
Review Essay

Dealing with ‘The Poor’**Jayati Ghosh**

Joseph Hanlon, Armando Barrientos and David Hulme *Just Give Money to the Poor: The Development Revolution from the Global South*. Sterling, VA: Kumarian Press, 2010. 288 pp. £18.95

David Lawson, David Hulme, Imran Matin and Karen Moore (eds) *What Works for the Poorest? Poverty Reduction Programmes for the World’s Extreme Poor*. Rugby: Practical Action Publishing, 2010. 308 pp. £19.95

The international development industry has a complex relationship with poverty, especially the poverty prevalent in the South. Much of this industry is funded — directly or indirectly — by donor agencies that are specifically and explicitly concerned with poverty reduction. The funding is directed not only to development ‘practitioners’ and those engaged with policy formulation and implementation in international organizations and in national governments, but also to a significant proportion of the researchers and educators associated with development studies. So poverty is obviously a major focus of the knowledge activities of the development industry, in terms of defining the poor, categorizing the poor, analysing the behaviour of the poor, assessing policies designed to assist the poor or to alleviate their poverty, and so on.

But this in turn means that the persistence of poverty provides an important justification for the continued existence of the development industry itself. More cynical observers have argued that the entire structure of activities built around aid donors in various forms would collapse if the objects of its attention (the poor in general and the extreme poor in particular) were indeed to experience a major improvement in their conditions. So there could be a tension, however underlying, disguised and suppressed, between concern for poverty reduction and the possibility of undermining one’s own *raison d’être*.

This perception, whether or not it is justified, is often what generates adverse reactions to even the most well-meaning of donor arguments about poverty reduction. These adverse reactions are obviously more to be found in the developing world and in countries that are recipients of donor funding in various forms. The earlier arguments about ‘aid as imperialism’ tend to

be much more watered down today, even if several elements of that argument remain valid. Even so, there are still widely current suspicions about motivation and barely-concealed irritation with the pious tone adopted by the international 'aid and development' industry with respect to policies adopted in developing countries.

Such irritation can be forgiven to some extent, because this industry is so fad-driven that it is constantly changing its own arguments, indeed often reversing them, as it picks up and adjusts to the latest fashion. In the past few decades we have already seen several such fashions come and go, and then re-emerge again, with the tired familiarity of bell-bottomed trousers. Two decades ago it was argued that the only thing holding countries back was excessive state intervention, so freeing markets and getting rid of government controls would be good enough to work miracles for the poor. Structural adjustment programmes were imposed on countries desperate for some emergency financing to deal with debt or other external difficulties.

The subsequent failures of the market-driven model were assigned not to any limitations of the strategy *per se*, but rather to its form of implementation. It was argued that corruption, lack of institutional capacity and similar problems hindered the successful execution of this model. So a focus on 'governance' became the next dominant fashion for a while.

Meanwhile, the search by donors and those advising them for the single magic silver bullet to deal with the problems of poverty continued. The next discovery was microfinance, which became the development mantra for quite a while. It came to be regarded as the universal development panacea, rather than as a (relatively small) part of a wider process that would also include working towards reducing asset inequalities, better and more egalitarian access to health and education services and more productive employment opportunities. But then this singular focus on microfinance was undermined by evidence of the rather limited nature of its successes (which has been described as circulating the poverty rather than actually reducing it) and other problems associated with it: the emergence of microcredit dependency among some households; the exclusion of genuinely needy households and individuals; the short-term and high-interest nature of the credit provided that is associated with lack of productive asset building; and possibly most damaging of all, the tendency to see it as a substitute for genuine financial inclusion which meant that poor households were still out of the ambit of institutional credit. Then the reputation of microcredit was further dented, as it has become evident that in some cases microcredit (especially the newer, private profit-oriented forms of it) can create as many if not more problems as traditional moneylenders charging exorbitant interest rates.

The focus then shifted to conflict as a cause of poverty: something that would have seemed rather obvious, but now treated as a factor that emerges *sui generis* within societies rather than reflecting a complex history of external interference and domestic political economy processes. There have been surprisingly influential arguments to the effect that, in order to address

the problems of the 'bottom billion' of the world's poorest, what is needed is a combination of external military presence provided by the rich global powers to provide security and open markets for trade to benefit from such security (Collier, 2007). The mostly disastrous recent history of such supposedly disinterested and benevolent military intervention by western powers has led to some diminution of interest in that particular argument.

