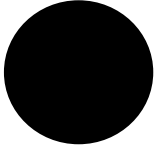


Sheri Berman is an associate professor of politics at Barnard College. She is the author of The Primacy of Politics: Social Democracy and the Making of Europe's Twentieth Century (Cambridge University Press, forthcoming).



Capitalism and Poverty

Sheri Berman

An End to Poverty? A Historical Debate

Gareth Stedman Jones

New York: Columbia University Press, 2005

The End of Poverty: Economic Possibilities for Our Time

Jeffrey D. Sachs

New York: Penguin Press, 2005

By historical standards, the notion that poverty can be ended is new and rather odd. “The poor ye have always with you,” noted the Bible, and until quite recently such pessimism would not have been controversial. For most of human history life has been lived at or near the subsistence level, with individuals and communities struggling to get by from year to year and often failing. In such a world, poverty was inevitable: a society without it was about as conceivable as a sky without moon or stars. If poverty was considered natural, however, so was the notion that it was society’s responsibility to care for the poor. Religious institutions, public authorities, and private charity all generally contributed something. The pre-capitalist world, in other words, had the will to help the poor, but not always the means to do so.

This world came to an end in the eighteenth and nineteenth centuries as capitalism began its extraordinary march across Europe and beyond, reshaping economies and the societies around them. From the perspective of the poor, the new order was marked by a terrible irony: just as the material surpluses were emerging that for the first time held out hope of eliminating

poverty, the religious beliefs and social norms that had ensured a commitment to the poor were melting into air. In the capitalist world, in other words, there was the means to help the poor, but not always the will to do so.

The reason for this is that capitalism has proven compatible with a wide range of views toward poverty. Gertrude Himmelfarb’s classic, *The Idea of Poverty*, made this point over 20 years ago. As she noted, ever since the Industrial Revolution the treatment of the poor has resembled “a pendulum oscillating between extremes of regression and progression, of punitive, repressive policies and generous, melioratory ones.”¹ Two interesting new books on “the end of poverty” now allow us to revisit the theme. Jeffrey Sachs, director of the Earth Institute and the Quetelet Professor of Sustainable Development at Columbia University, makes his title a simple declaration; he harbors no doubts about either the viability or necessity of the task at hand. Basing his arguments on the vast material wealth of the advanced industrial world today and a belief that relatively small amounts of it could make a huge difference to developing countries, Sachs believes that all that is needed to get

the ball rolling is will and a practical strategy. But Gareth Stedman Jones, professor of political science and director of the Centre for History and Economics at Cambridge University, tacks on a question mark at the end. Like Himmelfarb, he reminds us how common pleas and plans like Sachs's have been over the last two centuries, and how little, unfortunately, has become of them.

To understand how historically anomalous the capitalist era has been, one must compare it to its predecessors. It needs stressing, to begin with, that the volumes by Stedman Jones and Sachs are but the latest sequel to a long conversation that dates back to the eighteenth century. In England, for example—the focus of Himmelfarb's study—before the Industrial Revolution the poor had access to a national, compulsory system of relief (the Elizabethan poor laws) that included measures such as alms for the aged and infirm, apprenticeships for children, and work for those able to do it. All this was funded through substantial taxes—“poor rates”—on the rest of the population. This system did not differentiate between deserving and undeserving poor, but simply established the principle that all were entitled to assistance, simply by virtue of their poverty. In addition, alongside the public relief system the poor had access to a range of religious and private charity. Himmelfarb estimates that at the beginning of the eighteenth century “expenditure for poor relief and charity combined rose to over two million pounds—this for a population of under six million.”²

One should not romanticize this system—it was contested, provided meager support even when times were good, and when times were bad could not ensure subsistence for all—but it did at least establish what the economic historian Karl Polanyi called “the right to live”: it was widely accepted that the poor had a moral claim to charity and help. This was because, as Himmelfarb notes, almost all assumed that poverty was “a natural, unfortunate, often

tragic fact of life, but not necessarily a de-meaning or degrading fact. At a time when no one seriously conceived of a society without poverty...the most that could be hoped for the poor was a society in which they had a legitimate and secure moral status.... Although forms of relief varied enormously, from time to time [and from place to place], the principle remained. And that principle...was part of the ‘moral economy of the poor.’”³

The system began to fall apart with the onset of the industrial revolution in the eighteenth and nineteenth centuries. Indeed, as Polanyi and others have argued, ending it was a prerequisite for capitalism (since the new, more fully marketized economic system required the commodification of labor, that is, the creation of a large, floating, and relatively desperate work force). As markets began to transform England and then the rest of Europe, societies engaged in vociferous debates about how the poor should be treated. Between the mid-eighteenth and the mid-nineteenth centuries the classic combatants in this debate were Adam Smith and Thomas Robert Malthus. Today's readers may be surprised, even startled, to learn that such venerable figures as Smith and Malthus anticipated the very arguments that resound today in academic journals and op-ed pages. Both were convinced that they understood the “true” nature of the new order, but their interpretations differed dramatically. To a large degree, modern debates about capitalism and poverty have followed along the trails blazed by these thinkers centuries ago.

