

A SOLUTION TO GLOBAL POVERTY

by David Rippe

Rather than dutifully accepting the traditional characterization of the free market as a purely materialistic human invention for amassing individual wealth and fostering greed, we might instead challenge this notion (the data are irrefutable) and take the courageous position of looking at the market as a gift - a blessing which we have neither truly recognized nor fully appreciated, and for which we have certainly not given adequate thanks.

According to theologian Wayne Grudem and economist Barry Asmus, the free market is "a wonderful God-given process" through which supply continually adjusts to match demand and wherein value can be established for goods and services by the freely made choices of people and the innate wisdom in their millions of daily decisions about what and what not to purchase. In their book The Poverty of Nations (2013, Crossway) the authors outline the causes of poverty around the globe and offer a comprehensive framework for what would need to be done to relieve it.

If poverty is to be cured, the poor must create wealth. That simple truth cannot be compromised. The standard measure of comparative poverty is per capita income. For any given country, income rises and falls with changes in the human population size and in gross domestic product (GDP). The only way to increase GDP is to produce more goods and services of value. For various reasons, most of them related to government incompetence and corruption, this is not happening enough in countries like Haiti, Ethiopia, the Republic of the Congo and Uganda, where annual per capita income is less than \$1,500. They are among the poorest in the world. The authors insist that if a nation wishes to get out of poverty, "...it must be willing to examine its official policies, laws, economic structures, cultural values and traditions." Even countries that have a rich base of natural resources (e.g., Venezuela) attain only a low per capita income and harbor widespread abject poverty because their citizens are denied opportunities by counterproductive political doctrines or corrupt government.

The standard antidotes to poverty are not working now and have never worked because they do little to spur the growth of new products and services. Billions in foreign aid, for example, are pumped relentlessly into impoverished countries in sub-Saharan Africa and the Caribbean, yet conditions in those nations seldom change for the better because their GDPs fail to grow. If more goods and services are to be produced, people need to be working, using their talents, not merely languishing and waiting for aid to arrive. Contrary to the syrupy humanitarian doctrines of our day, transferring money from the well-off to the have-nots does not create wealth. People create wealth with their minds and their hands and feet, making and doing things for each other.

The authors emphasize that neither redistribution of money within a country nor debt forgiveness by its creditors outside will add to its GDP because nothing new is created by these actions. The country remains economically static and stagnant. In the last half century, the Pacific Rim nations have focused their energies on producing things people want (computers, automobiles, cameras, televisions) and have taken giant strides away from the extensive poverty that formerly plagued them. Japan, South Korea, Hong Kong, Singapore, Taiwan and Malaysia have overcome deficiencies in their natural resource bases and, with a sincere work ethic, have taken another tack to give themselves an advantage in the modern world of commerce. Even mainland China has begun to raise its standard of living by finding products and services in which it can compete successfully by mimicking policies of the freer countries.

Government foreign aid is the solution that comes first to mind for many when they learn the extent of poverty overseas; but, like welfare at home, it often leads to dependence. As the authors remind us, no country ever became prosperous by becoming dependent on aid from outside. The idea that aid will alleviate systemic poverty comes from a faulty understanding of the causes of poverty. In fact, aid given to poor African nations over the last seventy years has done more harm than good. Many of the countries on the receiving end are saddled with corrupt governments who divert the money to their own totalitarian purposes or socialist experiments. Examples are legion: Ethiopia, Somalia, Zaire, Mozambique, Tanzania...

Another problem the authors note with foreign aid is that its results are seldom scrutinized adequately. Once a grant has been made, the donors bow, congratulate themselves on their generosity, and move on. Under the assumption that the problem has been solved, little or no follow-up evaluation takes place.

One common misconception that needs to be overcome, according to Grudem and Asmus, is the idea that outside forces such as other governments, banks, multi-national corporations or world economic systems are responsible for a given country's impoverishment. They assert that this is merely wasteful backward thinking which does nothing to abate poverty. With the exception of countries that have been invaded and deprived of their freedom to self-rule, poverty normally results from factors inside the country, not outside. Certain Latin American and Caribbean nations traditionally blame the United States and capitalism for their rampant poverty, but the claims ring hollow. These countries that are poor today were poor in the past also. Nobody outside them is to blame. Some nations simply did not "catch fire" in the wake of the Industrial Revolution and were left behind. Others have mismanaged their own natural resources or have not stressed the cultural changes necessary for them to keep pace with global technological progress.

Over the centuries, a number of systems have been tried from hunting/gathering to feudalism to mercantilism to socialism and the modern welfare state. None has been a satisfactory solution to human needs and the problem of scarcity. The authors conclude that the free market system gives a nation the best chance to increase its annual output of goods and services, and thereby lift itself out of poverty. Rather than compelling a person to work, the market system gives him an array of choices, resulting in incentive.

But a free market must be free. This means it operates under the rule of law whereby people engaged in commerce are protected from theft and vandalism, and from fraud and dishonest practices in contractual obligations. To do without the rule of law would compromise the effectiveness and trust of the voluntary exchanges which make the market work. A limited government (one that doesn't intrude into every aspect of daily life or regulate in order to control) and the ability to own property are other necessary dimensions of a successful free market. In the world's poorest countries the absence of these features is always causative.

The authors discern "the providential hand of God" in the free market, referring to it as "...an exquisitely complicated process that emerges spontaneously from the enlightened self-interest of billions of people who specialize, exchange and produce wealth."

To do something tangible for people in poor countries, the authors make numerous recommendations including: encouraging those nations that are experimenting with market economics by supporting education about the free market; and also by investing in private business in these countries. One practical way to accomplish this is by promoting microloans to entrepreneurs.

Insofar as the market economy is based on personal freedom, Grudem and Asmus see moral advantages in the system believing not only that it rewards good behavior and discourages bad more effectively than other economic systems, but that it also honors the principle that we should respect others for their unique individuality and not enslave, coerce or control them. "Throughout the Bible, from the beginning of Genesis to the last chapter of Revelation, God honors and protects human freedom and human choice."

The authors discuss classic objections to free market theory and praxis, including the greed argument, the inequality argument and an American president's assertion in a 2011 Kansas speech that free markets don't work and never have. True free market capitalism sometimes gets a bad reputation by being lumped together with pseudo-capitalism, as practiced widely in Latin American countries, characterized by a gross imbalance of property ownership which encourages high level corruption.

Despite the plethora of demonstrable failures of socialism and totalitarianism around the world, the authors lament, "...the hope for a welfare state or a 'third way' lives on." If poverty is to be overcome, attacks on the free market must be challenged and the system morally defended.

It is difficult enough to change minds hardened against the free markets by delusions of welfare Utopia, but the real challenge is the creation of governments that respect man and his God-given freedom. Owing to the inherent talent God has given His people, poverty need not exist on a wide scale anywhere on earth. But if a nation's government will not stay its hand from shackling man's freedom and if it will not protect him from evil in his honest labors, there is little hope that poverty can be overcome.

The answer to poverty is in humans working, creating, cooperating with God in His plan for the world, producing goods and services of value. Poverty is the fate of any nation that does not free and protect its people to use their skills in creating these goods and services. Grudem and Asmus remain hopeful for the world's poor. "Whenever the barriers to the exercise of free personal choice are removed and economic freedoms are granted, prosperity begins to occur."

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