

POVERTY

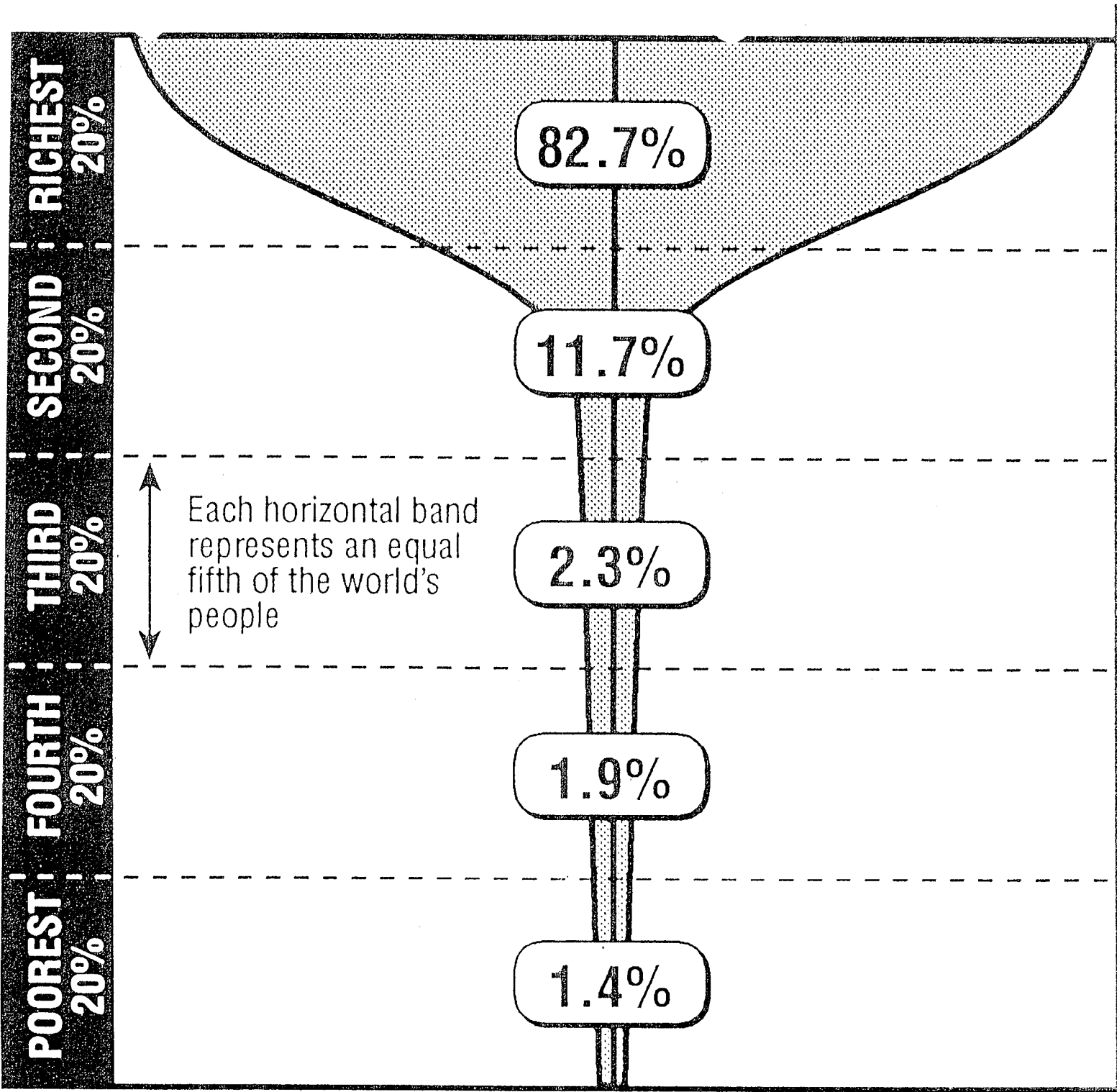


TABLE I
THE GAP BETWEEN RICH AND POOR NATIONS

	Less dev. nations	More dev. nations
Population	3.4 billion	1.1 billion
Per capita GNP	\$597	\$6,468
Life expectancy	56 years	72 years
Literacy rate	52%	99%
Per capita educ. expend	\$18	\$286
Per capita health expend	\$6.5	\$199
Per capita military expend	\$29	\$300

(SIM 1982)