So the next big thing had to be thought of, or be found to exist somewhere. It turns out to be cash transfers, which are now being cited everywhere as *the* solution to the problem of poverty. There has been a veritable deluge of books and articles hailing cash transfers as the most necessary, obvious and imperative strategy for poverty alleviation, even to the extent of suggesting that these should replace a great deal of other government activity. These cash transfers can be conditional (subject to the households meeting certain demands) or unconditional; targeted (given only to households or individuals meeting particular criteria) or universal; but they amount to just what they sound like — the transfer of money to people by governments, rather than the provision of goods and services.

The basic idea sounds so simple and easy that a preschool child could think of it: Why are people poor? Because they have no money. So let's give them money — then they won't be poor anymore!

This is in fact the actual title of one of the books being considered here: *Just Give Money to the Poor*. But this book has a slightly different take on the usual advice doled out to developing country governments, because it suggests that this is an idea newly thought up by governments in the South, which the international aid industry first fought and is now only grudgingly accepting. The book presents the idea of cash transfers as 'a development revolution from the South' and glorifies it as 'an elegant southern alternative' that bypasses donors, governments and NGOs by empowering poor people to make their own decisions on what to spend the money on.

In reality, of course, like most 'new' development approaches, this particular idea also has a long history. Kautilya's famous political economy tract the Arthashastra, written in the third century BC in Magadha of present-day India, specifies a system of taxation payments from the rich in order to enable transfer payments to the poor, including not only financial assistance during calamities but welfare payments to the chronically indigent and those unable to earn their own livelihood (Sen and Basu, 2006). Islamic rulers in the Middle Ages were required to follow the tenets of *zakat*, using state revenues to provide income transfers for the poor, the elderly, orphans, widows and the disabled (Hamid, 2003). Other historical examples proliferate.

So novelty is not really a feature of this idea, even though the current development discourse makes it sound as if such a radically simple strategy, which simply sweeps away all the obfuscation created by highly paid development consultants, had just not occurred to anyone before. Perhaps this is due to the North-centric approach to history, exemplified in passages like this:

In the North, thinking about the poor and vulnerable went through three phases: First, government accepted collective responsibility for ensuring subsistence for all (England in the sixteenth century); next, old-age insurance and sickness benefits were introduced (Europe in the late nineteenth century); and finally, an adequate standard of living became a human right (United Nations, the mid twentieth century). . . . At the end of the twentieth century, a group of six large Southern countries led a paradigm shift, creating a new model. (Hanlon et al. p. 25)

So what exactly is this ‘new’ model? This is where the discussion becomes a little more problematic, veering to the sloppy in terms of such a broad and all-encompassing definition of so-called cash transfer programmes that only the foolhardy would identify the various alternatives as describing one model. The six examples highlighted by Hanlon et al. are as follows. In South Africa, the government provides non-contributory pensions and child support on a universal basis (that is, to all old persons except those who already get an official pension and to all children). In Brazil, the *Bolsa Escola* was later converted under President Lula to the *Bolsa Familia*, a grant provided to families with less than a threshold monthly income, with the requirement of attendance at government clinics and 85 per cent school attendance. In Mexico, the *Oportunidades* programme is a highly conditional cash transfer system based not only on a complex system of eligibility (age, gender and level of education of each family member, electricity and tap water, household assets) but also requiring family members, especially mothers, to meet various time-intensive conditions like attending talks about health and meetings and providing voluntary ‘community labour’. In India, a major employment scheme based on a legal entitlement to work in public works has amazingly enough been described as a cash transfer programme, which is a major and completely unjustifiable stretch of the term, since it essentially involves hard physical work for wages. China recently introduced the *Di Bao* (minimum livelihood guarantee scheme) for registered urban residents, involving payments to those whose income falls below the urban poverty line. In Indonesia, cash transfers to poor households require clinic and school attendance, along the lines of Mexico’s *Oportunidades*.