Smith was an optimist. He firmly believed in the productivity and progressiveness of markets and was convinced that the problem of poverty could be solved by allowing markets fairly free reign. In particular, he was impressed by the freedom and mobility capitalism promised. In the old world, fixed-status hierarchies doomed the poor to their fate; in the new, individuals' fates would largely be in their own hands.

All were capable, Smith noted, of “functioning in the [new market] economy and everyone would profit from it, since nothing more was required than the simple, common human attribute, ‘the propensity to truck, barter, and exchange,’” which all human beings, regardless of birth or status, surely had. But the poor stood to benefit disproportionately, since they were starting from such a low position.

Indeed, this was an important theme of his most famous work, *The Wealth of Nations*. As Himmelfarb points out, “the wealth of nations’ of the title referred not to the nation in the mercantilist sense—the nation-state whose wealth was a measure of the power it could exercise vis-à-vis other states—but to the people comprising the nation.” And since the poor were by far the largest segment of the “people,” Smith wrote, they could expect to receive the bulk of its rewards:

Servants, labourers and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconvenience to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, clothe and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, clothed and lodged.

Indeed for Smith it was precisely this ability of markets to improve the material well-being of all sectors of society, and the poor in particular, that gave the new order its moral stature and was a key reason he viewed it as a vast improvement on its predecessor. As Himmelfarb notes, markets for Smith were not ends in themselves but means to an

end—“that end being the wealth and well-being...of the ‘people,’ of whom the ‘laboring poor’ were the largest part.”⁴

Smith, in short, had a remarkable faith in markets. He saw them as the engines of progress and freedom and was fully convinced of their ability to revolutionize society. It is important to note, however, that Smith was no “market fundamentalist” (as are many contemporaries who claim to be walking in his footsteps); he fully understood that markets had shortcomings and flaws and was therefore willing to countenance corrections to them. Nonetheless, he believed that the best cure for poverty was allowing as free a reign for markets as possible.

Malthus stood Smith on his head. As Himmelfarb put it, “It is hard to imagine a more thorough reversal of thought.”⁵ Gone was Smith’s optimism and faith in progress, replaced with a crushing pessimism and a conviction that there was little that could be done to change the natural order of things. Where Smith viewed free markets and capitalism as the poor’s best friend, Malthus believed that the economy’s ineluctable laws doomed most of the poor to their fate.

Malthus’s views were based on his “principle of population,” laid out most (in)famously in his *Essay on Population*. He argued that there was a natural limit on the growth of resources such as the food supply, and that this meant that any measures designed to encourage a growth in population would backfire. Malthus recognized that the new economic order could increase wealth; he just did not believe that this would ultimately benefit the poor. In addition to believing that the new economic order itself would do little to improve the lot of the poor, Malthus was firmly opposed to any external efforts to alleviate their suffering. He viewed attempts to “mitigate the natural checks on population” as counterproductive. Malthus thought the only hope for the poor lay in moral restraint—essentially, in their “just saying no” to excessive procreation.

Although Malthus's predictions about the growth rate of resources such as food have not been borne out, his worldview has nonetheless exerted a profound impact on thinking about capitalism and poverty over the years. He pioneered the view that markets obeyed "simple, inviolable laws of nature" that could not and should not be tampered with. He also eliminated morality from the picture. For Smith, markets and capitalism drew much of their legitimacy from their ability to improve the lot of the masses; for Malthus and his progeny, judging the economy using moral standards made about as much sense as whining about the "righteousness" of chemistry or physics. It was with Malthus, therefore, that economics began to be transformed from a branch of moral philosophy (as it had been under Smith) to what Carlyle later called the "dismal science." For the poor, of course, the implications of this shift were devastating. Gone was the pre-capitalist sense that society owed anything to its poor as well as the Smithian view that the new system's superiority was based at least partially on its ability to dramatically improve the lot of just this group, replaced with a conviction that there was little that outside actors could or should do for the poor. What is important to note is that an emphasis on the "natural" laws of economics not only delegitimized almost any social policy or market intervention aimed at improving the lot of the poor but, perhaps more importantly, provided an excuse for society to not even concern itself with their plight.