INCOME INEQUALITY

ratio of income of richest 20%
of households to poorest 20%

U.S.	11
Australia	9.5
Canada	7
Germany	6
Holland	6
Sweeden	5
Japan	4.5

INEQUALITY

top 20% income compared
to the bottom 20% -

U.S.A.:

1969 7.5 times as much

1992 11.0 times as much

U.K.:

1977 4 times as much

1991 7 times as much

Ration of CEO to floor worker income

- England 24
- Germany 15
- Sweden 13
- U.S.A. 411
- Japan

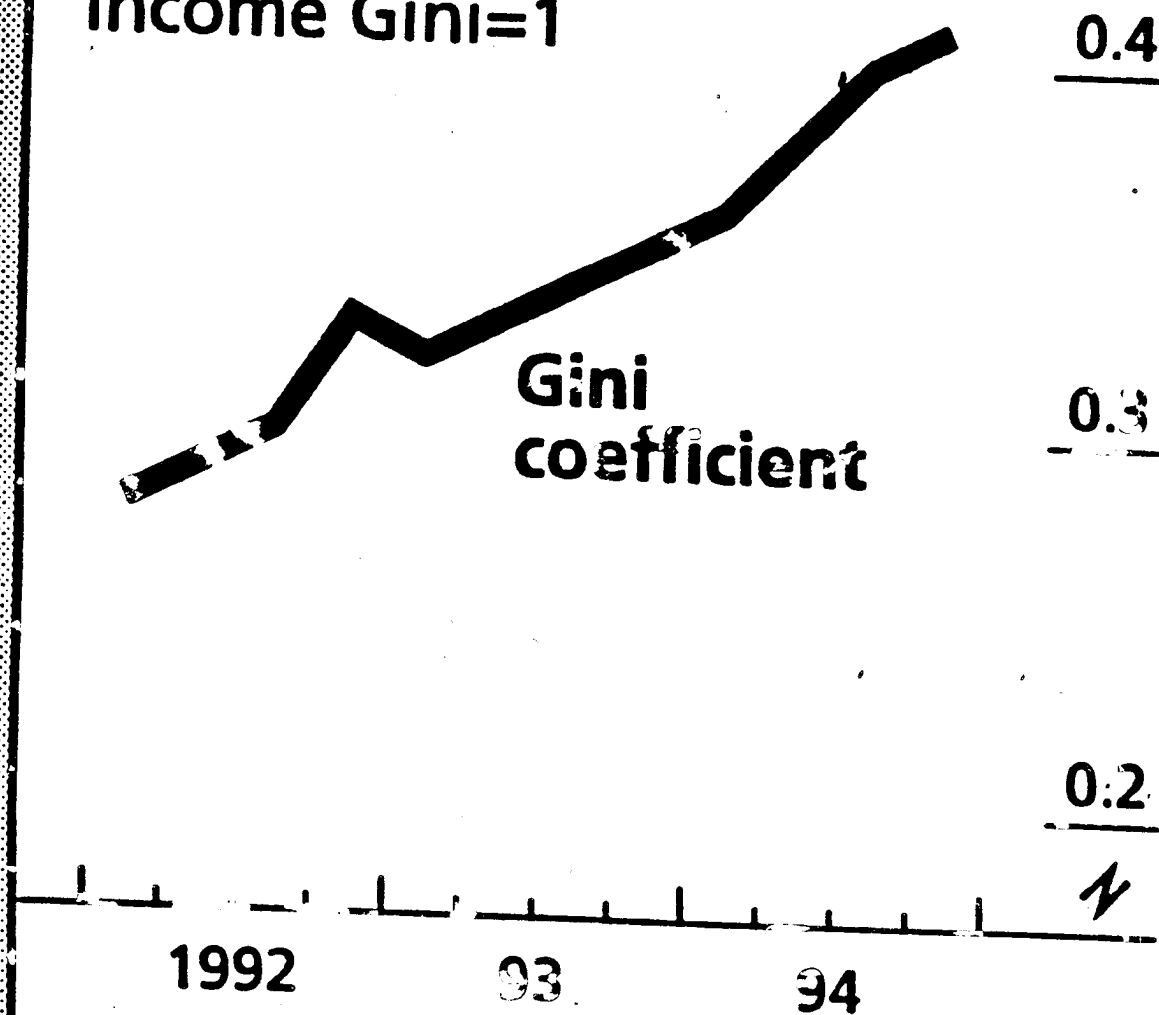
CEO's vs workers income

	CEO	WORKER
1970	\$ 182,500	6,230
1980	673,350	12,230
1990	2,356,210	17,960
2000	14,397,660	24,670

U.S.NEWS, June, 2002

Income inequality

If all incomes are equal $Gini=0$;
if one person has all the
income $Gini=1$



THE WORLD'S

358 BILLIONAIRES HAVE
A COMBINED NET WORTH
OF \$760 BILLION,

EQUAL TO THAT OF THE
BOTTOM 45 % OF THE
WORLD'S POPULATION
[namely 2.4 billion people]

