

# MISSING LINKS IN POVERTY ANALYSIS IN THE AGE OF NEO-LIBERAL GLOBALIZATION: SOME LESSONS FROM TURKEY

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*The main objective of this essay is to point out the missing links between neoliberalism on the one hand and a comprehensive analysis of poverty and effective policies to tackle it, on the other. After identifying the main channels through which neoliberalism affects poverty, the essay draws attention to the inadequacy of the neoliberal approach in coming to grips with the main reasons behind poverty as well as in developing a comprehensive and effective mechanism for its alleviation. It emphasizes the role of international institutions in determining the dominant development discourse and changes in the importance given to the poverty issue over time. The essay links the ineffectiveness of existing poverty alleviation policies in achieving a dent on poverty with the distributional imbalances at both the global and domestic levels. Against the background of the main constraints and opportunities for effective poverty alleviation policies facing individual countries, it emphasizes the need for a poverty alleviation strategy as an integral part of a broader development strategy and identifies its main premises. It calls for action on the academic, domestic and international fronts and emphasizes the central role of the state, a more balanced reliance on domestic and international markets, emphasis on productive employment creation, the development of effective redistribution mechanisms, and the creation of effective domestic and international constituencies as the main components of such a strategy.*

**Keywords:** *neoliberalism, poverty alleviation, international institutions, domestic and international coalitions, role of the state*

## **Introduction**

Poverty is currently recognized as one of the most pressing development issues, attracting a great deal of academic attention by social scientists as far afield as economists and sociologists on the one hand and psychologists and city planners on the other. On the policy-making front, too, there is a great deal of interest on the subject by policy makers of individual countries and international institutions alike. Although somewhat different in its

nature and extent, poverty also remains an important issue in some of the rich industrialized countries. This broadens the sphere of debate on the issue beyond the developing countries. Poverty by and large remains a major, if not a growing problem of the world, despite its place high on the agenda as a challenging issue for a considerably long period of time. This warrants a careful assessment of the dominant approaches to poverty with a view of identifying their basic shortcomings and carrying out an exercise in developing a fresh outlook.

This essay has three main objectives which neatly form its three sections after this brief introduction. The first objective is to explore the interaction between neo-liberal economic policies and poverty on the basis of the following questions. To what extent have explanations of poverty been influenced by the dominant development discourse and international institutions such as the World Bank? Have approaches to explaining poverty changed over time? What are the main tenets of the neo-liberal approach to poverty? Through which channels has neo-liberalism affected poverty? To what extent can the origins of poverty in Turkey be traced to the introduction of neo-liberal policies? The second objective of the essay will be to briefly examine the poverty alleviation policies under neo-liberalism and assess their effectiveness again on the basis of several specific questions. What are the main policy instruments and institutional framework of poverty alleviation under neo-liberalism? What has been the main record of poverty alleviation policies under neo-liberalism? What are the main shortcomings of the neo-liberal approach to poverty alleviation? What are the missing links? Finally, as its third main objective, the essay will, in its third and main section, engage itself in the more challenging task of outlining the main constraints and opportunities facing individual countries for effective poverty analysis and poverty alleviation policies. The most pertinent questions that will be tackled in this respect are: What is the case for and the main

elements of a poverty alleviation strategy? In which directions should explanations of the reasons behind poverty be broadened? What type of policies are required to make some headway in combating poverty?

While it touches upon some key issues surrounding the policy debate, this essay by no means claims to be comprehensive in its treatment. Likewise, the occasional references made to the Turkish case in each section do not purport to provide a full picture of the set of issues dominating the debate in Turkey. On the basis of its critique of the neo-liberal discourse, the study calls for developments on the academic, domestic and international fronts to lead to the emergence of a more effective setting for poverty alleviation.

## **Shifts in Development Discourse and Poverty: The Role of International Institutions**

Poverty is an old issue whose origins can be traced back at least to the Industrial Revolution. The existence of a large and growing literature on the industrialized countries notwithstanding, in much of the post Second World War period, poverty has been discussed predominantly in the context of developing countries. Approaches to poverty and its alleviation have closely followed the shifts in the development discourse as shaped by international power relations, interests, and developments in the realm of world economics and politics. International financial institutions have played a key role in the process of the making of and shifts in the dominant development discourse.

Tracing the changes over time in the post-war approach to poverty indicates the shifts in emphasis over time.<sup>1</sup> The expectation that rapid growth and industrialization through physical capital accumulation would bring about a more or less automatic reduction in poverty, which constituted the dominant approach until the late 1960s, was soon replaced by a deep sense of urgency for poverty alleviation. The key actors of the new outlook were the International Labour Organization and the World Bank, responsible for the emergence of “basic needs” and “redistribution with growth” strategies, respectively. The first of these strategies was prominent in its emphasis on not only the provision to the poor of adequate food, shelter, and essential services like health and education but also on the role of public investment and changes in the ownership of assets through such mechanisms as land reform. Another important component of the strategy was the need to supplement growth with productive employment creation. The second strategy echoed similar concerns. Identifying the agricultural and urban informal sectors as the main reservoir of poverty, it called for increasing the efficiency of small farmers, landless workers, and the self-employed in the informal sector. Although less radical than the first strategy, redistribution with growth strategy was also prominent in its emphasis on redistribution, involving the redistribution of the increment of capital formation associated with economic growth, rather than the initial stock of assets.<sup>2</sup>

After a decade of deep concern with poverty in the 1970s, development discourse shifted to neo-liberalism under the so-called Washington Consensus, which signaled the spread of open, market based policies through stabilization and structural adjustment programs implemented in close collaboration with international financial institutions. In this process, the objective of poverty alleviation, together with the developmental role of the state, was relegated very

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<sup>1</sup> For details, see Fikret Şenses, *Küreselleşmenin Öteki Yüzü: Yoksulluk* (İstanbul: İletişim, 2001).