Hanlon et al. admit that these are extremely varied programmes. So then what makes them one model, which marks such a radical departure from past development practice? Apparently ‘the key is to trust poor people and directly give them cash — not vouchers or projects or temporary welfare, but money they can invest and be sure of. . . . Letting people make their own decisions about how to spend money is hugely empowering and productive’ (Hanlon et al., p. 175).

Within the group of proponents of cash transfers, Hanlon et al. are clearly among the more progressive, pointing out the limitations of targeting and noting that only those targets that are relatively easy to monitor (such as age-based norms, with payments directed to children and the elderly) are usually successful. They describe five principles: ‘cash transfers work when they are fair, assured, practical, large enough to affect household income,

and popular' (Hanlon et al., p. 177). But that also means that they have to be reasonably significant chunks of public expenditure, which begs the question of what expenditures they are replacing.

Before proceeding to consider this argument critically, it is important to clarify some matters. This reviewer is entirely in favour of progressive redistributive transfers of almost all varieties, and believes that redistribution is a major, even critical element of any fiscal system of taxation and public expenditure. Further, the point made by Hanlon et al., that cash transfers, especially in the form of pensions, disability payments and child support, do not need to wait for countries to achieve higher levels of per capita income but rather can contribute to that process, is important and well taken. Minimum income schemes, pension payments, child support grants, unemployment benefits and other forms of social protection are obviously desirable in themselves and requirements for any civilized society. They also contribute in the short term to more effective demand and therefore have positive multiplier effects, and in the long term to healthier, better educated and more secure populations.

That being said, the question then is not whether or not to oppose cash transfers in general, but rather what specific importance to give them in an overall strategy of development and poverty reduction. The general tendency in the global development industry at present is to see cash transfers as the singular basket into which most policy eggs can be usefully dropped. In particular, there is a tendency in many developing countries to see this as a further excuse for the reduction of publicly provided services, and replace them with the administratively easier option of doling out money. Therefore the argument has become one of encouraging governments to give the poor cash transfers that will allow them to access whatever goods and services they want that are generated by private markets, rather than struggling to ensure public provision of what are seen as essential goods and services.

To be fair, Hanlon et al. themselves try to nuance their own position in this regard. 'Cash transfers... cannot accomplish anything on their own. Cash transfers help to reduce inequality, but other government programmes also contribute. Children cannot attend school if there are no schools. And it is not just buildings. More children may attend school but they do not do better unless the schooling is of high quality and is redesigned to give more support to children from poor families' (Hanlon et al., p. 64). And later, they reiterate that 'cash transfers are not a magic bullet; they do not work on their own. There must be schools and health posts, and poor people must have access to them, as well as to land and jobs' (Hanlon et al., p. 175). The last phrase is almost breathtaking in what it gives away. Access to land and jobs? If people did actually have access to these, and they were to be productive and remunerative, then they would not be poor — especially if they also had access to schooling of high quality and effective health posts. So what exactly are we talking about?

Essentially, this is an approach that somehow abstracts from all the basic economic processes and systemic features that determine poverty. The word 'class' is completely absent from the discussion in Hanlon et al., though it does find partial mention in Lawson et al. as a form of 'social discrimination' (the economic content being effectively wiped out). So the poor are not defined by their lack of assets — which would then necessarily draw attention to the concentration of assets somewhere else in the same society — but by lack of income, or ready cash. Similarly they are not defined by their economic position or occupation, such as being workers engaged in low paying occupations or unable to find paid jobs or in fragile ecologies where survival is fraught with difficulty.

This approach in turn means that the analysis is largely static, in that processes that generate or reduce or increase poverty are barely considered. Indeed, the other book reviewed here, *What Works for the Poorest*, makes this explicit: 'The book's orientation is explicitly practical and policy-focused. It does not seek to propound general theories about the causes of poverty or universal generalizations about how to tackle it. The focus is on the micro- and meso-level projects that seek to improve the condition of the world's poorest people in the short and medium term' (Lawson et al., p. 2).

