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SMU Students Forum Explores Why Poverty Persists in Asia and How Individuals Can Make a Difference: Part 2

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The Singapore Management University (SMU) chapter of AIESEC, a worldwide student organisation, together with SMU Broadcast and Entertainment hosted a panel discussion in February 2007 on the topic, "Why does poverty continue to exist in Asia and what can society do about it?"

Part 2 of this two-part article provides edited excerpts of presentations by SMU political science professor John Donaldson; Michael Switow, co-founder of One Singapore and founder of SUPERSEED; and Peter Stephens, World Bank regional communications manager for East Asia and the Pacific. The panel moderator was SMU law professor Eugene Tan.

Tan: When we talk about what we can do in the fight against poverty, there is this tendency to talk about aid. My sense is that, even while aid is very useful, at least important from the humanitarian perspective, it tends to be palliative. More often than not, aid doesn't deal with the core reasons but with the symptoms. I think Michael would be in a good position to tell us about civil society and what his organisation does.

Switow: I'm going to stand up, not because I feel like stretching my legs, but because on 17 October 2007, just a few months ago, 43.5 million people from 123 countries, including Singapore, stood up to say to leaders from around the world: you know what needs to be done; do it. It's not right that we live in a world where every three seconds - the time that it takes you to snap your fingers -- a child dies from poverty.

Now what constitutes poverty? Why are people hungry? The causes of poverty are man-made. Yet ours is the first generation that has the means, the ability to eliminate it. Leaders from 189 countries signed the Millennium Declaration. They laid out eight clear cut targets, Millennium Development Goals (MDGs), to halve extreme poverty by 2015 and eliminate it altogether by 2025 within one generation. So how are we doing? We are half way to 2015 and, unfortunately, we are not on track. Some countries may be doing well but, overall, we are not on track. The MDGs talk about a number of things; gender equality so both boys and girls can go to school, a sustainable environment, clean drinking water.

What needs to be done? Groups like us from civil societies highlighted several specific policies [and] changes that need to be enacted. Let's start with debt. Two years ago in Gleneagles, leaders from the world's richest countries got together and wrote off the debts from 17 of the world's poorest countries. It meant very real changes at the grassroots level in those countries; free vaccines, the elimination of school fees so kids could go to school. Change could take place on a local level because debts were written off. About half of global poverty is here in Asia. Take the example of Indonesia. Indonesia spends more money every year servicing its debts than on health, education and environment combined. Imagine what Indonesia could do if it didn't have to pay that interest anymore.

We need fair trade. Leaders across the world talk about free trade but they don't often practise what they preach. A cow in Europe gets a subsidy of US\$2 a day. But how many people in this world live on less than US\$1 a day? We need more and better development aid. Too often in the past, aid has been tied to the economic interests of the countries that give it to make sure their companies reap the profits from that aid. But also what do need from countries that receive the aid? Transparency. We must make sure that aid reaches the people who need it the most. In poor countries the leaders have to be more transparent. And we need gender equality because 70% of the world's poor are women. If you don't recognise that you won't be able to eliminate poverty.

We can make poverty history and we all have a role to play. Stand up for what you believe is right, be compassionate, take an interest in the world around you and do what's right.

Tan: When we talk about the elimination of global poverty, China is a very good example. China's fight against poverty has contributed tremendously to the number of people who have got out of poverty. But the rural-urban divide suggests that the fight against poverty has very differential success in a country like China. For further insights, I now pass the mike to John Donaldson.

Donaldson: One thing that is absolutely amazing about China is the extent to which poverty has gone down. About 10% of the population of China is still living on less than US\$1 a day. But hundreds of millions of people are emerging from poverty; they have gone from being absolutely poor, struggling with nutrition, to struggling with other issues. So I ask myself, how did they do it? How did it work and what can we learn from their experience?

If you look at China it actually causes us to question some of the assumptions we have made about poverty. One of the things you hear from many people is that growth is important. I agree that growth is important in reducing poverty but it is not sufficient. One of the interesting things about the six year period between 1978 and 1984 [when poverty levels reduced significantly] is that China was growing at some of its slowest rates. Growth accelerated after 1984 but the rate of poverty reduction went down. In other words, poverty didn't go down nearly as fast. It's not 100% related with growth. To say that growth will solve poverty is a little bit like saying I'm going to take gallons of water and throw it all around my room hoping that it will water my plants.

Growth is creation of wealth all over society in the hope that somehow the poor will benefit from it. In the meantime, growth has created environmental problems, great disparity and other problems. The growth at that time in China happened in the rural areas where the poor people lived. It was structured in a way that poor people could benefit from it. In fact, it was people emerging from poverty that created growth. It wasn't the growth itself reducing poverty.

