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PRISONERS OF THE GLOBAL MARKET: SOCIAL POLARISATION AND THE GROWTH OF POVERTY

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Poverty and Social Exclusion
Survey of Britain

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PREFACE

This Working Paper arose from the *1999 Poverty and Social Exclusion Survey of Britain* funded by the Joseph Rowntree Foundation. The *1999 PSE Survey of Britain* is the most comprehensive and scientifically rigorous survey of its kind ever undertaken. It provides unparalleled detail about deprivation and exclusion among the British population at the close of the twentieth century. It uses a particularly powerful scientific approach to measuring poverty which:

- incorporates the views of members of the public, rather than judgments by social scientists, about what are the necessities of life in modern Britain
- calculates the levels of deprivation that constitutes poverty using scientific methods rather than arbitrary decisions.

The *1999 PSE Survey of Britain* is also the first national study to attempt to measure social exclusion, and to introduce a methodology for poverty and social exclusion which is internationally comparable. Three data sets were used:

- The *1998-9 General Household Survey* (GHS) provided data on the socio-economic circumstances of the respondents, including their incomes
- The *June 1999 ONS Omnibus Survey* included questions designed to establish from a sample of the general population what items and activities they consider to be necessities.
- A follow-up survey of a sub-sample of respondents to the 1998-9 GHS were interviewed in late 1999 to establish how many lacked items identified as necessities, and also to collect other information on poverty and social exclusion.

Further details about the *1999 Poverty and Social Exclusion Survey of Britain* are available at: http://www.bris.ac.uk/poverty/pse/

In the early years of the 21st century wealth and poverty are becoming more and more polarised. This structural trend is making the world unstable and reducing the social welfare of rich and poor countries alike. In the wake of the 1995 Copenhagen Declaration and Programme of Action – which contained repeated references to the emergence of the problem – this was chosen as one of the key themes of the Copenhagen Seminars of 1997-98. It is the subject of this chapter.

I try to identify what are priorities for the analysis of the problem and for future policy. In the confines of a single chapter the analysis is necessarily austere. However, space has to be found to convey the scale but also severity of present deteriorating conditions.

This is not to deny that there are qualitative experiences and feelings across what Pierre Bourdieu epitomises in a new book as "the social macrocosm" that accompany material poverty and magnify its meaning. As he points out, "using material poverty as the sole measure of all suffering keeps us from seeing and understanding a whole side of the suffering characteristic of a social order which …has…set up the conditions for an unprecedented development of all kinds of ordinary suffering" (Bourdieu, 2000, p. 4). The variety of action required defies terse summary.

Every day there are fresh preparations for further social fragmentation just as there are continuingly disastrous outcomes of certain policies to which agencies and governments obstinately cling – that I can only clumsily imply.

The first part of the chapter summarises the latest evidence. The second shows how some of the 1995 initiatives, particularly the recommendation for every country to draw up anti-poverty plans measuring both "absolute" and "overall" poverty, might be applied. The third goes on to show that investigation of the reasons for widening inequality and deeper poverty leads to the need for entirely new international as well as national policies. To achieve economic justice along with economic morality and economic participation a principled social strategy to guide everyday action has to be developed.

1. An Ominous Global Trend

The widening of living standards across and within countries began to accelerate in the final decades of the last century. The conventional wisdom had been that poverty would be diminished automatically through economic growth. Plainly this has not happened. Among other things "trickle-down" was not working (Newman and Thomson, 1989). Poverty had been placed at the top of the agenda of problems formulated by the Director of the World

Bank - Robert Macnamara - in 1960. Despite the mixed story since then of development, indebted nations, multiplying barbarism, extreme inequalities in living standards in most of the former Soviet Union, the East Asian economic crisis, and much more, a succession of neo-liberal policies, crystallised around economic growth, human capital, extreme targeting of welfare, low taxation, deregulation and privatisation have not succeeded in radically diminishing the problem, even when they have been invoked in conciliatory language.

Without serious effort to analyse the reasons for policy failure, poverty was again lifted to the top of the World Bank's agenda. From 1990 onwards its reports on the subject multiplied (World Bank, 1990, 1993, 1996, 1997a, b and c, and 1999). The number of general, country-specific and methodological reports issued by the Bank every year that may be said to be poverty-related is huge. According to its latest report on research 56 books and 739 other reports, articles and occasional papers were issued under Bank auspices in 1998 and 1999 (World Bank, 2000b). The Bank's publication priorities are also reflected in reports from the IMF and other international agencies, especially UNDP (1997, 1998 and 1999), and by non-government organisations, especially Oxfam (among many studies are Oyen, Miller and Samad, 1996; Guidicini, Pieretti and Bergamaschi, 1996; Oxfam, 1995).