Richard J. Barnet, Institute for Policy Studies
(quoted in MCC Washington Memo)

POVERTY

1. DEFINITIONS:

1.1 Absolute: survival

1.2 Relative:

- due to inequality

- found largely in the city

2. MYTHS:

2.1 Rich deserve it for their effort. Poor don't try.

2.2 Change would undermine individual rights and achievements.

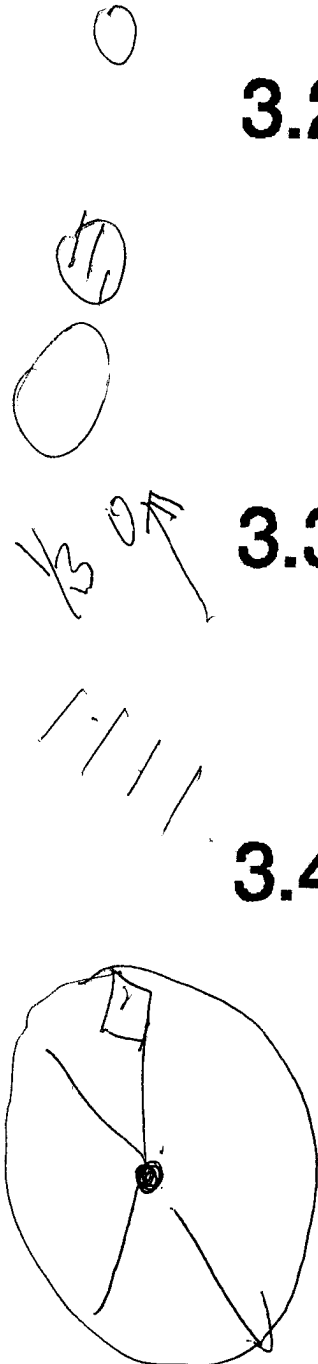
3. FACTS:

3.1 Justice is harsher on the poor.

3.2 Poor are last to be employed and first laid off.
- minimum wages
- no job security

3.3 Much of the government programs for the poor goes to well paid bureaucrats.

3.4 Poor less mobile, so pay more in the market place, and cannot move to jobs.



4. WHO BENEFITS?:

4.1 Low wage labor pool.

4.2 Jobs for bureaucrats.

4.3 Subsidizes merchants.

4.4 Guarantees status of the wealthy.

4.5 Scapegoat for punishment.

4.6 Pay the cost of societal change.

(Eitzen, Stanley)

WHAT ARE THE CAUSES OF POVERTY?