One of the other assumptions is that market forces are important, but the example of China makes that a little bit more nuanced. Before 1978, everyone would work on the same [collective] farm. No matter how much effort I put in, I would still get the same allocation so I had an incentive not to work so hard. In 1978, Deng Xiaoping broke up that farm land and gave farmers smaller plots and usage rights over those plots. So the harder I worked, the more I could make.

That sounds like market and it was. Oftentimes you hear about the state versus the market. When the role of the market increases, it is only because the role of the state decreases. But that is not true in this case. The state was absolutely essential. What the Chinese government did was absolutely essential. They provided subsidised farm inputs, such as fertilizers and seeds, and rights to this farm land were absolutely guaranteed. They also subsidised the purchase of food. In fact, at that time in China, there was no physical market to go and sell your food, grains and other stuff. The state basically bought 100% of all that and sold it to the cities at a subsidised price which also increased demand. In other words, without the state this would not have worked. The market was important; the state was also important.

The other thing that is often said about poverty is [that] what we should do is develop. Development means economic growth, industrialisation. But what's interesting about this whole period was that there wasn't much industrialisation going on. Almost all of these efforts were oriented towards agriculture because almost all of the poverty in China at that time was based in rural areas. Therefore the growth and dynamism happened in the rural areas. It was only later, because of the millions of farmers lifted out of poverty, that industrialisation took place followed by the rapid growth and development in China today.

So, China calls into question three major assumptions people have about poverty. One is that you need growth. Yes you do but it needs to be very much targeted. Second, the market is good and the state is bad. Well, the market is important but the state is also important. Three, you shouldn't pay much attention to agriculture because you can't get much rapid economic growth. You should instead pay attention to industry. Well, that's also called into question in the case of China.

Tan: I think the point John made here is that growth must be pro-poor growth. If growth doesn't filter down to the poor, then you are not going to see people moving out of poverty. It's also possible that you can have economic development but very little increase in employment or even in the quality of employment. The World Bank's 2008 Global Economic Prospects report talks about how the diffusion of technology from the developed to the developing world could help to fight poverty. Our last panelist is Peter Stephens who will share the World Bank's view of poverty and what it is trying to do.

Stephens: Steve started with three numbers and I would like to begin with three numbers only because I think that these three numbers will give you part of the picture. The first number is 10. That is the multiple that the developed world spends on armaments and weapons and defence compared to what they spend on development and assistance for the poor -- roughly US\$700 billion to US\$70 billion. In four to five years, 95% of East Asians will live in a country where the average income is US\$1,000 or more, basically what the World Bank would call a middle income country. When you have the biggest countries in the world growing so rapidly, where are there still poor people?

A couple of years ago, I went to Gangsu province with the President of the World Bank. We drove for three hours up to a very high part of the province where it was snowing and people live in caves. In winter when it's so cold, they light straw underneath stone beds to keep warm so they won't freeze to death. These people have incomes of about US\$200 per year. That same day in Gangsu province, the Chinese government launched a rocket ship which put a man in space. Same day, same province. So why are there still poor people there? Who are these poor people? What is it that makes them poor? Why, when you have Shanghai booming, and Hong Kong, Taiwan and Singapore, are people so poor that they are dying of preventable diseases and malnutrition, things that are really an affront to humanity?

My second number is 50. That is the percentage of the world's population that lives on 1% of the world's resources. That goes to show the excellent point you just heard from John, that it's not just about growth. It's about


distributing it, making sure that people benefit from it. Aborigine communities in northern Australia live in one of the most beautiful countries in the world, but their life expectancy is about 20 years less than if you are a white middle class person.


So why? It comes from things like the colour of your skin, the class or the background you happen to come from. Gender is a huge source of discrimination. We heard that 77% of the world's poor are female. If you travel around Asia, I have experienced that most of the Asian men do most of the talking and most of the Asian women do most of the work. (Some day that is going to correct itself.) If you are geographically isolated, you can't get to the market [or] where there are jobs. So you see people trying to spread out in Asia. Every month two million people move into cities. That will happen for the next 25 years in the biggest rural to urban migration in history with all that it implies for slums and overcrowding.

Who are these people? They are the women, the minorities, people of different colour who managed to be excluded from growth, from opportunities. We also heard a very profound point, that many of them are poor simply because they are poor. What's going to be possible for them? Part of it is about economics and generating growth and part of it is about institutions. Governments certainly have a huge role to play.

The last and, to me, the most important number is one. It's most important because that's how many of each of you there are. There were 43.5 million who stood up and I think it would be terrific when it is 430 million or 4.3 billion, and that each one of them would be a person who made the decision to make a difference. Government tends to be like the World Bank, amorphous and impenetrable. But there is only one of you, and I learnt long ago that that is enough and no one else can take your place.

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