How can the accumulating evidence be generalised? Reporting in mid-1999 the UNDP found that income inequality had increased "in most OECD countries in the 1980s and early 1990s. Of 19 countries only one showed a slight improvement" (UNDP, 1999, p 37). Data on income inequality in Eastern Europe and the CIS "indicate that these changes were the fastest ever recorded. In less than a decade income inequality, as measured by the Gini coefficient increased from and average of 0.25-0.28 to 0.35-0.38, surpassing OECD levels (UNDP, 1999, p. 39). In China "disparities are widening between the export-oriented regions of the coast and the interior: the human poverty index is just under 20 per cent in coastal provinces, but more than 50 per cent in inland Guizhou" (Ibid, p. 3). Other East and South East Asian countries that had achieved high growth while improving income distribution and reducing poverty in earlier decades, like Indonesia and Thailand, were similarly experiencing more inequality (Ibid, p. 36).

The gap between countries as well as within countries has widened. The latest studies show how the trend has accelerated. Thus the average income of the poorest 20 per cent of world population was 30 times as large as of the poorest 20 per cent in 1960, but was 74 times as large by 1997 (UNDP, 1999, p. 36).

Widening inequality has to be addressed at both ends of the spectrum. The pay of executives, and the disposable income and wealth of the richest people in the world has been growing at an astonishing rate. For example the UNDP points out that "the assets of the 200 richest people are more than the combined income of 41 per cent of the world's people" (UNDP, 1999, p. 38). The top three have more than the combined GNP of all 43 least developed countries.

The World Institute for Development Economic Research of the United Nations University confirms the trend. An econometric analysis of 77 countries (accounting for 82 per cent of world population, found rising inequality in 45, slowing inequality in 4, no definite trend in 12 and falling inequality in only 12 (Cornia, 1999, pp.vi and 7). "For most countries, the last two decades have brought about slow growth and rising inequality…. Growing polarisation among countries has been accompanied by a surge in inequality between countries….Income concentration has risen in many nations of Latin America, Eastern Europe and the former Soviet Union, China, a few African and South East Asian economies and, since the early 1980s, almost two-thirds of the OECD countries" (Ibid, p. 2).

"Since the early 1990s, the international community has made the eradication of poverty its foremost development objective. Yet, the decline of poverty in the years ahead depends also on trends in income inequality, a fact which still attracts little concern by the policymakers. Much of the recent rise in income inequality must thus be viewed with alarm, as it may well prove to be incompatible with poverty reduction objectives" (Cornia, 1999, p. vi).

In the late 1980s inequality in the UK became fast-growing. In a book on *Poverty and Labour in London*, reporting a survey of London households, the term "social polarisation" was used to describe the trend, because it was far from being either small or temporary (Townsend, with Corrigan and Kowarzik, 1987). In its scale and change of direction the trend was also unprecedented, certainly in the history of recorded measurement during the 18th and 19th centuries.
We went on to find that inequality was growing in other European countries – including Belgium and Sweden (Townsend, 1991) – and in the US (Townsend, 1993). In one respect the situation there was worse than in the UK. Average earnings of the poorest 20 per cent in the labour market had decreased significantly in real terms between 1979 and 1992.

There are differences between countries at comparable levels of average income. Major industrialised countries with the greatest inequality (as measured by comparing the richest and poorest 20 per cent of their populations) are Australia, the UK and United States (with a GDP per person ratio of 9.6:1, 9.6:1 and 8.9:1 respectively). These are the countries also with the largest proportions of the population with less than 50 per cent of the median income (UNDP, 1999, p. 149). By contrast there are industrialised countries like the Czech Republic, Japan, Spain, the Netherlands and Sweden, where the richest 20 per cent have only 3.9, 4.3, 4.4, 4.5 and 4.6 times, respectively, more income than the poorest 20 per cent (UNDP, 1999, p. 149).

Data put forward for the Third World countries are disputed, depending on the countries included and whether the 1985 criterion of $1 a day is applied. The World Bank estimates that those living below that figure in developing and transitional economies declined from 28.3 per cent in 1987 to 24.0 per cent in 1998 (World Bank, 1999). The scale of "income-poverty" - 1.2 billions "struggling to survive on less than $1 a day" – remains vast. If East Asia is excluded the numbers living below this level in developing countries grew between 1987 and 1998 at an average rate of 1.5 per cent, adding 12 millions a year to the ranks of the poor (Vandermoortele, on behalf of UNICEF, 2000, p.4). The continued use of the fixed standard of $1 a day was also severely questioned (Ibid, pp. 4-6).

Neglected in the discussion is the substantial number of countries experiencing civil disorder and war. It is almost impossible to give any reliable information about their collapse into poverty.

After the disintegration of the Soviet Union at the end of the 1980s there was an even bigger growth in inequality in the countries of the Commonwealth of Independent States than elsewhere. The economic transformation had dramatic social effects, including increases in the rates of mortality for different age-groups in the 1990s (Nelson, Tilly and Walker, 1997; Cornia, 1999; Cornia and Pannicia, 1999 forthcoming; Clarke, 1999). In a visit to the Republic of Georgia in the former Soviet Union, on behalf of UNDP, I found severe impoverishment – especially among poor families, sick and disabled people and pensioners, not only because of the collapse of industry but the erosion of unemployment insurance benefits, pensions and other benefits to levels worth a few pence a week (Townsend, 1995; 1996).