This means that macroeconomic processes are entirely ignored, such as patterns of trade and economic activity that determine levels of employment and its distribution and even the viability of particular activities, or fiscal policies that determine the extent to which essential public services like sanitation, health and education will be provided, or investment policies that determine the kind of physical infrastructure available and therefore the backwardness of a particular region, or financial policies that create boom and bust volatility in various markets. It also means that no link is even hinted at between the enrichment of some and the impoverishment of others, as if the rich and the poor somehow inhabit different social worlds with no economic interdependence at all, and that the rich do not rely upon the labour of the poor.

These silences enable a rather two-dimensional view of the poor, who are given the dignity of being treated as subjects with independent decision-making power, but apparently inhabiting a world in which their poverty is unrelated to a wider social, political and economic context. Therefore the idea is that these larger issues need not be addressed at all, and instead the only dilemma is of whether to choose a particular poverty alleviation scheme or just opt for distributing cash.

This approach may seem to have the advantage of being relevant for 'practitioners', but this need not be the case. In fact, policy approaches that abstract from the structural, systemic and conjunctural processes that generate poverty are far less likely to have positive impacts, because they will not address or even touch upon the processes that will therefore continue to create a process of relative immiseration.

So a major failing of this approach is the neglect of basic socio-economic processes, and the implicit suggestion that these cannot be altered by policy. Therefore there is no discussion of asset redistribution, such as land reforms or ensuring equal access to water and forests or common property resources. There is no discussion of how so many poor people are concentrated in physical areas with poor infrastructure and little diversification of economic activities, so that changing these may be prerequisites for improving their conditions. There is no analysis of how attempts by the poor to eke out a better livelihood by somehow investing the little crumbs that are offered as cash transfers may not be viable because of trade or credit or fiscal policies that increase their costs of production or reduce demand for their products. Conversely, there is no consideration of the argument that an economic strategy that generates more and better paying employment in good conditions may be the best 'cash transfer' programme of all, since it would give the poor access to jobs that provide more income and more dignity.

In fact, there is not even a genuine discussion of what are the trade-offs in choosing cash transfers over provision of public services. This is important because ultimately social and economic policies are all about choices. Governments typically do not have the luxury of being able to ensure enough spending to provide good quality public services and provide cash transfers that are large enough to be at all meaningful. In most developing countries, the choices to be made are not only about having good quality schools versus transfers that incentivize parents to send their children to school but even more basic choices, whether to provide clinics, doctors and nurses in remote areas or provide money to allow local people to access local quacks, and so on. In fact, even in terms of public provision there are usually large and difficult choices: road or clinic, electricity or piped water, one airport or many railway stations, this region or that region, and so on.

The approach also ignores the possibility that the cash transfer itself may be undermined by the wider processes that are not dealt with. Consider for example a scenario in which there is a system of providing cash transfers to some defined category of 'poor households'. Suppose there is a significant increase in food prices that reduces the real value of the transfer sharply and generates greater hunger and undernutrition. Would it be better to increase the amount of cash transferred to compensate for the higher food prices? Or rather to provide essential food items at affordable rates through public distribution outlets and co-operatives? The answer is not straightforward, but certainly it is not obvious that simply giving cash would always be a better response.

The discussion in *What Works for the Poorest?* has a somewhat broader scope, as it identifies five main traps that underpin extreme poverty. The first is insecurity (conflict and violence, natural hazards, economic shocks). The second is social discrimination, followed by poor work opportunities, limited citizenship and spatial disadvantage. This wider range of factors gives rise to

a broader range of policies, from social protection to anti-discrimination and gender empowerment to more and better public services. The more detailed case studies provide useful examples of particular traps and highlight some context-based solutions, which are also valuable. Mostly they suggest very worthy proposals, but since these also tend to be rather well known, they are therefore somewhat unremarkable.