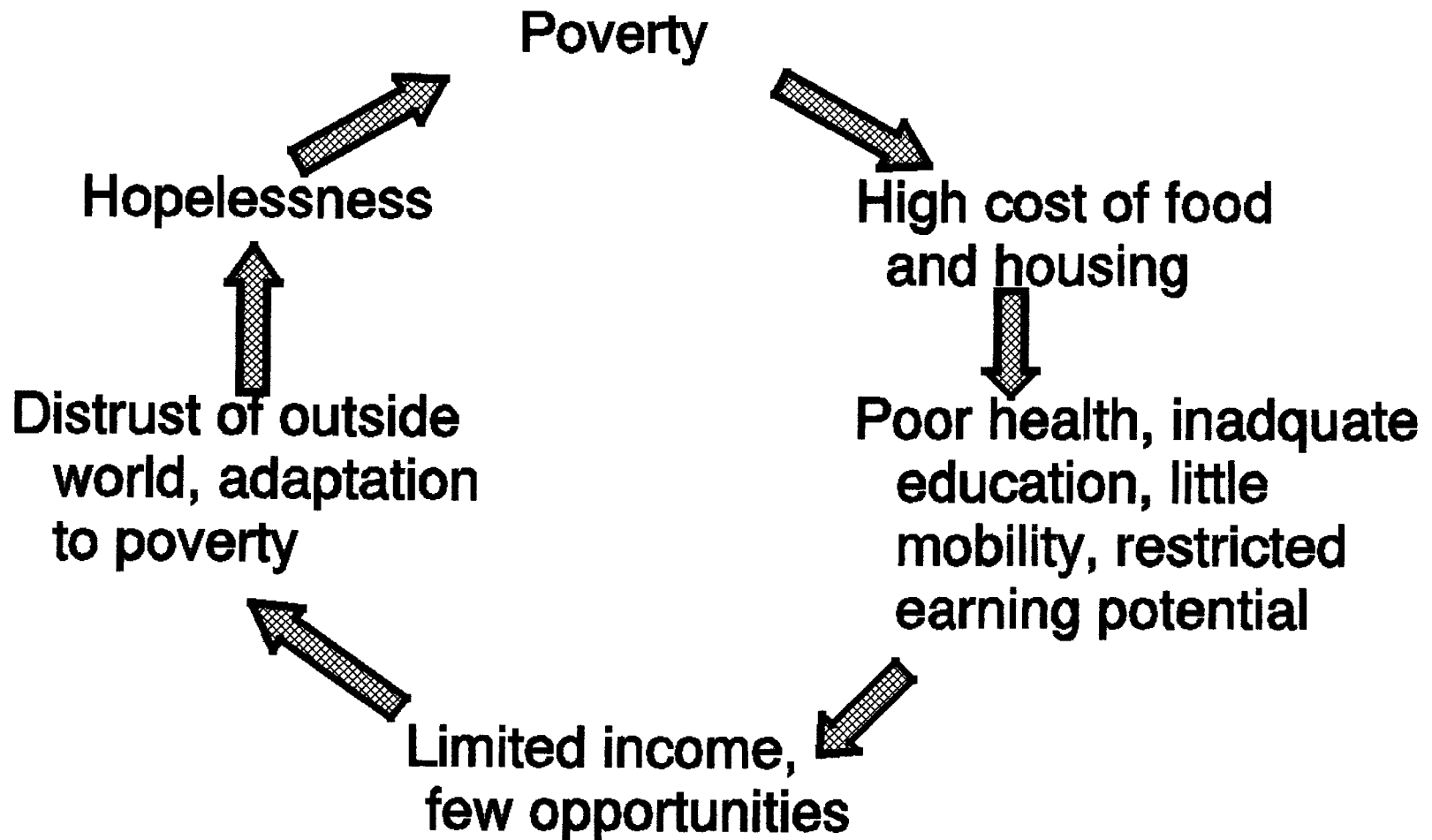
URBAN POOR

- migrants from rural/tribal areas
- street children
- prostitutes
- street vendors
- drug addicts
- alcoholics
- deaf, blind, lame
- released prisoners
- slaves, servants
- day laborers
-
-
-

WHAT IS POVERTY?

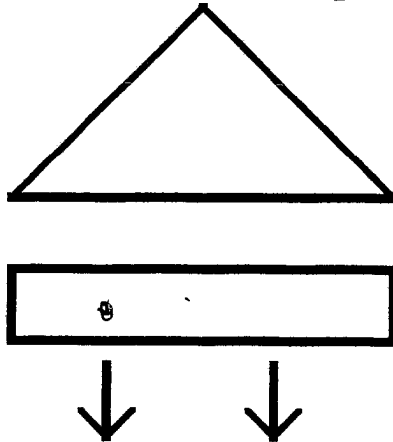
WHAT ARE ITS CAUSES?

CYCLE OF POVERTY

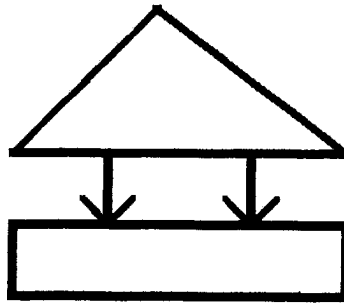


POVERTY IN THE CITY

1. A defective, unhealthy
subsociety.

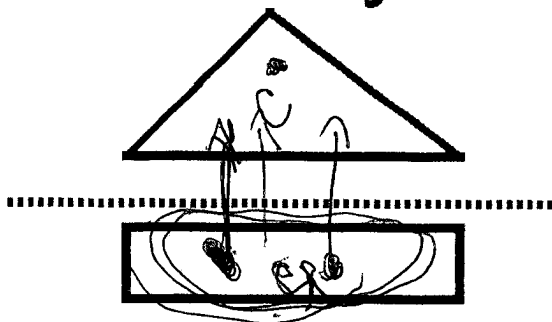


2. An oppressed subsociety



3. An adaptive subsociety.

A "Culture of Poverty" O. Lewis



MODELS OF POVERTY

1. A SELF-PERPETUATING SUBSOCIETY WITH A DEFECTIVE, UNHEALTHY SUBCULTURE.

- a separate culture in which people do not work or try to better their position**
- goal: to eliminate it and move the people to middle classes**
- method: invest money, education, social work**