The World Bank has acknowledged that the financial crisis of 1997-98 had increased poverty in the short to medium term. "The crisis has increased poverty in the East Asian countries, Brazil and Russia…[It] has engendered large costly movements of populations and sharp declines in standards of living for the middle classes. Urban poverty increased in all countries, particularly the Republic of Korea…Real public expenditures on health and education fell in the crisis countries with a particularly severe impact on access to services in Indonesia" (World Bank, 2000, p. vii).

2. Absolute and Overall Poverty

The structural trend is therefore established, and, with some fluctuations, continuing. This explains the revived interest of the international bodies like the World Bank, the IMF and UNDP in the problem of international poverty, but it does not explain why the development policies that they and others put in place, had so little success in more than 40 years, and whether the continuing and new policies are likely to do better. One explanation is the failure of the international community to build a scientific consensus around definition and measurement, and to identify precisely which policies have contributed to the worsening or the alleviation of poverty, and by how much.

Some governments attempted for many years to sidetrack the problem altogether. In 1989 John Moore, as Secretary of State for the Department of Social Security in the UK, stated that the problem did not apply to the United Kingdom (Moore, 1989). Only ten years later his successor, Alastair Darling, announced a programme to undertake a poverty audit "and so place the problem at the top of the nation's agenda." This illustrates the varied political reaction of disbelief and procrastination of many governments around the world.

Poverty is a recognised evil but has lacked precise international definition and a scientifically constructed remedy. The United States, for example, has its own definition and measure, which the international agencies do not relate to their priorities for development. Indeed, the amendments to measurement recommended by the National Academy of Sciences seems to have served the purpose of bolstering an independent American approach which is becoming highly sophisticated as well as impenetrable from outside (Citro and Michael, 1995). Root and branch reform on an avowed scientific or international basis has not been considered.

The World Summit for Social Development in 1995 was called because, among other things, many governments were becoming restive with the lack of progress in reducing the gap in living standards between rich and the poor countries during the 1980s and early 1990s and, despite the work of the international financial agencies, the persistence and growth of severe poverty (UN, 1995).

The report repeatedly emphasised that the gap between rich and poor *within* both developed and developing societies was widening, just as the gap *between* developed and developing societies was also widening. Calling world attention to this dual structural phenomenon is perhaps the most notable achievement of the summit - whatever might be said in criticism of the attempts in the text to please different governments and satisfy their conflicting objectives.

The intention was to try to promote sustained economic growth within the context of sustainable development and by *"formulating or strengthening, preferably by 1996, and implementing national poverty eradication plans to address the structural causes of poverty, encompassing action on the local, national, subregional, and international levels. These plans should establish, within each national context, strategies and affordable, time-bound, goals and targets for the* *substantial reduction of overall poverty and the eradication of absolute poverty.... Each country should develop a precise definition and assessment of absolute poverty."* (UN, 1995, pp. 60-61)

After 1995 progress in following up the agreement was slow (UN, 1996; Townsend, 1996). Ireland was one of the first western countries to produce a follow-up report (Irish Government, 1996). Third World Governments followed suit in later years (for example, Kenya, 1999). However, many reports seem to be addressed more to the agenda of the international financial agencies than to the 1995 agreement.

The two-level definition of poverty was designed to bridge First and Third Worlds and to afford a basis for cross-national measurement. Absolute poverty is defined as *"a condition characterised by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services."* (UN, 1995, p. 57)

Overall poverty takes various forms, including *"lack of income and productive resources to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments and social discrimination and exclusion. It is also characterised by lack of participation in decision-making and in civil, social and cultural life. It occurs in all countries: as mass poverty in many developing countries, pockets of poverty amid wealth in developed countries, loss of livelihoods as a result of economic recession, sudden poverty as a result of disaster or conflict, the poverty of low-wage workers, and the utter desitution of people who fall outside family support systems, social institutions and safety nets."* (UN, *ibid*, p.57)

Accordingly, all governments were expected to prepare a national poverty eradication plan. In 1997 nearly a hundred European social scientists drew up a statement asking for an “international approach to the measurement and explanation of poverty” (in Townsend et al., 1997, pp. 34-35). This urged the use of the UN’s two-level definition.

One example of what could be done was to build on national surveys of self-perceived poverty (Townsend et al 1997). A two level-measure was introduced into the 1999 poverty and social exclusion survey of Britain (Bradshaw et al, 1998). This was carried out jointly by a research team from four British Universities and the Office of National Statistics. The results demonstrate that the Copenhagen approach is viable, and important, for rich countries. With modifications to the questionnaire the method could also be applied to the poorer countries.

Absolute poverty is perceived in the UK as large-scale. As many as 14 per cent of the sample (Table 1), representing 8 million people, said they had less income than the level they identified as being enough to keep a household like theirs out of “absolute” poverty. If the 'Don't knows' are excluded, this figure becomes 17 per cent. The questions, and more detail, are set out in an appendix.

The income, after tax, said to be needed each week to escape *absolute* poverty averages £167 for all households. Informants gave estimates widely different from this average, but the great majority, allowing for type of household, were within 20 per cent of this figure.