Further, there is evidence of an unfortunate tendency to generalize in a possibly misleading way from a specific example, which was evident in at least one instance that this reviewer happens to know something about. In the volume edited by Lawson et al., a carefully written study of the National Rural Employment Guarantee Scheme, based on a quick survey in a few villages in Rajasthan, comes to several conclusions, including that thus far in that area, the scheme has not been able to involve local people (especially women) in the formulation of projects and still pays less than the minimum wage for most work. From that, the editors choose to jump to the conclusion that ‘so far the success of NREGS has been the transfer of cash’! And this is then used to make the case for pure cash transfers rather than public works. As it happens, the NREGS is a public wage employment programme that is now the largest such programme in the world, providing employment to more than 40 million households, operating over a vast and extremely varied geographical area under hugely different types of public supervision. It is also one of the most highly-studied schemes ever, with a large and constantly growing number of surveys of implementation and social audits, which show extremely varied performance and levels of implementation in different parts of the country and even within the same district. Other studies, conducted in Kerala or Andhra Pradesh or even in different districts of Rajasthan, for example, have found very different results in terms of both the wages paid and the involvement of local people in scheme formulation.

Therefore, to generalize grandly about this enormous programme on the basis of a single and relatively limited survey displays both ignorance and a degree of arrogance that is unfortunately typical of a lot of Northern ‘development studies’ output. This also caused this particular reader to be a little more cautious and sceptical about the other large conclusions that are drawn on the basis of other case studies from different parts of the developing world. In fact, the various case studies in *What Works for the Poorest?* are far more nuanced and insightful than is suggested by the broader conclusions that the editors choose to draw from them. For example, Peter Chaudhry, writing in generally positive terms about cash transfers in Vietnam, notes that poverty ‘is not simply a lack of income, but a condition deeply embedded in existing relations of power and social control, relations which are unevenly stacked against the poor. . . . cash transfer projects like this provide a vehicle for change, a means to an end, rather than an end in themselves’ (Lawson et al., p. 177).

Almost all the contributions to *What Works for the Poorest?* assume that public interventions — whether in the form of cash or wage work or any other

strategy — are targeted to the poor. The complex and often insurmountable practical problems in accurately identifying 'the poor' or even 'the chronic poor', who are generally seen as the objects of the suggested intervention, are recognized by Binayak Sen and Sharifa Begum. The paper by Naila Kabeer makes another important point that is typically forgotten by policy makers using unidimensional targeting strategies: even for chronic poverty, the measures and the households defined as such differed substantially depending on whether the yardstick was income poverty or food poverty, with gender composition of households playing a critical role in generating such differences.

But quite apart from the conceptual difficulties in identifying the poor, there are usually strong political economy reasons for why targeting (other than self-targeted schemes like wage work at low wages) typically involves such large errors of unfair exclusion and unjustified inclusion. These are often simplified into concerns about 'corruption', 'leakages' or (most unfortunate term of all) 'governance'. These are of course huge concerns, which is why the question of targeting is so fraught and so often leads governments to throw up their hands and eliminate public provision altogether. In some countries, like India at present, policy makers appear to be veering around to the conclusion that such problems can be solved by the technological fix of providing all citizens with unique biometric identification numbers, as if that would somehow get rid of the social and economic forces that generate such outcomes.

Most of the contributions skirt around this absolutely critical issue, or propose systems of such administrative complexity that they involve huge expenditures of funds and personnel simply to enable the targeting. A few, such as Sen and Begum, note the need to involve locally elected bodies rather than purely bureaucratic targeting. But power relations operate at the local level too, so the targeting errors are unlikely to be so easily eliminated. Since the focus of *What Works for the Poorest?* is on 'the world's poorest', they necessarily speak only of targeted interventions, and surprisingly do not make the point that universal provision is much more likely to provide access to the poor (Mkandawire, 2006).

These books — and similar books and articles that deal with poverty reduction strategies from 'practitioners' perspective' — do have a number of useful, interesting and applicable insights. But they suffer from a common and, at least to this reviewer, fundamental failing: the inability or unwillingness to deal with macroeconomic policies, social contexts and the political economy of poverty. Without recognizing the systemic roots of poverty, it simply cannot be eradicated. This should not lead to the simplistic conclusion that nothing can be done to reduce poverty until the system is overthrown: far from it. Rather, it points to the need to integrate particular interventions within a broader perspective of how societies and economies evolve and change.

It is already agreed by the authors/editors of these two books that the particular strategy of cash transfers is not a silver bullet. Unfortunately, it

is not a development revolution either. The hard and challenging work of structural transformation, asset redistribution and systemic change still has to be done, if we really want to eradicate, rather than just continue to deal with, poverty.

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