2. AN OPPRESSED SUBSOCIETY WITH AN IMPOSED, EXPLOITED SUBCULTURE.

- a distinct subculture**
- due to systems of
exploitation, and to
suppression by the rich**
- goal: the social structures
need to be radically changed**

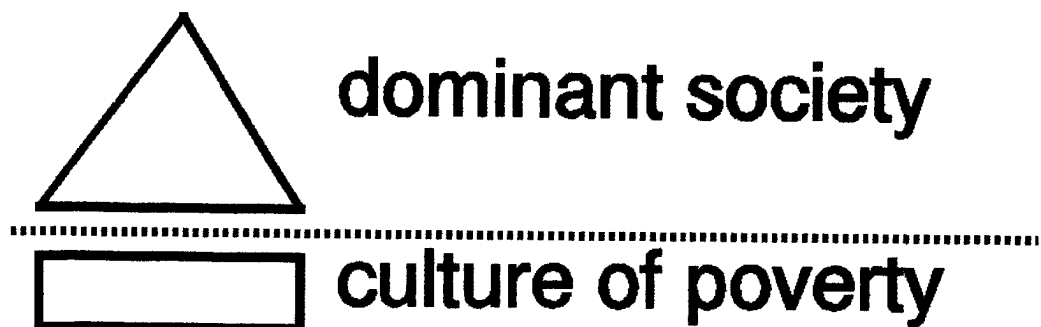
3. "CULTURE OF POVERTY" (Oscar Lewis)

3.1 The Paradox:

- riches and poverty coexist side by side.**
- the 'culture of poverty' is not the same as being poor.**
- the 'culture of poverty' often often arises in transitions.**

3.2 Characteristics of the "Culture of Poverty":

- disengagement from the systems of the city**



- **chronic underemployment:** leads to borrowing, small purchases and day-to-day existence.
- **gregariousness:** leads to sharing, little high level organization, and little mobility.
- **family the basic unit of social organization:** matriachrchal, men have low self-esteem, lack of privacy, common-law marriages, bilateral kinship systems.

- little childhood: early initiation into adulthood and sexual behavior.
- feelings of hopelessness: helplessness, dependency, inferiority, temporary success but ultimate failure, spend now, machisma as an escape, boasting and shouting, fatalism.

**THE "CULTURE OF POVERTY"
IS A SUCCESSFUL STRATEGY
FOR SURVIVING IN THE
EXISTING SOCIAL CONDITIONS**

3.3 Breaking the 'culture of poverty' cycle:

- find responsive groups in the community.**
- think in terms of family systems.**
- teach and model alternatives to "culture of poverty" strategies.**
- old participants accountable (external controls until internal controls take over)**
- link participants to larger sociocultural systems.**

Givens: respect the people and their culture, love them as persons, flexibility, mutuality.

4. WHO BENEFITS?:

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wealthy.**

4.5 Scapegoat for punishment.

**4.6 Pay the cost of societal
change.**

(Eitzen, Stanley)

THE CHURCH'S RESPONSE TO POVERTY

1. EARLY CHURCH AND ISRAEL

- O.T. = care for own kind
 - = hospitality to stranger
 - = giving of alms
- N.T. = communal living
 - (Acts 2:43-47)
 - = care for widows
 - (Acts 6:1-4)
 - = offerings for church in Jerusalem

2. MEDIEVAL CHURCH

- advocacy of poverty by church and monastic orders.
- riches seen as evil.
- care for the poor is the responsibility of the church, not government.

3. PROTESTANT CHURCH

- poverty is the result of sin.
- wealth is a sign of God's blessing.
- welfare is the responsibility of the state.

4. LIBERATION THEOLOGY

- poverty is the result of oppression.
- just comes through revolution and transformation of the social order.
- begin with grass roots base communities studying Scripture and applying it to their daily lives.

PROTESTANT ETHIC

AFTER YOU HAVE ENOUGH MONEY?

