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How to fight poverty

Introduction

On Tuesday, 26th September 2006, *Gazeta Wyborcza* published an article by Prof. P. Videli, introducing him as an international business expert. "How (not) to fight poverty" presents some interesting thoughts representative of a trend which incorporates the views expressed by the authorities the Author quotes (such as K. Popper, C.K. Prahalad). One could also include others in this trend, for example F. Fukuyama, J. Sachs, or this year's Nobel Peace Prize Laureate - Gramen Bank and its founder Muhammad Yunus from Bangladesh.

This trend involves research aimed at solving the problem of the "wealth – poverty" continuum (hereunder abbreviated to: wpp) in the society. This is an important subject in economics, not to mention other sciences, or the practical application of social politics.

There are four sources of normative solutions to this problem. The first two are persistent diagnostic study of societies or deductive theorems leading to a strong normative theory. Of course, I mean rational deduction only, and not some "creative concepts" based on faith and hope (that it might work). The third is the application of the experience of others, while the fourth – resorting to solutions occurring in nature. Resorting to experience is out of the question – the humankind knows no alternative action system. Nature, too, at least so far, does not offer analogies that could be copied or adapted.

Hence, we are left with normative theories stemming from cognitive theories. The question is: do the contemporary cognitive theories describe, classify and explain the wpp in a way that does not raise doubts? Practice proves otherwise. P. Videla describes the extent of previous efforts and significant financial outlay coupled with the non-decreasing, huge scale of poverty and destitution.

Below, I am proposing a core of the cognitive concept leading to a normative concept, in my opinion founded on sound theory, explaining and offering a solution to the wpp. It includes deliberate simplifications which, however, do not change the essence of the matter.

The cognitive concept of the "wealth – poverty problem" (wpp)

1) Only isolated social systems, capable of producing economic surplus, can exist over the long term.
2) Defining a given social system in terms of its energy (material and human resources, money, knowledge etc.) and assigning a given object (-s) to the given social system is necessary. Firstly, it builds the responsibility of the social system for the energy it owns. Secondly, it determines the fact that any energy obtained by a given social system originates in its social and natural environment. Why? Because the resources (energy) of the given social system are limited.
3) Every social system transforms the energy obtained from the environment at a loss. Besides, it must regenerate itself, rebuild its aging internal potential and adjust to changes. For these reasons, it must produce economic surplus. This means that the ultimate source of the surplus is the environment and the ability to manage it in a rational manner.
4) Social systems obtain energy from the environment via a number of methods, for example exchange, appropriation, external support, etc. In terms of their attitude to the economic surplus, social systems can be divided into three groups. The first group includes systems which thanks to the combination of external and internal factors are capable of producing the surplus (surplus systems). The second group, respectively, includes systems incapable of producing the surplus (deficit systems). The third group is labile, liable to produce surplus or loss (transitional systems).

5) Let us assume that systems self-supply themselves thanks to the goods-for-money exchange with the environment. In other words, they buy supplies from the environment only for what they sold, on their own account, on their own behalf and at their own responsibility. Such systems are called enterprises: they do not appropriate anything, they get nothing for free, etc. They are thus the best type of a social system: they produce the economic surplus, they do not seek charity from anyone. However, in the social system of a country there are also those who are not, for one reason or another, enterprises (they do not create a surplus by way of self-supply).

6) Short term, the sum of energy of a given social system, as well as its environment (static analysis) is constant. The economic surplus increase in one social system (with certain simplifications, e.g. assuming equal cost-efficiency of the system and its environment) means an equivalent energy decrease in another (its social and/or natural environment). This general relationship (law of conservation of energy) is corrected by various factors, such as the unequal access to energy (asymmetry), technological progress, etc. Nevertheless, this law applies unconditionally to any social system.

7) Let us consider the social systems of individual countries and the global economy as a separate entity. In any country, analysed as a separate system over the short term, an increase of energy in the surplus systems is accompanied by a drop of energy in the remaining areas of the country. This is seen in the form of deficit or transitional systems. This relationship is corrected by foreign exchange and exploitation of the natural systems. The global economy behaves in a similar manner: the areas where the number of surplus system is growing are accompanied by the areas where the number of deficit or transitional systems is growing. Seen as there is no social environment for the global economy – this relationship is corrected by the capacity to drain energy from the natural environment. Essentially, every country is in this situation, but the distribution of natural resources (energy of the natural environment) is not symmetrical.

8) The economic surplus produced through self-supplying may be used in one of three ways: consumed, invested or set aside for later (saving). These three approaches must maintain a balance oriented toward longevity. For example, relatively excessive consumption will reduce the capacity for rebuilding and changing social systems (investing), while excessive investments will undermine the sense of developing social systems (consumption). In turn, enforcing savings at the expense of investing and consumption prevents one from making the best of their potential and inhibits longevity.