<sup>2</sup> See E. Thorbecke, "The Evolution of the Development Doctrine, 1950-2005," in *WIDER Conference on the Future of Development Economics, 2005* (Helsinki: 2006).

much to the background. It is often sidelined in even learned debate on poverty issues that the World Bank which had been in the forefront in its concern for poverty in the preceding decade and more recently since the 1990s had almost totally ignored the subject during much of the 1980s. Instead, it was preoccupied with the introduction and spread of neo-liberalism in much of the developing world through policies best summarized as “liberalization, marketization, privatization, flexibilization and/or deregulation.”<sup>3</sup> It was in the post-1990 episode of neo-liberalism that poverty reemerged as a dominant issue in the international agenda.

The shifts in the postwar international development discourse as outlined above were not strictly reflected in the development approach of individual nation states. In Turkey, for example, the five year plans of the late 1960s and 1970s continued to be preoccupied with growth through rapid industrialization and were not much influenced by the elevation of poverty to the top of the agenda of international institutions. If anything, the debate was centered on distributional issues with poverty regarded very much as a “soft” issue. Not only was Turkey’s incipient welfare state broadened in scope, but civil society organizations emphasizing distributional issues were beginning to assert themselves with force. In particular, trade unions were emerging as a key societal force as evidenced also with the sharp increase in the number of strikes by organized labor. Although the Turkish trade union movement was much criticized by its pursuit of narrow sectional interests, concerned primarily with real wage increases, its success in this endeavor was instrumental in pushing up earnings in the rest of the economy. Moreover, in an agricultural setting dominated by small holders, agricultural price support policies and other subsidies provided by successive governments eager to obtain the political support of the large agricultural population were

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<sup>3</sup> See Penny Griffin, "The World Bank," *New Political Economy* 11, no. 4 (2006).

also effective in removing the worst forms of poverty. The strong tacit social security system as characterized by strong family ties and other aspects of social solidarity between broad sections of the population in an environment of relative macroeconomic stability were among other factors that were influential in the same direction.<sup>4</sup>

The transition to neo-liberalism has brought about a dramatic change in approach in virtually all countries, including countries like Turkey in which absolute poverty had not emerged as a major issue in the previous period. Even a cursory examination of neo-liberalism and poverty indicates several important linkages between the two. Neo-liberal globalization has been notoriously pro-capital, enabling liberalization of capital movements while restricting the mobility of labor, especially unskilled labor. The weakening of the bargaining power of labor as aggravated also by a gradual move in the direction of more flexible labor markets led to a dramatic change in the functional distribution of income against labor.<sup>5</sup> This was accompanied in most cases by the penetration of market-based policies and the removal of subsidies in agriculture as a major poverty stricken sector. Neo-liberalism was also characterized with deep financial crises in East Asia and a number of other countries such as Mexico, Russia, Argentina, and Turkey, creating severe distributional dislocations and other socio-economic effects.<sup>6</sup> Such crises were also held responsible in the deterioration of the

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<sup>4</sup> Another factor explaining the lack of emphasis on poverty during the pre-1980 period was the massive labor migration between the early 1960s and the early 1970s and the rapid increase in workers' remittances that this has entailed.

<sup>5</sup> Jayadev, for example, shows a robust negative correlation between the degree of openness and the labor share in all country groups except low income countries over the last two decades. See, Arjun Jayadev, "Capital Account Openness and the Labour Share of Income," *Cambridge Journal of Economics* 31, no. 3 (2007).

<sup>6</sup> See Fikret Şenses, "Economic Crisis as an Instigator of Distributional Conflict: The Turkish Case in 2001," in *The Turkish Economy in Crisis*, ed. Ziya Öniş and Barry Rubin (London: Frank Cass, 2003), Fikret Şenses and Murat Koyuncu, "Socioeconomic Effects of Economic Crises: A Comparative Analysis of the Experiences of Indonesia, Argentina and Turkey," in *Neoliberal Globalization as New Imperialism: Case Studies on Reconstruction of the Periphery*, ed. Ahmet Haşim Köse, Fikret Şenses, and Erinç Yeldan (New York: Nova Publishers, 2008).

informal social support systems with important connotations for the disadvantaged sections of the population.

In Turkey, for example, neo-liberal policies were accompanied by high and variable inflation as well as increased informalization in urban areas without adequate legal protection, resulting in severe distributional problems. During the short period between 2003 and 2006, for example, the share of capital income (profits, interest, and rent) increased at the expense of agricultural income while the share of wages remained almost constant.<sup>7</sup> A longer-term perspective on income distribution in Turkey shows an improvement in the postwar era until the introduction of neo-liberal policies in 1980. The lowering of intersectoral differences in average income and the upsurge in real wages accounted for this improvement. In the neo-liberal globalization era since 1980, on the other hand, the sharp increase in intersectoral differences in average incomes has begun to be reversed in more recent years, thanks to the fall in the agricultural labor force. As a result, the main determinant of income distribution is now the disparities within the urban sector between labor and non-labor income on the one hand and skilled and unskilled labor, on the other.<sup>8</sup>