Medieval:

Stop working, rest and relate
to family and friends

Protestant:

Work more and save

Modern:

Work more, borrow and spend
it on yourself

POVERTY

1. Definitions of Poverty:

- 1.1 Absolute poverty: survival
- 1.2 Relative poverty: due to inequities, found more in urban settings

2. Myths:

- 2.1 Rich deserve wealth for their efforts. Poor don't try or work hard.
- 2.2 Change would undermine individual rights and achievements [individualism argument]
- 2.3 Most subsidy goes to the poor.
- 2.4 Welfare families have children to get welfare money
- 2.5 Once on welfare, always on welfare
- 2.6 Those on welfare are mostly cheats (tax fraud by rich is some 5 times as much as the amount of fraud perpetrated by the poor).

3. Models of Poverty:

- 3.1 A self-perpetuating subsociety with a defective, unhealthy subculture.
 - a separate culture in which people do not work or try to better their positions
 - goal: to eliminate it and move the people into the middle class
 - method: invest money, education, social work
- 3.2 An oppressed subculture with an imposed, exploitive subculture.
 - a distinct subculture in which the poor are intrinsically good
 - due to systems of exploitation and oppression by the rich
 - goal: the social structures need to be radically changed
 - method: revolution in which the poor take power
- 3.3 "Culture of Poverty" (Oscar Lewis)
 - 3.31 The paradox:
 - riches and poverty coexist side by side
 - the 'culture of poverty' is not the same as being poor
 - the 'culture of poverty' often arises in times of social transition
 - 3.32 Characteristics of the 'culture of poverty':
 - disengagement from the systems of dominant society
 - chronic underemployment: leads to borrowing, small purchases, and day-to-day existence
 - gregariousness: leads to sharing, little high level organization, and little mobility
 - family: the basic social unit: matriarchal, men have low self-esteem, lack of privacy, common-law marriage, bilateral kinship systems
 - little childhood: early initiation into adulthood and sexual behavior

- feelings of hopelessness: helplessness, dependency, inferiority, temporary success, but ultimate failure. So spend now, machismo and an escape, boasting, shouting fatalism.
- THE CULTURE OF POVERTY IS A SUCCESSFUL STRATEGY FOR SURVIVING IN THE EXISTING SOCIAL CONDITIONS

3.33 Breaking the 'culture of poverty' cycle:

Givens: respect the people and their culture, love them as persons, be flexible, seek mutuality.

- find responsive groups in the community
- think in terms of family systems
- teach and model alternatives to 'culture of poverty' strategies
- hold old participants accountable for change (external controls with internal controls eventually taking over)
- link participants to larger sociocultural systems

4. The Church's Response to Poverty:

4.1 Early church and Israel:

- O.T.: care for one's own kind, hospitality to strangers, give alms
- N.T.: communal living (Acts 2:43-47); care for widows (Acts 6:1-4), offerings for the church in Jerusalem during a time of famine.

4.2 Medieval church:

- advocacy of poverty by church and monastic orders. Stress simple life style in view of
 - priority of other worldly concerns
- riches seen as evil and temptation
- care for the poor the responsibility of the church

4.3 Protestant church

- poverty is a result of sin
- wealth is a sign of God's blessing
- welfare is the responsibility of the state

4.4 Liberation theology

- poverty is the result of oppression, often by religious communities
- justice comes through transforming social orders
- it begins with grass roots movements of communities studying the Scriptures and applying it to their everyday lives and their structures.

Urban Poverty

1. Definitions:

- Gustavo Gutierrez: "the lack of economic goods necessary for a human life worth of a name (1973:288. A Theology of Liberation)."
- Santa Anna: in the O.T. they are those who are dependent--"he is in a subordinate position, and for this reason, if he receives anything, it is not because he demands it, but because he asks humbly for it, in the form of supplication (Deut. 24:14-15, Ps. 22:69)."
- Schlabach: "I define poverty as lack of security and being extremely vulnerable. Your basic needs aren't being met; and the only one that you can really depend on to have those needs met is yourself because you are not in a community that is working together to meet each others' needs (1990,27)."
- F. Kefa Sempangi: "Poverty is not a lack of things; it is not having only one television or one car. Our poverty is a demonic force which enters human life and threatens to destroy it completely (Schlabach 1990, 27)."

