. In South African history, apartheid laws defined a binary caste system that assigned different rights (or lack thereof) and social spaces to Whites and Blacks, using skin color to automatically determine the opportunities available to individuals in each group.

Source: MSU Women and International Development

Addressing the Underlying Causes of Poverty

Building a more widespread commitment to overcoming poverty is an essential first step in overcoming poverty, and actions to address this are discussed below.

- **Share the benefits of economic growth through an emphasis on more widespread employment.**
The phenomenon of jobless economic growth that increases income inequalities and generates too few jobs for low income groups poses a serious threat to the well-being of many nations, both North and South. Government policies should consider not only aggregate economic impact but also the distribution of employment. Socially responsible venture capital and microcredit initiatives can foster employment-generating businesses that complement the local culture and environment.

- **Rout out corruption, which harms society as a whole.**

Corruption, both in government and business, places heavy cost on society. Businesses should enact, publicize and follow codes of conduct banning corruption on the part of their staff and directors. Citizens must demand greater transparency on the part of both government and the corporate sector and create reform movements where needed.

- **Broaden access to education and technology among marginalized groups, and especially among girls and women.**

The educational attainment of women has strong bearing on the well-being of their families, and efforts to improve education for women and girls must be strengthened. At the same time, steps should be taken to ensure that the current revolution in information technology benefits marginalized groups. This must begin in school.

- **Improve government capacity to provide universal access to essential goods and services, including potable water, affordable food, primary health care, education, housing and other social services.**

Governments around the world have made commitments to this through the 20/20 Initiative, which calls for 20% of national budgets and 20% of foreign aid to be spent on human services. But raising adequate resources through effective taxation and other mechanisms is often politically difficult. New mechanisms for public policy dialogue that enable citizens of all classes to recognize the benefit of universal access to key services must be put in place. Nonprofit groups and even corporations can provide essential support here, helping articulate a vision of a healthy society. These nongovernmental actors can also help in the actual provision of services.

Source: Synergos - University for a Night

Additional Resources:

- [Global Issues](#)
- [World Bank: PovertyNet](#)
- [UNDP: Poverty Reduction](#)

Do you have any suggestions for resources or supplemental text for the above? Suggestions are welcome! Send an email to Hari Srinivas at: hsrinivas@gdrc.org

Do you have any comments to make?

Please include them in the form available below.

- "Should we instead be asking 'What causes wealth??' What is it that pulls people out of poverty? How can opportunities be created for low-income people to improve their condition? What will motivate them? No easy answers ... "

- Dr. Tony Walsh, USA

If you have any comments on this document, please send an email to - [Hari Srinivas](mailto:hsrinivas@gdrc.org)



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