It must be mentioned that some elements of poverty and distributional imbalances were inherited from the previous periods rather than created by the neo-liberal stance. The apparent link between poverty and the broader distributional picture on the one hand and neo-liberalism as highlighted above on the other should not conceal the fact that this picture can in part be traced to certain factors that are not directly associated with neo-liberalism. Amongst

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<sup>7</sup> See M. Sönmez <http://www.bianet.org/english/kategori/bianet/98817/akp-koyluleri-ve-ucretlileri-yoksullastirdi>

<sup>8</sup> For details, see Şevket Pamuk, *Economic Change in Twentieth Century Turkey: Is the Glass More Than Half Full?* (The American University of Paris, Working paper No: 41: 2007).

these factors, Turkey's long standing regional disparities are the most prominent.<sup>9</sup> Likewise, the lowness of certain human development indicators<sup>10</sup>, especially in the field of education, has deeper roots than the spread of neo-liberalism. However, it can safely be argued that although neo-liberalism inherited rather than created some of the important poverty and distributional indicators of Turkey, it has been either instrumental in aggravating them or ineffective in tackling them. The overall picture that has emerged from the penetration of neo-liberalism in directly producing as well as the social sectors has created an environment that was hardly conducive to the emergence of an effective pro-poor agenda.

Currently, the main approaches to measuring poverty in Turkey and elsewhere can be classified under several headings. The first of these is the so-called income and consumption-based approaches popularized by the World Bank, which define and measure poverty basically as the proportion of the total population that falls below a certain poverty line. The second approach, which is associated with the United Nations Development Programme (UNDP), combines in its different variants, a measure of per capita income with various health and education indicators as a measure of human development. The third approach that can best be associated with the concept of social exclusion, widely used by the European Union (EU), broadens the definition of poverty by incorporating into its analysis elements of cultural and political disadvantages.<sup>11</sup> Finally, the fourth approach which owes its intellectual

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<sup>9</sup> Regional disparities in Turkey are well-documented. See for example, Fatma Doğruel and A. Suut Doğruel, "Türkiye'de Bölgesel Gelir Farklılıkları ve Büyüme," in *İktisat Üzerine Yazılar I Küresel Düzen: Birikim, Devlet ve Sınıflar Korkut Boratav'a Armağan*, ed. Ahmet Haşim Köse, Fikret Şenses and Erinç Yeldan (İstanbul: İletişim: 2003).

<sup>10</sup> See UNDP, *Human Development Report 2007/2008* (New York; Palgrave Macmillan; 2007) for Turkey's human development indicators in international perspective.

<sup>11</sup> For a modest attempt in this direction for the Turkish context, see Harun Önder and Fikret Şenses, "Türkiye'de Yoksulluk ve Yoksulluk Düşüncesi," in *İktisat, Siyaset, Devlet Üzerine Yazılar: Prof. Dr. Kemalî Saybaşı'ya Armağan*, ed. Burak Ülman and İsmet Akça (İstanbul: Bağlam, 2005).



parentage to various social science disciplines emphasizes subjective and qualitative indicators, partly obtained by the personal histories of the poor themselves.<sup>12</sup>

As in many other debates, the different ideas put forward by these different approaches is gradually leading to a useful synthesis whose starting premise is the realization that poverty involves factors beyond the shortage of income and consumption. The domain of the concept becomes enlarged almost by the day to include first, improvements in nutrition, shelter, health, education, access to public goods and, subsequently, others such as access to information, participation in decision-making, nature of regime as characterized by degree of democracy and liberty.<sup>13</sup> This broadening of the concept is a welcome development for it shows us the multidimensional and complex nature of poverty. On the other hand, as the concept gets broader to incorporate elements that are not easily quantifiable, there is a danger that it will lose meaning and will itself be vulnerable to misinterpretation.

As our foray into the postwar evolution of the concept at the beginning of this section has shown, we seem to have come full circle in our approaches to poverty with the current broad definition of poverty bearing a close similarity with those in the 1970s. The comparison between the two periods should not however be taken too far as there are three basic differences between the two. The first of these is the much greater link of poverty with the labor market in the earlier period with a great deal of emphasis on increasing the efficiency of labor in different activities. The second is the much greater emphasis on distributional issues in the earlier period, even to the extent of the redistribution of existing assets. The third and the much more fundamental difference pertains to the fact that the development discourses of the two periods are quite different from each other. It is significant that the current broadening of the concept of poverty to include qualitative issues in the social and political realm is

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<sup>12</sup> Erdoğan provides a good example of this approach for the Turkish case. See, Necmi Erdoğan, ed., *Yoksulluk Halleri: Türkiye’de Kent Yoksulluğunun Toplumsal Görünümleri* (İstanbul: İletişim, 2007).

<sup>13</sup> See Thorbecke, "The Evolution of the Development Doctrine, 1950-2005."

taking place within the dominant discourse of neo-liberalism. The World Bank's move in the direction of this broad definition, especially after the Asian crisis in the second half of the 1990s, with emphasis on good governance, equity, gender equality and social development, for instance, is less convincing than it would have been under the earlier discourse. The very fact that the World Bank has been in the forefront of the transition to a neo-liberal economic model in much of the Third World creates a strong suspicion in the minds of those with memories longer than the immediate past that the World Bank's current stance has more to do with saving and deepening neo-liberal reforms than a genuine concern with poverty alleviation beyond its somewhat rhetorical declarations. It can then be argued that the poverty agenda is dominated by an institution, the World Bank, which has a strong and continued commitment to neo-liberalism. The neo-liberal view on poverty relieves society in general and government in particular of responsibility for poverty and attributes the reasons of poverty to the poor themselves.<sup>14</sup> Likewise, the solutions to the problem of poverty, according to this vision, are to be found by the poor and at best by civil society with little, if any, contribution from the state.