Perceptions of the poverty line varied by type of family, as would be expected. More lone parents than any other type of family (40 per cent) said they had an income below that needed to keep out of *absolute* poverty. Next were single pensioners (19 per cent) and couples with one child (18 per cent). Fewer couples of any age (11-12 per cent) and fewer couples with two or more children (7-8 per cent) perceived themselves to be in *absolute* poverty.

A larger proportion (22 per cent) - representing nearly 13 millions - ranked themselves in *overall* poverty. The proportion becomes 26 per cent if the "don't knows" are excluded. Although, as expected, the additions to the numbers came from every type of family the additions were disproportionately high from families with children.

Table 1: Income needed each week to keep a household of your type out of absolute and overall poverty (UK 1999)

	Absolute Poverty	Overall Poverty	General Poverty
Mean income needed	£167	£237	£219
Don’t know	13%	14%	13%
	Per cent	Per cent	Per cent
Actual income a lot above	46	34	31
A little above	20	22	27
About the same	7	7	12
A little below	7	9	8
A lot below	7	13	9
Don’t know	13	14	13
Total	100	100	100
Number	1527	1527	1527

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Table 2: Per cent of each type of household saying their actual income was lower than the mean income said to be needed by households of that type to keep out of absolute and overall poverty (UK 1999)

	Absolute poverty %	Overall poverty %	General poverty %
Single pensioner	19	26	21
Couple pensioner	12	18	15
Single adult	12	25	21
Couple	13	15	16
Couple 1 child	18	27	14
Couple 2 children	8	15	14
Couple 3+ children	7	27	13
Lone parent I child	40	44	46
Lone parent 2+ children	42	57	49
Other	9	19	11

In establishing "economies to serve human needs and aspirations" - an ambitious objective built into the 1995 World Summit - the research in the UK shows beyond reasonable doubt that the scale of needs in some rich industrial societies are perceived by their populations to be much larger than generally allowed in national and international discourse. When taken with reports from poorer countries, where comparable methods have been piloted, this two-level measure deserves to be extended internationally. It can of course take the form of self-perceived poverty, but also "objective" poverty as revealed by sets of indicators of deprivation and low income.

Thus, a series of surveys of poverty and social excluision sponsored by the International Institute for Labour Studies, affiliated to the ILO, included three which drew on methods of measuring poverty previously tried in London (Townsend and Gordon, 1989; Gordon and Pantazis, 1997). The three were reports on Tanzania, Yemen and Russia (Kaijage and Tibaijuka, 1996, especially pp. 7, 118-126, and 182; Hashem, 1996, p. 86; Tchernina, 1996; and see also the concluding report: Gore and Figueiredo, 1996, p. 18).

Davis and Smith (1998) used a similar 'standard of living' methodology to measure poverty in Vietnam, also largely based on the categories adopted in the UK in the 1990s.

3. Developing a New International Social Strategy

If measurement is arbitrary and irrational, it is impossible either to concoct the right policies for the alleviation or eradication of poverty, or monitor their effects closely. Thus criticism of the World Bank's adoption of the crude criterion of $1 a day at 1985 prices for the poorest countries, $2 a day for Latin America and $4 a day for the transitional economies, without regard to the changing conditions of needs and markets, has now become widespread (Vandermoortele, 2000).

In the early years the use of this largely arbitrary standard was justifiable for reasons of analytical convenience. In later years it becomes less excusable, because the Bank and other agencies have opportunities and resources to undertake extensive inquiries into the measurement of living conditions in relation to household income and assets. But to go on using a "static" standard of need at 1985 (purchasing parity or currency equivalent) prices, unadjusted to changes in living conditions, working practices, community relationships, new technologies, wider communication, private and public sector organisation, laws and markets, becomes unreal. In every country people have experience of goods, activities and services that gradually disappear and of others that gradually appear. Some items once free have to be paid for. Sets of obligations as well as of consumer choices change, and often become more complex. Most people's needs, as well as the resources they possess to meet them, are determined externally by institutions beyond their powers to control. If change is normal, change in the construct of human need has to be conceived as normal too. And the way poverty is measured underpins every report on the subject, and every analysis of cause and effective policy.

In such a light price-indexing in 2000 what could be purchased, and what was needed, in 1985, as a measure of poverty has entered the realms of statistical farce.

Strategy is intimately connected with measurement. According to the most sophisticated independent reviews of operational strategies for poverty reduction by the Bank, such as that from the Christian Michelsen Institute to the Norwegian Ministry of Foreign Affairs (Tjonneland et al, 1998) the World Bank "has maintained a remarkably constant approach to poverty reduction throughout its 50-year history. Its assumption has always been to view development and poverty reduction as fundamentally an issue of economic growth" The economic liberalisation approach continued to dominate policy prescriptions (Tjonneland et el, 1998, p. 6; and see the measured review in Kanji, in Wilson, Braathen and Kanji, 2000).

