Limits to Poverty
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30 years ago, the book "Limits to Growth", a report commissioned by the Club or Rome, raised an unexpected alarm and called attention to the possible collapse of the global economy from overutilisation and exhaustion of certain natural resources. It called for some fundamental changes in direction, particularly with respect to consumption patterns in the industrialised countries.

Over those 35 years, economists have constantly reassured us that the price mechanism and the marketplace will take care not only of resource scarcities but also, through labour scarcities, of the issues of redistribution and social justice.

The good news is that the global economy continues to expand as never before.

The bad news is that the day of judgement has been put off – though not for long, as the 2002 sequel to the first report has clearly shown. Besides, other factors not envisaged three decades earlier have now appeared to place limits on mindless growth, including stratospheric ozone depletion, biodiversity loss and climate change. The ultimate constraint may well be something else altogether, but the logic of Limits to Growth is clear: infinite growth on a finite resource base is a chimerical pursuit.

The worse news is that the trickle down doesn't work. And this may well be one of those ultimate constraints that will limit growth in the coming decades.

The elegant theory of mainstream economics, that the poor will automatically be better off from the crumbs left by the rich as they get even richer, seems to apply only under certain special circumstances. The primary requirement appears to be that the national economy should have crossed a basic threshold, characterised in crass GNP terms by a per capita income of around \$1,500, maybe \$2,000. The countries that have gone "critical" in this sense are in the main small, have homogeneous and nationalistic cultures, and a strong sense of social cohesion. This means that they usually have effective, business-like (though not necessarily uncorrupt) governments. It helps to have a geopolitical location and an authoritarian regime with the right political (read business-minded) views to attract strategic alliances with wealthy partners and the financial inflows that usually accompany such alliances. It helps even more to have substantial petroleum reserves or a willingness to mine and exploit environmental resources such as forests and soils.

For the large, lumbering "democracies" of South Asia and for the not much more agile oligarchies of Africa, these conditions do not generally hold. And, as a consequence, economic growth does not seem, in practice, to guarantee the elimination of poverty. On the contrary, there are more poor and marginalised people in these and other parts of the world than there were ever before. After more than fifty years of international "development", some 1.5 billion people live on less than \$1 per day. Indeed, almost half of the world's population lives on less than \$2 a day. It is pretty difficult to imagine subsisting on \$2 dollars a day, even in a low cost economy. And the numbers in most of these countries continue to grow.

Worse, the disparities among and within countries are growing. The top 20% income bracket in the world earns more than 100 times as much as the bottom 20%. This might be acceptable if the poor were, at least, improving their lot. But a large proportion of them is getting more marginalised by the day, economically and politically.

The responsibility for this state of affairs certainly lies largely with the governments of the respective developing countries whose policies have favoured the affluent and the privileged over the poor and the dispossessed. Without adequate attention to education, health care and other social investment, the poor in these countries can only be excluded from any of the benefits of so called development. Centralised systems of government, inequitable distribution of resource entitlements, and inappropriate choice of technology and exploitative management of the environment all add to the problem.

But the inequities of the global economy also play their part. According to UNDP, the costs to developing countries of restricted and unequal access to global markets is 10 to 15 times greater than all the financial assistance they get. Is it, then, any wonder that the global income disparity will double again in the next twenty years?

The extent and depth of global poverty today, in a world of plenty, is morally, politically, socially, economically and ecologically unacceptable.

Great poverty in a world where "there is enough for everyone's need" is untenable in any system of ethics widely practiced today.

Poverty – manifested primarily in terms of unemployment and deprivation – has already been the source of major political and social breakdown in various parts of the world. More poverty can only lead to more breakdowns, alienation, drugs, violence and terrorism. Poverty is also the strongest single correlate with human fertility: to cut population growth rates, the eliminate poverty.

Poverty is a huge drag on economic efficiency. The productivity of people is lower and the distortions in economic planning and in the allocation of national wealth are higher. Worse the size of the market is atrophied for want of purchasing power.