### **The Neo-liberal approach to Poverty Alleviation: The Missing Links**

A prominent characteristic of the debate on poverty has been the emphasis on policy rather than explanation of the factors that account for its emergence in the first place. The dominant approach to poverty alleviation by and large reflects the weaknesses of its explanatory base. Poverty assessments are based on the quantifiable income- and consumption-based indicators despite the broadening of the poverty definition. A brief survey of the policy framework

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<sup>14</sup> The reflection of this vision is to be found in the decline of international aid, representing in many ways the transfer of the responsibility of development from the international community to the nation-state itself.

would show the mismatch between the tendency to broaden the poverty definition and the main poverty alleviation policies much in vogue in the neo-liberal approach.

The poverty alleviation policies high on the agenda of the dominant international organizations on the whole aim at lifting the population below a certain poverty line, with rapid growth providing the main mechanism. This is supplemented by a variety of social assistance instruments relying on government sponsored poverty alleviation schemes aimed at providing pecuniary and in-kind assistance to families below the poverty line. In Turkey, the Social Assistance and Solidarity Fund (SASF) set up in 1986 has been active in this sphere with an organizational framework spread evenly across the country.

With direct income transfers falling out of fashion and losing effectiveness in many countries as a result of the decline of the welfare state and governments increasingly facing the hard budgetary constraints, there has been a growing tendency to make assistance conditional on certain pre-announced objectives. Amongst these, enrollment of children in school, prevention of dropping of children out of school, and regular health checks of infants, small children and pregnant women have been the most prominent. The USD 500 million World Bank loan to Turkey under the Social Risk Mitigation Project in the immediate aftermath of the 2001 financial crisis provides a clear example of this approach, targeting in the first place women and children in poor families.

Another pillar of the neo-liberal approach to poverty alleviation has been the micro credit schemes directed at groups of poor women, modeled on the basis of the successful Grameen Bank experiment in Bangladesh. Although this scheme is rightly credited with certain useful novelties such as empowering poor women to step into the labor market and the development of social capital among them, it has fallen drastically short of coming to grips with the gravity

of the poverty problem. In Turkey, for example, with nearly one fifth of a population of seventy million falling below the two dollars per day poverty line, the limited implementation of this scheme in mainly the southeastern regions has involved only 3,895 women, with the total disbursements under the scheme reaching a meager 3.4 million US dollars.<sup>15</sup> The existence of long-established credit schemes for small-scale agricultural producers and the self-employed through two specialized public sector banks has not deterred the government from initiating the micro credit scheme, which may be taken as a sign of its determination to privatize these public sector banks not in the too distant future. The Turkish government in recent years has basically relied on direct in-kind transfers to the poor through municipalities under its control and through the SASF, facing the charge by its opponents that it was using this simply as a vote-catching populist device rather than as an integral part of a well-designed poverty alleviation strategy.

On the institutional front, the neo-liberal approach has relied on civil society and non-governmental organizations to fill in the vacuum left behind by the retreat of the state from economic life.<sup>16</sup> This reliance has reached such proportions that it has led one observer to argue regarding Turkey that the “increase in Washington Consensus and liberalism and elevation of civil society go together.”<sup>17</sup> Although it would not be fair to over generalize and view all civil society in the same light, one can argue that civil society organizations have also been greatly influenced by the rise of neo-liberalism. Unlike their counterparts in earlier decades, civil society organizations that have prospered since the early 1980s are less ideological and some have rather harmonious relations with the state machinery. They tend to

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<sup>15</sup> For a thorough description of the micro credit scheme and other initiatives for poverty alleviation in the public and private spheres, see Fikret Adaman and Tuğçe Bulut, *Diyarbakır'dan İstanbul'a 500 Milyonluk Umut Hikayeleri* (İstanbul: İletişim, 2007). Also see Bulut *in this issue*.

<sup>16</sup> For a recent reiteration of this view see Monsiapike Kajimbwa, “NGOs and their Role in Global South” *The International Journal of Not-For-Profit-Law*, 9, no. 1 (2006).

<sup>17</sup> See Zülküf Aydın, “The State, Civil Society, and Environmentalism,” in *Environmentalism in Turkey between Democracy and Development?*, ed. Fikret Adaman and Murat Arsel (Ashgate: Aldershot, 2005), 54.

emphasize gender, human rights and environmental issues rather than “class-based interests.”<sup>18</sup> Although they have increased in number, they have not been effective in transforming globalization into a “better, just, humane and democratic governance.”<sup>19</sup> In this transition, the close and mutually reinforcing association between the military regime and the early crucial years of neo-liberal economic policies in the early 1980s has played an important role in crushing civil society organizations of the previous period and thereby discouraging the formation of new ones with a similar outlook and agenda for action. The existing civil society organizations are also characterized by a lack of coordination and cooperation among each other. Moreover, these organizations encouraged and in some cases directly supported by international institutions to promote good governance were in some cases themselves faced with charges of corruption.<sup>20</sup>

As mentioned before, some countries such as Turkey have had strong traditions of social solidarity. Although it is difficult to reach a reliable estimate of such transfers, there seems to be a general agreement that person to person assistance reach very high proportions, especially during the so-called holy months. The lack of reliable information again precludes us from establishing the exact amount of donations to various foundations by the general public.