Himmelfarb's landmark study of these thinkers and their impact on England's intellectual development and poverty policy throughout the nineteenth century remains worth reading. The Stedman Jones book covers some of this same ground, but adds to our understanding of the debate about capitalism and poverty a "lost" tradition the author calls social democratic. During the last years of the eighteenth century, a group of reformers married the market optimism

of Smith to a fervent faith in the inevitability and desirability of democracy generated by the American and French revolutions. The result, in Stedman Jones's view, was the first modern campaign to end poverty.

The key figures in this group were Thomas Paine and Antoine-Nicolas Condorcet. Both were inspired by the democratic revolutions of their age and devoted themselves to figuring out the conditions that "made democracy work." Based largely on their analyses of the new American Republic (which they correctly noted was characterized by moderate differences in wealth), they became convinced that a relatively high degree of socioeconomic equality was critical. Vast inequalities in wealth, they argued, would undermine the belief in the "commonality of mankind" that was necessary for democratic citizenship. In addition, they believed that the poor were less likely to become the type of moderate, educated citizens required by democracy and more likely to fall prey to demagoguery. Making the world safe for democracy would therefore require a full-fledged assault on poverty.

Social Democrats—Then and Now

This assault had several striking characteristics. First, unlike the radicals who would follow them, Paine's and Condorcet's plans were not based on a belief that capitalism was incompatible with socioeconomic equality. Instead they believed that the expanding material resources provided by markets were the necessary precondition for the eradication of poverty. They did not, however, share Smith's view that market forces alone were the best remedy for poverty. They believed that individuals could become trapped in poverty and that certain societal traditions and practices antithetical to egalitarianism and democracy would not disappear on their own. For these and other reasons they therefore favored a much more activist approach to ending poverty than Smith. Second, the plans put forward by these reformers to end poverty were practi-

cal, harkening back “neither a vision of a lost golden age” nor painting a “dream of an unreachable place.” What Paine and Condorcet believed was necessary was “measured, moderate and gradual” redistribution based on a “realistic” assessment of the possibilities of the contemporary era. Paine, for example, believed that if European societies would do things like eliminate support for the monarchy, abolish courtly sinecures, cap extravagant salaries, and restrict defense expenditures, they would have more than sufficient resources to “remove or alleviate the most obvious precipitants of chronic want.” In addition, rather than merely proclaiming the need to end poverty or putting forward grandiose but abstract plans for achieving it, these reformers took care to identify the main problems at hand and devise particular strategies for dealing with them. Paine, for example, worked out schemes to help large families, the aged, and the infirm; favored radical reforms to education; and advocated tax-based systems of insurance. The third characteristic these reformers shared was an immense “optimism about the role of knowledge, reason, and freedom in the overcoming of poverty.” Condorcet, for example was convinced that “we are now close upon one of the great revolutions of the human race. The intellectual progress of humankind was now about to be accompanied by a material transformation of the human condition.” These reformers, in short, had no doubt that ending poverty was both feasible and desirable and that all that was required was the will and a practical strategy for doing so. There is no trace here of the pessimism and belief in “natural” laws and inevitable outcomes that so marked the work of Malthus and his progeny.

It is precisely this tradition to which Sachs clearly belongs. What is most striking when reading his manifesto is that although the specific problems and plans have changed, his attack on poverty is extraordinarily similar in rhetoric, tone, and outlook to those of Stedman Jones’s social democ-

rats. The book is written, for example, with boundless optimism and conviction. Sachs has no doubt that ending poverty is an eminently achievable goal; the current generation, he proclaims again and again, has “the awesome power...to end the massive suffering of the extreme poor.” Like his illustrious predecessors, Sachs is motivated by an Enlightenment faith in the ability of human beings to do almost anything they put their minds to. “Even in circumstances that seem the most hopeless,” he writes, “there are ways forward if the right strategies are applied.”

Sachs also recognizes both the power and limits of markets. He believes that the way to alleviate poverty is not to abolish or transcend capitalism but rather to bring the poor fully into the system. Like Stedman Jones’s social democrats, however, he understands that markets often do not work as they should and that political intervention is sometimes necessary to overcome intractable problems:

Although introductory economics textbooks preach individualism and decentralized markets, our safety and prosperity depend at least as much on collective decisions.... Where the preconditions of basic infrastructure (roads, power, and ports) and human capital (health and education) are in place, markets are powerful engines of development. Without those preconditions, markets can cruelly bypass large parts of the world, leaving them impoverished and suffering without respite.