The World Bank persists with its three-pronged anti-poverty approach of the 1960s, despite the evidence of failure to reduce poverty: 1) Broad-based economic growth; 2) Development of human resources, especially through education; and 3) Social safety nets for vulnerable groups (World Bank, 1996; 1997a; 1997b; and 1997c; Psacharapoulas et al, 1997, and see the discussion in Tjonneland et al, 1998).

NGO's like the Christian Michelsen Institute conclude that the economic liberalisation approach continues to underpin policy prescriptions. It points out that scant attention is paid to inequalities and distribution of assets, for example, as constraints on growth and poverty reduction (Tjonneland et al, 1998).

What might an alternative strategy look like? Support has been given from different quarters for the following: 1) Equitable tax and income policies, within an internationally sanctioned framework of socially responsible accumulation of wealth and income ; 2) An employment creation programme, sometimes described as labour-intensive projects to counter-balance job-cutting; 3) Regeneration or creation of collective, or "universal," social insurance and public social services - the "basic needs services" as ordinarily described; and 4) Accountability and a measure of social control of trans-national corporations and international agencies.

3a. Developing New Strategy: Challenging Liberalisation Programmes

To be taken seriously such a package depends on effective criticism of existing strategies and policies. I will try to indicate what these are. For example, the stabilisation and structural adjustment programmes, that were advocated and supported by the international agencies, have entailed the reduction of subsidies on food, fuel and other goods, retrenchments in public employment, cuts in public sector wages and other deflationary measures. This generates recession but also distributional outcomes which, as Cornia has argued (Cornia, 1999, pp. 11-12) are adverse in the poorer countries compared with industrialised countries, where wage systems are strongly institutionalised and self protecting, and where long-established social security provides a better cushion for downturns in the economy. Unfortunately similar liberalisation policies to under-cut social insurance and social services are having comparable effects in an increasing number of industrial countries.

Policies to cut public expenditure, and target welfare on the poorest, for example through means-testing and the introduction of health care charges (the third "safety net" prong of policy), have increased inequality and perpetuated poverty, especially in countries where, because of globalised trade and growing influence of trans-national corporations, there has been a particularly rapid concentration of wealth.

In recent reports the Bank no longer highlights privatisation and extreme forms of targeting. At one point it even suggests that the possible remedies in a difficult situation “include waiving charges for the poor and extending health care to workers dismissed from their jobs” (World Bank, 1999, p. 109). It has admitted that poverty has tended to increase during recessions in Sub-Saharan Africa, Eastern Europe, and Latin America and not to decrease to the same extent during economic recoveries. Examples were given in a 1999 report showing that “crises and recessions may result in irreversible damage to the poor: malnutrition or death from starvation (in extreme cases) and lower schooling levels.” Higher food prices in the stabilisation programme in Cote d’Ivoire and elsewhere are cited. “Sudden fluctuations in income or food availability can be fatal to already malnourished children” Consequences include lower IQ, retarded physical growth, mental disabilities, lower resistance to infections, and associated problems like dropout from schools (World Bank, 1999, p. 103. See also Huther, Roberts and Shah, 1997).

The fact that countries in East and South-East Asia are more sensitive to the encroachments of poverty also helps to explain the reactions of the international agencies to the financial crisis in those regions. The magic wand of liberalisation and structural adjustment programmes could no longer be waved, as it had been in Latin America and Africa and then in Eastern Europe and the Commonwealth of Independent States – and in similar strategic form in the industrial countries. The evidence is that poverty has increased sharply, especially in Korea, and a return to the former reduced rates seems an unlikely prospect for some considerable time (World Bank, 2000).

3b. Developing New Strategy: Introducing Social Obligations for Transnationals

Poverty reduction policies have not taken any account of one element of the deepening problem. Because of deregulation and privatisation by Governments, often at the behest of international agencies, control of labour markets has veered away from states and towards transnational corporations. Paradoxically, states in which the headquarters of the biggest trans-national corporations are located have acquired greater power to influence global economic developments. The G7, or G8, has exerted influence on the development of world trade (for example through the WTO), and the management of debt which is disproportionate to their shares of world population..

Thus in trade the emphasis on exports from the poorer countries was supposed to favour rural agricultural production, and diminish poverty by removing the imbalance between rural and urban living standards. This has not worked, partly because of the low wages induced by cash cropping, and the corresponding substitution of employed labour and technology for subsistence farming. This has also had a knock-on weakening effect on the vitality of urban markets. In many countries self-sufficiency in growing a range of crops has given way to a precarious dependence on sales from the export of those crops to finance the purchase of imports at affordable prices. Trans-national companies have exceptional power to cut the costs of what they buy and raise the costs of what they sell.

The growth of transnational companies is one of the greatest economic and social changes of the late 20th century. Only 25 countries of the world are now listed as having larger GDP than the annual value of the sales of the biggest transnational corporations – General Motors. The top ten trans-national corporations (General Motors, Ford Motor, Mitsui, Mitsubushi, Itochu, Royal Dutch Shell Group, Marubeni Sumitomo, Exxon and Toyota Motor) have bigger sales than the GDP of Malaysia, Venezuela and Colombia, and some of them more than Saudi Arabia, South Africa, Norway, Greece and Thailand. New Zealand's GDP is dwarfed by the sales of each of these corporations, and Australia's accounts for only about three times the value of the average sale of all ten (UNDP, 1999, pp. 32 and 184-187.