The outcome of poverty alleviation policies is surrounded by deep controversy.<sup>21</sup> The actual trends in poverty incidence in the world as a whole cannot be firmly established.

Measurement efforts are subject to errors arising from differences in methodology, period of

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<sup>18</sup> See Zeynep Kadirbeyoğlu, "Assessing the Efficacy of Transnational Advocacy Networks," in *Environmentalism in Turkey between Democracy and Development?*, ed. Fikret Adaman and Murat Arsel (Ashgate: Aldershot, 2005), 101.

<sup>19</sup> See Fuat Keyman, "Modernity, Democracy, and Civil Society," in *Environmentalism in Turkey between Democracy and Development?*, ed. Fikret Adaman and Murat Arsel (Ashgate: Aldershot, 2005), 36-37.

<sup>20</sup> One of the most publicized cases has involved the Turkish Red Crescent (Kızılay).

<sup>21</sup> See Wade for a thorough evaluation of the main issues at stake. R. H. Wade, "Is Globalization Reducing Poverty and Inequality," *World Development* 32, no. 4 (2004).

analysis and the data and sample of countries used.<sup>22</sup> The World Bank's estimate of a reduction in the absolute number of the poor by 400 million people during the past two decades is the most favorable and widely quoted among available estimates.<sup>23</sup> A closer examination of this figure, however, shows that it represents little progress when compared with the actual number of the poor in the world as well as the targets of the United Nations Millennium Development Goals. Moreover, it seems that this favorable record was in large part attributable to good progress in a handful of countries like China and India and has by and large bypassed a large number of developing countries, especially those in Sub-Saharan Africa. The fact that India and China can hardly be classified as countries embracing the neo-liberal agenda raises further question marks about the ability of neo-liberalism to provide an effective framework for poverty alleviation. This view is reinforced by the fact that among the industrialized countries, the record in poverty alleviation of those strictly adhering to the neo-liberal agenda such as Britain and the United States compares unfavorably to those such as the Scandinavian countries implementing hybrid policies incorporating a combination of interventionist and market-based policies.<sup>24</sup>

In the Turkish case, too, there is no authoritative indicator on the level and trends in poverty, with the results of estimates based on surveys falling into a big range. However, there is general agreement that in the neo-liberal era, poverty has emerged as a major problem and has had a serious adverse impact on the welfare of broad sections of the population, particularly small agricultural producers, the unemployed, the underemployed, and the self-employed in urban areas.

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<sup>22</sup> For a detailed discussion, see Şenses, *Küreselleşmenin Öteki Yüzü: Yoksulluk*.

<sup>23</sup> See Dani Rodrik, "Goodbye Washington Consensus, Hello Washington Confusion? A Review of the World Bank's Economic Growth in the 1990s: Learning from a Decade of Reform," *Journal of Economic Literature* 44, no. 4 (2006).

<sup>24</sup> See M. Panic, "Does Europe Need Neoliberal Reforms?," *Cambridge Journal of Economics* 31, no. 1 (2007): 162.

The neo-liberal approach for poverty alleviation lacks a unified approach and is at best eclectic and rhetorical in nature, falling drastically short of creating a dent on poverty. It is weak in coming into grips with the two major pillars of effective poverty alleviation, namely asset redistribution and pro-poor growth. It shies away from the first for basically ideological reasons while it does not pay sufficient attention to growth emphasizing the creation of productive employment. As the highlights of the situation in Turkey have shown, the poverty alleviation policies and the institutions that are active in the field do not exhibit a collective effort and are characterized by the absence of a unifying poverty alleviation strategy. Under such a setting, the existing measures of poverty alleviation as well as proposals directed to the same end, such as provision of basic income, sound as they are in isolation, do not carry the promise of coping with large scale poverty. Instead, they constitute an integral part of the neo-liberal agenda in the field of social policy with their emphasis on handouts in cash and/or in kind rather than on integration of the poor into society through the labor market. As such, they are instrumental in creating a culture of dependency, which in the final analysis is blocking the way for democratic organization of the poor.

More generally, the international institutions create a strong impression that the issue on the top of their agenda is the spread of the neo-liberal approach to all countries and sectors. The inner contradictions of broadening the neo-liberal agenda and championing of poverty alleviation at the same breath are disregarded and even deliberately concealed. Their approach to poverty then becomes a natural extension of this vision and becomes subservient to the broader objective of deepening neo-liberalism. In this vision, the extent of poverty, encompassing large masses of people in the developing world becomes an obstacle to the smooth transition to neo-liberalism. Increased concern of international financial institutions

with the poverty issue at a time of deep financial crises posing a serious threat to neo-liberalism reinforces this suspicion. Presenting poverty as a major problem on a world scale and putting into action certain piecemeal measures with limited effectiveness then become an integral part of this approach. It seems that international institutions face a basic dilemma. On the one hand they feel that they have to recognize the existence of abject poverty on a global scale and be concerned with it. Their firm commitment to neoliberalism on the other hand preclude them from taking decisive steps towards effective poverty alleviation which in the final analysis require the reversal of the deep inroads made in the direction of neoliberal globalization during the past quarter century. This then leaves their agenda to be confined to palliative steps, adorned with powerful poverty alleviation rhetoric and accompanied by extensive academic research as generously supported by them.