2. Poverty:

- the top fifth of the world's people enjoy 82 % of its expanding export trade, and 68 % of foreign direct investment. The Bottom fifth little over 1%.
- the net worth of the world's richest 200 people rose from \$440 billion in 1994 to more than \$1 trillion in 1998. Of the world's largest economies, 51 are corporations.
- In 1995 117 heads of state gathered at the World Summit for Social Development in Copenhagen and made wide-ranging commitments to reducing poverty. More people live in poverty today than in 1995. More than half of the world's population lives on less than \$3. A day. Market-led globalization, free capital flows and fast information have widened inequalities within and between nations. Hindu Times.

Big MacCurrencies

Our Big Mac index confirms that the dollar is grossly undervalued against most of the other main currencies

OVER the past few years, the dollar has wrongfooted most currency forecasters. The Economist's Big Mac index is no exception. It has repeatedly signalled that the dollar is significantly undervalued against the other main currencies, yet the greenback has continued to slide. Some sceptics would like us to dump the index. Undeterred, we return with our annual serving of burgeronomics.

The Big Mac index was devised in 1986 as a light-hearted guide to whether currencies are at a "correct" level. It is not a precise predictor of currencies, simply a tool to make exchange-rate theory a bit more digestible. Burgeronomics is based upon one of the oldest concepts in international economics: the theory of purchasing-power parity (PPP). This holds that, in the long run, the exchange rate of two currencies should move towards the rate that would equalise the prices of an identical basket of goods and services in each country.

Our "basket" is a McDonald's Big Mac: made to more or less the same recipe in 79 countries. The Big Mac PPP is the exchange rate that would leave hamburgers costing the same in America as abroad. Comparing actual exchange rates with PPP is one indication of whether a currency is under- or over-valued.

The first column of the table shows the local-currency price of a Big Mac; the second shows the dollar one. The cheapest Big Mac is in China: it costs \$1.05, compared with an average price in four American cities of \$2.32 (all prices include sales tax). At the other extreme, Big Mac munchers in Switzerland pay a beefy \$5.20. This is another way of saying that the yuan is the most undervalued currency, the Swiss franc the most overvalued.

The third column calculates Big Mac PPPs. For example, dividing the Japanese price by the American one gives a dollar PPP of ¥169. On April 7th, the rate was ¥84, implying that the yen is 100% overvalued against the dol-

ECONOMICS FOCUS

lar—or looking at it from the other point of view, that the dollar is 50% undervalued. On the same basis, the D-mark is 50% overvalued against its PPP of DM2.07; sterling is 21% overvalued.

Thanks to the dollar's recent plunge, it is now even more undervalued against the other main currencies than it was a year ago. Admittedly, PPP should be viewed as exchange-rate equilibrium only in the long run; yet, according to the Big Mac index, the dollar has been undervalued against the yen since 1986. Some therefore find the index hard to swallow.

The hamburger standard does have its flaws. The theory of PPP relates only to traded goods; the Big Mac is not shipped

across borders, and rents (which account for a large share of total costs) vary enormously across countries. Local prices may also be distorted by taxes and trade barriers (eg, tariffs on beef). Thus while Big Mac PPPs are a handy guide to the cost of living in countries, they may not be a reliable guide to exchange rates.

Nevertheless, economists who have calculated PPPs for traded goods by more sophisticated means come up with similar results. Goldman Sachs, an American investment bank, puts the dollar's PPP at ¥185 and DM2.25. But with the dollar's value now so far below PPP—no matter how you measure it—many have dismissed the theory as irrelevant.

Studies have found that although PPP does hold in the very long run, currencies can indeed deviate from their equilibrium for lengthy periods. Moreover, eventual adjustment back to PPP need not come about through a shift in the exchange rate, but through changes in relative prices.

Argentina's peso, for instance, is now less overvalued than a year ago, not because the currency has fallen against the dollar, but because the price of a Big Mac has been cut by 17%. Likewise, an undervalued dollar does not necessarily mean that it must inevitably rebound; it could regain its PPP through higher inflation in America relative to Japan or Germany.

This still leaves a puzzle. If the dollar is so undervalued, why does America's current-account deficit remain so big? A closer look at the table provides one answer. The dollar may be cheap against the yen or the D-mark, but overall there are almost as many currencies undervalued against the dollar as overvalued. These include Australia, Canada, China, Mexico and most other emerging economies. The Mexican peso was mildly overvalued against the dollar a year ago; since its collapse, it is now 26% undervalued.

Over half of America's trade is with Canada and developing countries, so in trade-weighted terms the dollar may be slightly overvalued. Don't dismiss Big Mac-reconomics yet.