The social policies of transnational corporations take at least two forms. On the one hand their internal policies, in relation to their senior staff and permanent and temporary workers scattered through subsidiary companies in many different countries, have to be explained. On the other hand, the larger role they play in contributing to social change, by influencing developments in world trade, government taxation and redistribution and investment, as well as recommendations for privatisation, also has to be explained (Kozul-Wright and Rowthorn, 1998; Lang and Hines, 1994; Deacon, Hulse and Stubbs, 1997; Hoogvelt, 1997; ILO, 1989).

There are serious shortcomings in both national and international company and social law in relation to trans-nationals. While capable of contributing positively to social development, one review found that few of them were doing much of consequence. The activities of some were positively harmful (Kolodner, 1994). Recent books on trans-national corporations, like that of Korten (1996), have been assembling a case that governments and international agencies are going to find hard to ignore.

One feature of mergers between companies and the absorbtion of workforces overseas into the subsidiaries of corporations is not just the extension of the labour force accountable to management, but the elaboration as well as extension of the hierarchy of pay and rights in the corporation. There are many layers in workforces consisting of scores of thousands, sometimes hundreds of thousands, of employees working full-time, part-time, permanently and temporarily in 50, 60 or even more countries. Salaries at the top have been elevated, those at the bottom depressed.

This fast-developing occupational system deepens social stratification and introduces new social problems in every country. Ideas of supra- and sub-ordination are played out internationally as well as nationally and locally, and are carried over from one context to the other. This evolving hierarchy of power, prompted by the dramatic growth of transnational corporations, ramifies everywhere. It is reflected in new relationships between states and in international agencies - concentrating the representation of top-most personnel, origins of finance for research, and responsibility for the publication of statistical and other information to the media.

The problem remains to be met internationally. All that has so far happened is that agencies like OECD have issued “guidelines” exhorting corporations to be socially responsible. The ILO has gone further. In 1977 its Governing Board put forward a declaration. This sought to exert influence upon governments, concluding that gradual reinforcement could pave the way for "more specific potentially binding international standards," turning codes of conduct into "the seed of customary rules of international law" (ILO, 1998).

3c. Developing a New Strategy: Calling a Halt to Indiscriminate Privatisation

The international financial agencies have been eager to encourage privatisation, on grounds that this would enhance global market competition, weaken the intervening role of the state and reduce government taxation so that public expenditure in general, and public services in particular, would cost less and private companies would have greater freedom to manage their affairs as they wanted. But the agencies have thereby adopted a very narrow interpretation of the economic good, and have tended to ignore the fact that economic development is an integral part of social development.

World Bank advocacy of privatisation is explicit or implied in almost every published report of recent years – even in relation to poverty. The key text for the Bank’s position was not published until 1997 (Guislain, 1997). The author is a development specialist who has advised many African countries on their privatisation programmes. The book covers a lot of ground and is testimony to the accelerating scale across the world of privatisation. Itt attempts, unsuccessfully, to be dispassionate. The arguments especially for public service and cooperative companies is largely absent, and there are no conclusions about the balance that might be struck between the public and private sectors in particular contexts and according to particular objectives. There is a strange indifference to the historical reasons for the growth of public ownership and the welfare state. Certainly there is no dispassionate argument about alternative strategies.

Another Bank report looks at privatisation in different countries and the rapid growth of equity markets in these same countries. The book interprets the process favourably. Privatisation is said to "kick-start" newly created capital markets such as those in Central and Eastern Europe and the Commonwealth of Independent States. It can "awaken" moribund markets in Egypt and much of Latin America. Examples of well-publicised privatisation programmes in Argentina and Mexico are compared with the less well-known "achievements" in Egypt, Morocco and Peru. "There are many more privatisations to come in developing and transition economies."

In the analysis by a large number of experts much is made of the necessity of financial deregulation and the privatisation of insurance and the pension funds in order to create the right market conditions. The conflict of market insurance with the public interest in relation to the historical establishment of social insurance is not discussed.

The rapid growth of privatisation is not, even now, widely appreciated. In 1989 the gross annual revenue from the process was estimated to be $25 billions. In 1994 and 1995 annual revenue reached $80 billions. Over five years $271 billions were generated. By the mid-1990s the developing and "transition" countries accounted for much of the revenue. Guislain concludes that privatisation is "likely to remain a key policy instrument in many countries for decades to come" (Guislain, 1997, p.3. See also Lieberman and Kirkness, 1998).

Assets have often been sold extraordinarily cheaply- by market standards. Academic reviews, as in the UK, have failed to demonstrate evidence of privatisation being successful in terms of growth and price. There are examples either way (see, for example, Parker and Martin, 1997).