Even a cursory examination of some of the policy instruments of poverty alleviation reveals their neo-liberal contents. What little emphasis these policies put on employment creation is linked to the flexibilization of labor markets. Their emphasis on the access of the poor to health and education services also goes hand in hand with a strong tendency of privatization in these and other spheres such as social security. Emphasis on micro-credit schemes is a step to integrate the poor in the financial system and is in line with the broad financial liberalization objective.<sup>25</sup> The emphasis on good governance and financial regulation, to the extent that it aims at providing a “secure haven” for capital mobility, incorporates a strong element of a pro-capital vision. In Turkey, for example, at a time of extensive institutional reforms in the financial sector, there is a striking absence of appropriate reforms in the field of poverty alleviation. Likewise, the emphasis on reducing public sector deficits and generating

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<sup>25</sup> See Heloise Weber, "The imposition of a global development architecture -The example of microcredit" *Review of International Studies*, (28), (2002) as cited in Bulut *in this issue*. For other critiques of microcredit finance see A. N. M. Wahid, "The Grameen Bank and Poverty Alleviation in Bangladesh-Theory, Evidence and Limitations", *American Journal of Economics and Sociology*, 53 (1) (1994) and Jonathan Morduch "The Microfinance Schism", *World Development*, 28, no. 4, (2000).



a primary surplus as part of the anti-inflationary program in collaboration with international financial institutions, while imposing severe restrictions on all social sector spending, went hand in hand with tax cuts. Fiscal policies of the governments were also notoriously silent on a pro-poor reorientation of government expenditures. It can safely be argued that attempts at poverty alleviation have not only been subordinated to the overriding objective of keeping neoliberal reforms intact, but have in some cases also been instrumental in deepening them.

The fact that international aid is at a low ebb at a time when poverty is presented as high on the agenda is a bitter paradox of our times, confirming our skepticism about the sincerity of the international community on the poverty issue. The extensive and well-documented intervention of the United States Treasury into the preparation of the 2000-2001 *World Development Report* of the World Bank, insisting on the removal of distributional analysis in particular from the draft document, reinforces this skepticism.<sup>26</sup> The fact that the World Bank yielded to this pressure, resulting in the resignation of the team preparing the report, puts into question the ability of this institution, so soon after this incident, to follow a different course of action, embracing equity, empowerment of the poor and social development as important parts of its current agenda.

If the neo-liberal approach lacks an inadequate basis for coping with poverty as evidenced also by its recent record, the pertinent question is what is to be done to bring about a meaningful turnaround in approach. This is the main question addressed in the next section.

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<sup>26</sup> See Robert Hunter Wade, "Making the World Development Report 2000: Attacking Poverty," *World Development*, 29, No.8, (2001) and Ravi Kanbur, "Economic Policy, Distribution and Poverty: The Nature of Disagreements," *World Development*, 29, No. 6 (2001).

## **TOWARDS A NEW POVERTY ALLEVIATION STRATEGY: CONSTRAINTS, OPPORTUNITIES AND NEW DIRECTIONS**

Our discussion in the previous sections of the paper has indicated the need for a new poverty alleviation strategy<sup>27</sup> as part of a broader development strategy. The focus on development strategy is to counter the whole array of mutually reinforcing economic policies embracing the socioeconomic framework and also to remove the inconsistencies and trade-offs that might arise from emphasis on poverty in isolation. Another reason for such a focus on development strategy is to open up the sphere of development debate beyond the short-term issues of macroeconomic stabilization towards medium and long-term structural problems such as rapid and sustained growth through industrial restructuring, employment creation, structural change in exports as well as poverty alleviation. Such a reorientation of approach would also take the debate on poverty beyond short-term explanations and palliative solutions.

The new approach to poverty embedded within a development strategy would, like any such reorientation, be faced with a number of opportunities and constraints. These can be highlighted under three headings, comprising the academic, international, and domestic fronts. Starting on an optimistic note, one would draw attention to certain positive developments in a sea of constraints. On the academic front, the past two decades have witnessed a sharp increase in the poverty literature in individual social science disciplines, involving also a great deal of interdisciplinary research. A part of this research has been

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<sup>27</sup> Fikret Şenses, "Yoksullukla Mücadele: Temel Yaklaşımlar, Sorunlar, Kurumlar ve Öneriler", *Cumhuriyet*, 31 January (2005) also draws attention to the need for a poverty alleviation strategy.

directed into poverty at the community level to come to grips with the intricacies of the subject at a finer level of detail. It has also been concentrated on the political economy aspects of poverty, drawing attention to the importance of a more equal income and wealth distribution and the role of institutions to bring about such a change in focus of analysis. A major contribution of this research has been its emphasis on the poverty outcomes of different patterns of growth. While recognizing the importance of growth, it has drawn attention to the fact that the elasticity of poverty reduction with respect to growth varies within a wide-range, between -0.2 and 3.0, depending on the initial conditions, most notably the initial income distribution.<sup>28</sup> Again on a positive note, there is increased awareness about poverty as a major problem at both the international and domestic levels. Some domestic and international non-governmental organizations are successfully appealing to the altruism of society at large and doing some useful work at the grassroots level. Although they may have been somewhat weakened in recent years, family support systems beyond the immediate family, various social solidarity and fraternity groups, and presence of strong societal sensitivities towards worst forms of poverty that remain largely intact in countries like Turkey augur well for the future. In the same vein, one can mention the recent successful campaign by civil society organizations in Turkey to increase the school enrollment rates of young girls.