And poverty is ecologically untenable. The poor may not be able to compete with the rich in the range and magnitude of environmental and resource destruction they cause, but they do cause much damage, particularly to their own local life support systems. Great economic disparity is incompatible with the imperatives of the ecosystems on which life depends, and may well be one of the major constraints to growth, at least in a democratic world.

Ultimately, however, one comes back to the first, ethical, question: is it morally acceptable for a small fraction of the world's population to appropriate virtually the entire resource base of the planet – creating both pervasive want and widespread destruction of its life support systems?

The question becomes all the more important in a world where the global political economy and the international negotiating procedures – through such one-sided processes as the WTO, the multilateral environmental agreements, etc. – continue to make the world economy even more lop-sided.

Box 1: The Club of Rome

Formed by a group of eminent individuals who came together in 1969, the Club of Rome derives its name, quite simply, from the venue of its first meeting. Its members, limited to a total of one hundred, are leading thinkers from all over the world, with wide experience in government and intergovernmental agencies, industry, academia, civil society and other spheres. The common concern that brings them together is the “global problematique” – the set of problems that are too big for the main actors of today by themselves to understand and deal with.

The Club of Rome thus provides an effective and credible forum for cutting edge thinking on the complex issues facing society. Each year, it meets in different parts of the world, and seeks to design a better future for the global community. In this effort it devotes its efforts to identifying global, regional and local problems and formulating problem-solving responses. The guiding principles for its work are: a global perspective, holistic analysis, interdisciplinary discourse and a long-term perspective – most of which are currently beyond the scope of individual countries, corporations or institutions.

In its thirty years of existence, the Club of Rome has been instrumental in highlighting many of the emergent problems confronting humanity today. In general, it does so by receiving in depth reports from experts on a particular subject that needs closer attention by the world community. Occasionally, it commissions such reports. In either case, the Club of Rome generally neither adopts nor endorses a particular viewpoint and avoids making statements of a political nature. Its objective is to ALERT the world community about emerging issues that must be dealt with in a manner different from that of today.

The Club of Rome counts among its present and former members many heads of state and heads of government, Nobel laureates and leaders of corporations, universities and non-governmental organisations, giving it unique access to global decision makers. Its three presidents, Aurelio Peccei, Alexander King and Ricardo Diez-Hochleitner and many of its members have never hesitated to carry the flag of reason and sanity into the enemy territory of the status quo.

However, its message is not always convenient or popular, and the public controversy it generates is often far more influential in bringing about changes than its direct intervention. The Duke of Edinburgh once said “No generation ever liked its prophets, least of all those who point out the consequences of bad judgement and the lack of foresight. The Club of Rome can take pride in the fact that it has been unpopular for the last twenty years. I hope that it will continue for many years to come to spell out the unpalatable facts and to unsettle the conscience of the smug and apathetic.”

Box 2: Limits to Growth

The first report to the Club of Rome, "Limits to Growth", was one of those rare books that change the course of history. First published in 1972, some 10 million copies of this pioneering work have been sold in more than 25 languages. Limits to Growth presented the results of mathematical models simulating the use of global resources. Using the recently developed technique of Systems Dynamics, it showed that current consumption patterns were inexorably driving the world economy towards the exhaustion of certain resources that are critical to the well-being of humankind.

The importance of Limits to Growth lies far more in the awareness it created on the need to husband the earth's resources than in the accuracy of its specific forecasts. Indeed, no claim was ever made for the accuracy of the projections in the report. Given the state of knowledge at the time the report was written, considerable uncertainties existed in the data available. Though relatively powerful as a method to analyse the behaviour of a complex system, the linear mathematics of Systems Dynamics could never be expected to capture the full richness of resource-economy interactions. And in any case, some of the forecasts of resource depletion were negated precisely because of the heightened concern for these issues created by the report among decision makers and the public.

Dozens of other studies and reports were subsequently submitted to the Club of Rome, generally raising ALARM over current trends in such diverse areas of human concern as consumption and production, resource management, the oceans, information technology and global learning. The alarms raised and the debates generated by the Club of Rome have been crucial precursors for many of the top items on the international agenda today: environment, food security, global trade, oceans, social cohesion, education, the information revolution.

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