In such a situation, preaching the virtues of free markets or the necessity of self-reliance reveals at best naïveté and at worst cruel indifference. “When poverty is very extreme,” Sachs argues, “the poor do not have the ability—by themselves—to get out of the mess,” and so need external help.

Like Paine and Condorcet, finally, Sachs spends a great deal of time trying to develop practical solutions to the world's pressing problems. Ending poverty, Sachs asserts time and time again, will cost less than most people imagine; indeed he argues that if United States would simply reverse its decades-long decline in foreign aid and give what it has "repeatedly promised" a good start could be made. He also believes that relatively painless policy shifts—cuts in defense expenditures, taxes on the very wealthy—could fund a major assault on poverty. In addition to costing less than most people imagine, Sachs argues over and over that the challenge of extreme poverty "can be met with *known, proven, reliable, and appropriate* technologies and interventions." Sub-Saharan Africa, for example, could break out of its poverty trap with "a combination of investments well attuned to local needs and conditions.... These interventions need to be applied systematically, diligently, and jointly, since they strongly reinforce one another. With focused attention by African countries and the international community, Africa could soon have its own Green Revolution, and achieve a takeoff in rural-led growth, thereby sparing the coming generation of Africans the continued miseries of drought-induced famine."

Most of the discussion surrounding the book has centered on whether Sachs's proposals will actually produce the results he says they will. In practice, however, this is only one concern, and possibly not even the most important—since even if he is largely correct his efforts may be futile if they cut against the prevailing social and political trends of his era.

During the late nineteenth century, for example, Stedman Jones's social democrats essentially disappeared from view as their moderate, practical, and optimistic meliorism ended up being swamped by the extremisms of both the left (Marxism and communism) and the right (Malthusianism and radical laissez-faire liberalism). The rea-

sons for this were political and social: the nature of early capitalism and the outcome of the French Revolution convinced some that little could or should be done to help the poor and others that the poor could only be helped by a radical overthrow of the existing system. Himmelfarb, for example, believes that the widespread acceptance of Malthus's views and the rise of the "dismal science" is largely a consequence of the fact that they "conformed to the dismal realities of life in the first half of the nineteenth century."⁶ However real the underlying material progress of the era was, there can be no doubt that its dislocations and disruptions were wrenching: entire regions were depopulated, trades and occupations destroyed, social categories and norms annihilated. In such a situation, confusion and fear were widespread, as was the underlying sense that the new world was a cold, hard place. Joined to this were the dynamics unleashed by the French Revolution. As Stedman Jones notes, the excesses of the French Revolution unleashed a deep and "lasting fear of the mobilisation of the masses." Stedman Jones situates Malthus in the conservative backlash that was the result of this fear: "The position adopted by Malthus," he argues, "in important ways exemplified not only how fear of the French Revolution changed the terms of the debate about poverty, but also about the polity as a whole." This conservative backlash in turn spurred a radical leftist (Marxist and communist) backlash. The result was that during the nineteenth century the moderate tradition of men like Paine and Condorcet was lost in the skirmishing between these two more extreme opposing camps. By the middle of the twentieth century, of course, the successors to Paine and Condorcet had largely triumphed in the advanced industrial world, with the widespread adoption of welfare states, social safety nets, and the like. But in the meantime generations had passed and countless lives had been wasted.

Perhaps the most important point Sachs has to make, accordingly, is his stubborn insistence that his project is worth taking seriously. His specific suggestions can be debated by development experts and the obligations that the inhabitants of rich countries owe to the inhabitants of poor ones can be hashed out by moral philosophers. But what the rest of us need reminding is that despite today's chilly neoliberal climate, the very notion of devoting time and effort to ending poverty is both legitimate and well-pedigreed. Contrary to what Sachs himself seems to believe, whether this effort is made will have little to do with the material resources that have piled up in recent decades. During the course of the capitalist era it has never been the means to eliminate poverty that has been lacking; it has been the will to do so. And this will depends more on the general social, political, and intellectual conditions of the day than on arguments about

the amount or nature of the material resources required to get the job done. If Stedman Jones's tale in particular has anything to teach us, it is that moderate, "social democratic" reforms have their best hope of success in a world that is peaceful and optimistic, where people are not scared by radical and destabilizing socioeconomic change (and therefore amenable to political extremism) and a belief in the "commonality of mankind" and a commitment to the less fortunate is able to flourish. ●

Notes

1. Gertrude Himmelfarb, *The Idea of Poverty: England in the Early Industrial Age* (New York: Knopf, 1984), p. 6.
2. *Ibid.*, p. 26.
3. *Ibid.*, p. 41.
4. *Ibid.*, pp. 50–51, 63.
5. *Ibid.*, p. 100.
6. *Ibid.*, p. 135.