International organizations such as UNICEF and particularly the UNDP have joined the World Bank in the formulation of the international agenda for poverty. The development and the popularization of the concept of human capital by the UNDP have been of particular importance in this respect. Domestic governments, in most cases in close collaboration with international institutions, as well independent researchers, have widened the data base for poverty research. In particular, there has been an increase in both the availability and quality

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<sup>28</sup> See Fikret Şenses, "Yoksullukla Mücadelenin Neresindeyiz? Gözlem ve Öneriler," in *İktisat Üzerine Yazılar I, Küresel Düzen: Birikim, Devlet ve Sınıflar*, ed. Ahmet Haşim Köse, Fikret Şenses, and Erinc Yeldan (İstanbul: İletişim, 2003), Thorbecke, "The Evolution of the Development Doctrine, 1950-2005."

of survey and census data in spheres such as employment, income, consumption, and demographic, and health indicators.<sup>29</sup> The availability of cross-country time series and panel data has enabled researchers to make comparisons of living standards over time.<sup>30</sup> The publication by the UNDP of various human development indicators for a large number of countries is another positive development in the same direction.

The above factors on the positive side notwithstanding, a reorientation of approaches to poverty is confronted with a number of serious constraints. Although one occasionally hears voices to the contrary, there are no signs yet in the higher echelons of the so-called “international development establishment” that a significant shift in their basic approach is in sight in the near future. Key international institutions that are highly influential in the determination of the dominant development discourse such as the World Bank and the IMF remain firmly committed to the neo-liberal approach. The United States government, whose influence over these institutions is well documented, seems to be preoccupied with the prospects of a serious recession. The recent aloofness of the US Administration to scenes of deep poverty in the wake of the Katrina disaster in New Orleans and the near absence of poverty issues in the current presidential campaign indicate the indifference of the government to the poverty of its own population let alone poverty in other, remote parts of the world.

In the search for an alternative approach to poverty, an important factor that should not be overlooked is the narrowing of the policy space for poverty alleviation. Likewise, the anti-globalization movement does not look nearly as effective as it looked a few years ago. The

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<sup>29</sup> See Thorbecke, "The Evolution of the Development Doctrine, 1950-2005."

<sup>30</sup> Ibid.

possibility of developing countries forming a united front on global poverty also seems to be a remote possibility.

The narrowing of the policy space for the nation state is usually discussed in the context of industrial policy, which has become highly constrained by the nation-state's loss of previous policy tools of intervention. Yet the constraints in this respect are equally, if not more, insurmountable in the case of poverty. In the case of industrialization in Turkey, for example, there seems to be a broad domestic coalition consisting of different layers of business interests in support of an industrialization strategy. Despite much talk about the extent of poverty, one cannot see any sign of a similar coalition emerging regarding poverty, not least because it represents a deep-seated distributional issue requiring in the final analysis shifts in the distribution of income, wealth, and public services at different levels, including different regions and communities. The absence of a strong international and domestic will in the face of a lopsided power structure again at both the domestic and international levels is therefore by far the biggest hurdle that should be overcome before a serious dent on poverty can be realized. Analogous to the barriers before the effective participation of countries in the international decision making processes, the poor also have a weak organizational capacity to emerge as an active and influential participant in the domestic decision-making processes. In the absence of such effective participation opportunities, the poor in Turkey have relied on the ballot box every four or five years, showing considerable volatility in how they cast their vote, often shifting from one political party to another, depending on the specific conditions they face at the time.

The initial premises of the new strategy of poverty alleviation to be developed against the background of the opportunities and constraints briefly outlined above can be summarized

under several headings. The first of these is the need to recognize the fact that we face a difficult problem with systemic characteristics traceable many years back in history. The fact that poverty still remains as a major problem in advanced capitalist countries with mature democratic political systems warns against too much optimism in our search for possible solutions. The fact that we already know that the Millennium Development Goals will not be attained in time should harness the temptation to set overly optimistic targets. The second premise of the new strategy should be pragmatism in recognizing the possible contributions of the existing approaches while being careful not to allow the piecemeal and flimsy policies they put forward to capture the policy agenda and relegate the alternative approaches to the background. The third premise of the new approach should be to resist attempts by the dominant neo-liberal discourse to further narrow the policy space for poverty alleviation. Privatization attempts subjecting public goods like education and health to market principles, for example, should be opposed as they in the final analysis increase the obstacles confronting the poor. Fourth, there is a need to base the strategy on the specific conditions of the country in question. The recent development experience has shown that it was countries that have found their own way rather than those who have passively followed the tide of received ideas emanating from the centers of development discourse that have made the biggest inroads towards development. Amongst other lessons of the development experience is the growing realization that “institutions do not travel well,” emphasizing the difficulty of transferring institutional structures from one setting to another and that one size-fits-all approach does not work, meaning that there are different paths available to reach a certain objective. The fact that even international organizations active in the field of poverty have different visions and approaches about tackling poverty is a case in point. Even within Europe one can talk of different models of capitalism and different welfare regimes. For instance, the social democratic model as practiced in Denmark with its emphasis on employment generation,

extensive unemployment benefits, and social assistance is distinctly different from the British one. The Danish social democratic model also stands out in terms of its success in disproving the existence of a trilemma between employment, equality and budgetary restraint as evidenced also by its overall record characterized by high rates of growth and much lower levels of social marginalization.<sup>31</sup> This model has also demonstrated that generous welfare regimes as supported by high levels of taxation can contribute to social and political participation, high levels of social trust as well as the maintenance of full citizenship among the unemployed.<sup>32</sup> While it is important to learn from the existing international stock of knowledge, it is also essential not to be carried away with the dominant neo-liberal discourse as effectively propagated by the international financial institutions.