9) Recycling, or reusing the energy of waste, may partly reduce internal losses due to the incomplete, less than 100%, efficiency of transformation. Yet, not all the energy dispersed due to the transformational losses can be recaptured for reuse or alternative use. Some losses are irreversible, and besides reusing also takes place at a loss (efficiency less than 100%). It creates a closed circle of energy transformations with a lower than 100% efficiency. It results from the 1^{st} and 2^{nd} law of thermodynamics: the sum of energy in a given system is constant, and *perpetuum mobile* (perpetual motion machine) does not exist.

Consequences of the presented cognitive concept

10) In every social system, depending on how we define its boundaries, there must be zones of wealth and poverty. This happens both when we consider the system of a given country or the global economy. Our reference point is the global economy. From its level, when some countries belong in the wealth zone, others must find themselves in the poverty zone. This relationship is corrected by various factors, for example cohesion, mobility and flexibility of the world's economy, the available resources (energy) of nature, entrepreneurship of the society and the historical conditioning of each country's development. In each of the countries, too, when considered as separate social systems, there inevitably

occur polarities of wealth vs. poverty. In the countries of the world's wealth zone the poles are at a different level, and the extent of poverty is smaller, than in the countries of the world's poverty zone.

11) The "wealth – poverty" problem is not completely, ultimately resolvable. It is objectively determined by the laws governing the development of social systems, in much the same way that the laws of thermodynamics determine the natural systems (nature).

The normative concept for solving the "wealth – poverty problem" (wpp)

12) The insolvability of the problem must be treated in a twofold way. On the one hand, one must accept the objective nature of the laws, while on the other, consider the possibilities or reducing its negative consequences (a positive approach).

13) The basic solution, which would make it possible to amortise the objective, negative consequences of the laws, is to actually implement the strategy of sustainable growth. The approach should be systematic. Below, I am presenting some key undertakings and actions of such a strategy. It can only be effectively carried out by social movements, local and state governments.

a) Bringing about the organisation of socioeconomic systems of countries and the world on democratic and liberal principles. This primarily means undertaking and conducting all activities, wherever possible, as enterprises. Simultaneously, it means that the state's involvement as an entrepreneur in the country's internal market should be as minimal as possible, confined to necessity. Maximal liberalisation of the internal market and foreign exchange must not infringe on the natural human rights, accepted principles of ethics, morality and culture as well as the principles of sustainable growth.

b) Bringing about authentic respect for the social and natural environment by any entity, group, community, country and the socioeconomic system of the world as a whole. Such philosophy calls for a real commitment and responsibility in any dimension, also with regard to the future and coming generations. To the highest reasonable degree and extent, bearing in mind rational management and the requirements of sustainable growth, we should develop recycling and the use of renewable energy sources.

c) Making sure that the natural differences in the levels of wealth and lifestyles are not excessive. The problem is how to determine the reasonable, acceptable extent of difference and activities aimed at maintaining it within the adopted "normative scale". It is a problem to be tackled by science and through social discussion, which will ultimately have to be decided by governments. In particular, eradicating differences must not weaken their motivational function (wealth as a development stimulus). The process of distributing the produced economic surplus must to a considerable extent be left to the producer of the surplus, seen as they are the only one to calculate what share thereof should be reinvested in themselves or others, consumed alone or with others, or kept as the necessary reserve for themselves or others. Each act of investment, consumption or saving for the benefit of other entities than the producer of the surplus must be honoured by the state as fulfilling the producer's obligation to the environment (e.g. honouring through tax credits).

d) Bringing about the general increase of information and education oriented towards understanding and fostering entrepreneurship, starting from primary school. Economic knowledge must become a universal resource which benefits every person and community, and the key significance of sound management and cost efficiency must not be questioned. Promoting sound management and cost efficiency must be a common effort and duty.

e) The most we can do is mitigate the consequences of these laws. Those who propose that the poor should be supported by providing "fishing rods, not fish" are right. The fishing rod provides at least a chance of pursuing the fish (read: higher quality of life) through one's own efforts and sustaining the skills and habits as well as producing extra energy (of course, on

condition that in the meantime the fishing rod is not exchanged for a fish). The fish stands for consumption, while the fishing rod – for creating fish, that is products and services for future consumption. This calls for universal and accurate measurements, calculations and accounting for the socioeconomic events of those who give the fishing rod (fish) as well as those who get it. At the same time, it is necessary to develop an explicit division of tasks, work (duties), decisive powers (authority) and responsibilities in the giving/receiving process understood as a system.

f) Effective actions for doing away with the natural inequality in the access to resources, particularly those of nature (access to water, fertile land, natural resources, liveable space, etc.). On the other hand, undertaking action for enhancing the utility and business value of resources treated as inferior (mountains, deserts, swamps, etc.).

g) Bringing about effective management and government of the world's socioeconomic system as a whole, regional trans-national and national alliances, oriented towards sustainable growth. This is by far the most important factor today, however difficult to realise. The current solutions in this area are primitive and highly inefficient, they hamper sustainable growth. The main problem is the inability of individual countries to pursue the sustainable growth and self-control policy, lack of trust in international relations and not enough wisdom of leaders and communities. It is necessary, for example, to exert better control over the size and health potential of the national, regional and global human population.