3d. Developing a New Strategy: The Shortcomings of Targeting and Safety Nets

In developing their structural adjustment programmes, first in Latin America and Africa, and then in the "transition" countries of Eastern Europe and the former Soviet Union, the IMF and the World Bank tried to balance the unequal social consequences of liberalisation, privatisation and cuts in public expenditure with proposals to target help on the most vulnerable groups in the population. For some years, and still to a large extent today, this has been presented within the principle of test of means. Even if coverage was poor, large sums of money would be saved, it was argued, if the near-to-poor were no longer subsidised by public funds.

Thus, a report for the IMF seeks to pin responsibility on the transition countries for a failure to transform universal services into targeted and partly privatised services. Unfortunately, this report also reveals serious amnesia about the institutional history of the introduction of legislation establishing public services and social security in particular (see, for example, Chu and

Gupta, 1998 pp. 90-92 and 111-112). Ways in which former universal provisions might be modified to allow market competition to grow but not create penury among millions were not seriously considered.

IMF loan conditions demanding lower government expenditures in the poorest countries have led to sharp reductions in general social spending at a time when the poorest fifth of the population in those countries have been receiving only about half their share of education and health expenditures – thus making access worse. This is evidence drawn from the IMF's own studies (IMF, 1997), which shows that "the poorest three-fifths of these nations are being excluded from whatever social 'safety net' exists for education, health, housing and social security and welfare" (Kolko, 1999, p. 56).

However, loan conditionalities affect economic security in other ways. There are cuts in the number of government employees and in their salaries, and there are private sector cuts and lay-offs, both of which are designed to raise cost-effectiveness in the world's export markets. Price subsidies for commodities such as bread and cooking oil are cut. Higher value added taxes that are advocated are regressive on income distribution.

In December 1987 the IMF introduced a fresh stage of its existing structural adjustment programme – the "Enhanced Structural Adjustment Facility" (ESAF). Of 79 countries eligible for these ESAF loans, on condition they complied with the IMF in setting "specific, quantifiable plans for financial policies" 36 had done so. Since World Bank aid also depends on fulfilling IMF criteria there is intense pressure on governments to accede. Critics have now concluded that countries which stayed out of the ESAF programme "began and remained better off by not accepting its advice." Those accepting the programme "have experienced profound economic crises: low or even declining economic growth, much larger foreign sebts, and the stagnation that perpetuates systemic poverty." The IMF's own studies provided "a devastating assessment of the social and economic consequences of its guidance of dozens of poor nations" (Kolko, 1999, p. 53).

The problem applies sharply to rich and not only poor countries. The biggest struggle of the next years is going to be between restriction of social security, or "welfare," largely to means-tested benefits. Those who have assembled evidence for different European countries over many years (for example, Oorschot, 1999] point out that such policies are poor in coverage, administratively expensive and complex, provoke social divisions, are difficult to square with incentives into work, and tend to discourage forms of saving.

What is encouraging is the recent tempering of World Bank and other agency reactions. It is now conceded that targeting can include "categorical" policies affecting vulnerable or disadvantaged *groups* in the population. The prime example of this shift in policies is the social crisis in Eastern Europe and the former Soviet Union (UNDP, 1998).

The World Bank has itself begun to offer concessions. “Safety nets are programmes that protect a person or household against two adverse outcomes: chronic incapacity to work and earn (chronic poverty) and a decline in this capacity from a marginal situation that provides minimal means for survival; with few reserves (transient poverty)….. Although social insurance programmes constitute the most dominant form of cash transfer in most countries of Eastern Europe and the former Soviet Unoion, and provide relief for the poor in the formal sectors, these programmes are not addressed here because issues pertaining to pensions were the focus of a recent World Bank policy study - Fox, 1994" (World Bank, 1997a, pp. 2-3).

This is a revealing qualification. When structural adjustment programmes began to be applied to Eastern Europe and the former Soviet Union, in the early 1990s, it was clear they would compound the problems of poverty, following liberalisation. Social insurance, and social security generally, occupied a substantial part of the institutional infrastructures of these states, and the collapse of industry might have led to some external efforts to maintain at least a residual system in order to protect people, especially children, the disabled and the elderly, from the worst forms of destitution and even starvation. Unhappily World Bank and IMF teams lacked expertise in such institutions. They were also influenced by a prevailing ideology of the “short, sharp shock” following the collapse of communism. An additional factor was that social security systems were weak if not non-existent in the poorest developing countries, and the possibility that structural adjustment as applied to those countries was inappropriate in Eastern Europe.

From an anti-poverty perspective one analyst of events in the former Soviet Union concludes that “Consideration of social policy has hitherto been dominated by fiscal considerations, which has led to radical proposals for reform of the pension and benefits systems which would have devastating consequences if they did not work as intended. The dependence of many households on age-related pensions and the inability of the majority of wage-earners to support even one dependent make the preservation of the real value of retirement pensions and the restoration of the real value and regular payment of child benefit much the most effective anti-poverty measures in a context in which the introduction of means-tested social assistance is completely unrealistic” (Clarke, 1999, p. 240).