In the design of the new strategy, the role of the state should be at central stage. During the past quarter century the energies of state officials have been devoted mainly to the transition to a neo-liberal framework in collaboration with the international financial institutions. The latter being the main mentors, the role of state officials were often limited to the implementation stage. Under the new strategy, they would be expected to engage themselves in the more challenging task of drawing up the new strategy and finding ways and means of reconciling the trade-offs among competing objectives. The elevated role of the state in the new strategy would itself represent an important diversion from the existing approach characterized by a minimal role of the state. Another divergence from the existing approach would be to bring about a more balanced reliance on domestic and international markets. The heavy reliance on external markets has been accompanied by cut-throat competition especially in labor-intensive activities. Maintaining external competitiveness in these

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<sup>31</sup> See J. G. Andersen, "The Danish Welfare State as 'Politics for Markets': Combining Equality and Competitiveness in a Global Economy," *New Political Economy* 12, no. 1 (2007): 74.

<sup>32</sup> *Ibid.*

activities has often meant labor redundancies, downward pressure on wages and/or deterioration of labor standards with obvious adverse connotations for poverty. Increased reliance on domestic markets, in contrast, would require a rise in the purchasing power of the poor to enlarge the domestic markets.<sup>33</sup> Striking the right balance between specialization for the domestic markets as opposed to external markets and the sectoral composition in each market would be a task for planners, involving careful consideration of specialization patterns and likely future trends in world markets.

Yet another objective of the new approach diverging from the existing one would be its emphasis on productive employment creation rather than relying simply on social transfers to the poor. Not only will this provide the poor with a continuous and reliable source of income, it will also empower them by creating a sense of belonging to the mainstream of society. Redistribution should be another main pillar of the new strategy, relying also on fiscal instruments. The tax structure as well as the pattern of government expenditure should be radically revised with a view of increasing government resources to broaden the scope of social assistance and increase the access of the poor to public services, most notably in health and education.

More specifically, there should be increased emphasis on effective targeting of resources to the poor. Detailed targeting does not prevent leakages to the non-poor because it is often associated with malpractice and corruption on the part of both the providers and recipients of assistance. The fact that detailed targeting is difficult and costly to implement, not least because it often requires extensive means testing should lead to the exploration of other

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<sup>33</sup> See Amit Bhaduri's views expressed in *Economic and Political Weekly*, 22 January (2005) as cited by Korkut Boratav, "Uzaklardan bir Ses", *Cumhuriyet*, 4 May (2005).



avenues. In this regard regional concentration of the poor and socio-economic indicators of the country should guide the policy makers towards the poor as, if not more, effectively as extensive means testing and at much lower cost. Indicators such as literacy rate, especially female literacy rate, access to improved water resources, and average education level of the labor force, for example, provide clear indicators of what is to be done. In Turkey, for example, virtually all studies, including those on the income-consumption metric or the human development indicators, show heavy concentration of the poor in Eastern and Southeastern regions<sup>34</sup>, pointing to the need for developing appropriate regional policies.

Historical studies have indicated that the threat of the spread of infectious disease from the poor to the prosperous areas and the threat of crime and violence that poverty engenders have been the main leverage of the poor to make those in power to be concerned about poverty.<sup>35</sup> In more recent years, the violence in some countries experiencing a severe economic crisis and the threat of social explosion in others has provided another form of leverage, prompting the domestic authorities and international organizations alike to take immediate and appropriate action.<sup>36</sup> Although such leverage has been useful, the new strategy should complement these with more reliable steps to generate an impact beyond the short term. Such steps should aim, in the first place, to increase awareness to develop effective domestic as well as international constituencies. The success of such steps requires democratization and the building of large and effective coalitions again at both the domestic and international levels. Social democratic parties in particular should be an integral component of the domestic coalition. They should formulate a pro-poor agenda and campaign for the allegiance of the

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<sup>34</sup> For details, see Pamuk "Economic Change in Twentieth Century Turkey: Is the Glass More Than Half Full?"

<sup>35</sup> See Fikret Şenses, *Küreselleşmenin Öteki Yüzü: Yoksulluk* on this point. The fact that one of the leading presidential candidates in the 2008 election campaign, Barack Obama, has also linked his concern with violence, terrorism, infectious disease, and poverty in the developing countries with the US national interest is rather telling in this respect. See [http://www.cgdev.org/doc/blog/obama\\_strengthen\\_security.pdf](http://www.cgdev.org/doc/blog/obama_strengthen_security.pdf)

<sup>36</sup> For details see, Şenses and Koyuncu, "Socioeconomic Effects of Economic Crises."

poor on that basis. Embracing wider objectives, including poverty alleviation, should be an effective way for the trade union movement to capture its decline, consolidate itself and reemerge as an effective societal force.

In the international sphere, too, increased cooperation among pro-poor official and civil society organizations should be accompanied by putting forward meaningful proposals for poverty alleviation on a world scale and conducting effective campaigns for their adoption. The recent proposals put forward by a development practitioner<sup>37</sup> involving the establishment of global sources of funds for development finance through currency transaction tax, environmental taxes, and taxes on arms trade certainly merit careful debate.

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<sup>37</sup> For details see Y. Akyüz, "Global Rules and Markets: Constraints over Policy Autonomy in Developing Countries" (paper presented at the International Institute for Labour Studies of the ILO, Geneva, March 2007).

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