POVERTY’S POSSIBLE CAUSES:

Pinpointing poverty’s causes is similarly complex and controversial. Possible causes include environmental, economic, governance, demographic, and social factors, among others. The most compelling of these are described below.

Environmental factors range from climate to geographic factors, such as natural resources and terrain. Access to fertile land and fresh water is essential, and natural resources like minerals or energy sources can form the foundation of an economy or trade relationship. Conversely, unfair terms of trade can contribute to poverty. For example, high subsidies and protective tariffs for farmers in developed countries increase prices for consumers and prevent exports by developing countries that have comparative advantages. In this way, both parties are left poorer.

Governance factors can result in poverty, too. Weak rule of law can discourage investment, and poor infrastructure can restrict trade, communication, and transportation. Also, inefficient management of resources can result in the resource curse, that countries rich in natural resources tend to have less economic growth. Even more significantly, corruption and aid embezzlement can undermine efforts to combat poverty and actually worsen the situation.

Overpopulation, crime, and human capital flight can also lead to poverty. Other demographic and social factors include war, discrimination, cultural factors, and historical factors. For example, racial discrimination in the United States ultimately led to reduced opportunities and poverty for many African Americans.

Structural adjustment is yet another complex possible cause of poverty. As developing nations borrow funds, debt covenants and repayment clauses can spiral these nations into a race to the bottom and lasting dependency. Developing nations are required to reduce spending on things like healthcare for the sake of making payments. Furthermore, to attract investment and increase exports, they must compete to offer the lowest prices, often by lowering standards and wages. In effect, borrowing and structural adjustment can counterintuitively increase inequality and poverty in these developing nations.

Rarely is poverty the result of just one of these causes, and often these causes are deeply intertwined with poverty’s effects. It is usually the case that several of these factors contribute to and combine to form a state of poverty.

Micro-finance is still a relatively new development and time will tell if it can effectively combat global poverty.

Basic Services: Poverty alleviation has gone hand in hand with improvements in basic services. Digging canals and building water-treatment plants has increased the number of people with access to safe water. In South Asia, for instance, the number of those without clean water has been nearly halved since 1990. Thanks to this, and to better public-health provisions, the rate at which people die from infectious diseases such as malaria and tuberculosis is falling in most poor countries.

Aid is not the entire answer: At least $2 trillion spent by rich countries since 1945 to bring development to the world’s poorest have delivered, at best, mixed results. Studies by the International Monetary Fund indicate little to no impact of Western aid on growth in poor nations. Some aid, such as food donations, may even harm the country by displacing local farmers who cannot compete with the “free” supply of crops. Self-sustainability never develops, reinforcing this cycle of dependency.

WHAT CAN BE DONE:

Global Poverty is a huge issue and progress must occur country by country, village by village. Sometimes it seems that improving basic service such as digging wells, delivering bed nets, and building schools have the biggest impacts.

Combating poverty is possible only through responsible policies and behavior of governments and their citizens. The multidimensional nature of poverty requires a multifaceted approach, including looking at economic and social policies. These include Government and individual responsibilities, economy, employment, society, education and child birth rates. As Nelson Mandela once said, “Like slavery and apartheid, poverty is not natural. It is man-made and it can be overcome and eradicated by the actions of human beings.”

WHAT’S CURRENTLY BEING DONE:

At the core, a strategy to combat poverty requires economic growth while allowing the poor to contribute to the economic growth. A World Bank study of 19 poor countries concluded that every 1% increase in national income per head translates into a 1.3% fall in extreme poverty, hence the importance of the state of the world economy.

There are two programs in particular that offer the most hope for combating poverty: Micro-Finance: Financial services for the poor, called micro-finance, have successfully provided funding to impoverished people in some countries. The Grameen Bank in rural Bangladesh has disbursed over $5 billion to over 7 million borrowers. These short-term loans have helped the poor meet basic needs and stabilize their well-being.