A report from UNDP makes one of the most explicit concessions yet to the need for change in development policies. In describing the growth of poverty in the early 1990s in Eastern Europe and the former Soviet Union this concedes the strengths of the former institutions of social security. “Policymakers attempted to create a relatively egalitarian society free from poverty. Socialist income policy was based upon two main objectives: 1) To ensure a minimum standard of living for all citizens; and 2) To achieve a relatively flat income distribution" (UNDP, 1998, p. 90). …"Governments regulated overall salaries and fixed minimum wages high enough to ensure a basic standard of living….At the core of the social security systems were work-related contributory insurance programmes. The public came to expect that most social benefits would depend upon work-related factors such as years spent on the job and wages earned…Social insurance schemes were comprehensive. Pensions, like employment, were virtually guaranteed…Social insurance itself covered numerous exigencies, including accidents, sickness, parental death and child birth…. Overall, means-tested social benefits were almost non-existent, representing on average less than 1 per cent of GDP. This was due largely to the inefficiency and high administrative costs associated with means-testing programmes." (Ibid, pp. 90-92).

The socially inclusive advantages of these schemes was recognised. Thus, pension programmes "became a kind of contract between generations, whereby people invested their efforts in the collective welfare and were rewarded by a guarantee of supplemental income…Because social assistance allowances are very low in all transition countries, moving pensions towards means-tested social assistance programmes would push practically all pensioners into poverty" (Ibid pp. 108-109).

This is perhaps the first substantial acknowledgement from the international agencies of central elements of the welfare state (see, in particular, ibid, pp. 92-93). The authors claim there is a consensus for active labour market policies and work for social benefits as necessary components of the social insurance system. "At the core of welfare policy…there must also be a comprehensive social insurance scheme that compensates all people in time of need" (UNDP, 1998, p. 105). Funding should be both public and private forms of Pay-As-You-Go. "Categorical benefits should be offered to all in need, or at least to all those near or below the poverty line. It is very important to avoid providing support only to the 'poorest of the poor' while neglecting the relatively poor." This plea for group or "categorical" benefits in place of means-tested benefits was qualified by a recognition that some such benefits could be conditional in different ways. (Ibid, p. 105)

4. Conclusion: The Development of a New Strategy

The Declaration and Programme of Action agreed at the 1995 World Summit for Social Development in Copenhagen was in some respects ahead of its time. Agencies and govenments alike have been slow to react to key recommendations - for example on annual anti-poverty plans and measures of absolute and overall poverty (UN, 1995). In other respects the Programme is silent about major developments. Here I have tried to call attention to the paramount problem of social polarisation and the connected growth of transnational corporations and private-sector companies and services. Lack of reference to these developments may be remedied in the World Assembly review in Geneva in June 2000 (UN, 1999).

The reasons for the failure of present policies to reduce poverty have been discussed and alternative structural policies outlined. The World Bank maintains a three-pronged anti-poverty strategy - widely shared among other agencies - which has been maintained for more than 40 relatively unsuccessful years: 1) Broad-based economic growth; 2) Development of human resources, especially through education; and 3) Social safety nets for vulnerable groups. Some of the evidence for lack of success is described above.

A justifiable alternative strategy could take the following form:

1) Equitable tax and income policies, operating within within an internationally sanctioned legal framework of socially responsible accumulation of wealth and income;
2) An employment creation programme, designed deliberately to introduce labour-intensive projects to counter-balance patterns of job-cutting in many countries that are often indiscriminate in their social effects. Working conditions of the low paid would also be internationally regulated;
3) Regeneration or creation of collective, or “universal,” social insurance and public social services - the "basic needs services" as ordinarily described. This would involve introducing internationally sanctioned minimum wages and minimum levels of benefit ; and
4) The introduction of greater accountability and social and democratic control over trans-national corporations and international agencies. Growing concern in the 1990s about the "democratic deficit" invites collaborative international action on a regional if not wider basis.

There are of course many policies requiring to be developed under these headings if the damaging structural trend of social polarisation and growing poverty is first to be halted, and then turned round. These have to be constructed in two stages. At the first stage the critique has to be pulled together and made more forceful. This includes the reformulation of the measurement of poverty, social exclusion and unemployment and therefore the minimum standards of living, inclusion and employment that are acceptable. It includes insistence on the monitoring and determined fulfilment of international agreements and of specific policy impacts. And it includes the mobilisation of new coalitions or alliances across countries - of parties, unions, campaigning groups and voluntary agencies - to question the conventional wisdom and promote an alternative strategy.

At the second stage measures for international taxation, regulation of trans-national corporations and international agencies, reform of representation at the UN, and new guarantees of human rights, including minimal standards of income, have to be introduced and legally enforced.

Recognition of social insurance as one of the best means of building an "inclusive" society and preventing the slide into poverty, as well as contributing to social and economic stability, would represent one major step forward.

New legal and political institutions for social good in a global economy have to be built. A start would come with new international company and taxation law, combined with the modernisation and strengthening of social insurance and more imaginative planning and investment in basic services like health and education, so that they reflect international and not just national or regional standards.

At the end of the 20th century the prospect of even greater social self-destruction, within the phenomenon of social polarisation, looms before us if urgent countervailing measures are not taken. Collaborative scientific and political action to establish a more democratic and internationalised legal framework to protect human living standards must be the first priority.

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