The hamburger standard

	Big Mac prices		Implied PPP* of the dollar	Actual \$ exchange rate 7/4/95	Local currency under(-)/over(+) valuation, %
	In local currency	In dollars			
UNITED STATES\$	\$2.32	2.32	—	—	—
Argentina	Peso3.00	3.00	1.29	1.00	+29
Australia	A\$2.45	1.82	1.06	1.35	-22
Austria	Sch39.0	4.01	16.8	9.72	+73
Belgium	BFr109	3.84	47.0	28.4	+66
Brazil	Real 2.42	2.69	1.04	0.90	+16
Britain	£ 1.74	2.80	1.33††	1.61††	+21
Canada	C\$2.77	1.99	1.19	1.39	-14
Chile	Peso950	2.40	409	395	+4
China	Yuan9.00	1.05	3.88	8.54	-55
Czech Republic	CKr50.0	1.91	21.6	26.2	-18
Denmark	DKr26.75	4.92	11.5	5.43	+112
France	Ffr18.5	3.85	7.97	4.80	+66
Germany	DM4.80	3.48	2.07	1.38	+50
Holland	Fls 45	3.53	2.35	1.55	+52
Hong Kong	HK\$9.50	1.23	4.09	7.73	-47
Hungary	Forint191	1.58	82.3	121	-32
Indonesia	Rupiah3,900	1.75	1,681	2,231	-25
Israel	Shekel8.90	3.01	3.84	2.95	+30
Italy	Lire4,500	2.64	1,940	1,702	+14
Japan	¥391	4.65	169	84.2	+100
Malaysia	M\$3.76	1.51	1.62	2.49	-35
Mexico	Peso10.9	1.71	4.70	6.37	-26
New Zealand	NZ\$2.95	1.96	1.27	1.51	-16
Poland	Zloty3.40	1.45	1.47	2.34	-37
Russia	Rouble8,100	1.62	3,491	4,985	-30
Singapore	S\$2.95	2.10	1.27	1.40	-9
South Korea	Won2,300	2.99	991	769	+29
Spain	Pras355	2.86	153	124	+23
Sweden	SKr26.0	3.54	11.2	7.34	+53
Switzerland	Sfr5.90	5.20	2.54	1.13	+124
Taiwan	NT\$65.0	2.53	28.0	25.7	+9
Thailand	Baht48.0	1.95	20.7	24.6	-16

*Purchasing-power parity: local price divided by price in the United States †Against dollar ††Average of New York, Chicago, San Francisco and Atlanta ††Dollars per pound
Source: McDonald's

Pink Blend on Paper

Is. 3:14-15

10:2, 30

11:4

25:4

32:7

Jer 5:4

20:13

22:16 L

Ez 18:12 *✓

Da 4:27 ✓

Am 5:11 *

8:4 /

~~Heb 3:11 *~~ /

3cc 7:10 ✓

Woe

Is 5:8-22

Am 6:1 ✓

Heb 2:6

Ps

39:6

49:6

73:12

Mt 11:5

19:21

*
Luk 4:18

6:20 ✓

7:22

14:13, 21

18:22

Rom 15:26

Gal 2:10

John 2:2-6

LOANS IN MARKET SOCIETIES

- **Loans are made to for economic reasons. People would rather not make them.**
- **The borrower must take the initiative to pay back the loan on a regular basis**
- **The borrower must pay back the full amount plus interest.**
- **The lender can collect by taking the debtor's assets, including home and livelihood.**

**HOW WOULD MARRIAGES BE
SEEN IF THE RELATIONSHIP IS
SEEN AS:**

- *Reciprocity*
 - *Redistribution*
 - *Market*
-

A THEOLOGY OF THE MATERIAL WORLD

- **What Scriptures and theological principles can we use to guide us in using economic resources?**
-

PROTESTANT ETHIC

AFTER YOU HAVE ENOUGH MONEY?

Medieval:

Stop working, rest and relate
to family and friends

Protestant:

Work more and save

Modern:

Work more, borrow and spend
it on yourself

HOW WOULD SOCIO-ECONOMIC RELATIONSHIPS BE SEEN IN:

[PARTNERSHIP]

- *Reciprocity based societies?*
 - *Redistribution based societies?*
 - *Market based societies?*
-

*How does each solve
the problem / ~~prevent~~ : prevent?*

WHAT WOULD PARTNERSHIP LOOK LIKE IF WE VIEWED IT AS:

- **ACCOUNTANTS**
 - **STEWARDS**
 - **FAMILY [brothers and sisters]**
-
- **OTHER**