

# The Urgency of Poverty and the Hope of Genuinely Fair Trade

A Surreponse  
to Paul Myers

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I am quite surprised that the heart of Mr. Myers's response is that we need to slow down and ponder the circumstances of the poor more carefully. I find this stance troubling. We have allowed the global poor to twist in the wind for too long. To make matters worse, we often tell them that they need to wait even longer while "wise, caring Westerners" deliberate how best to "fix" them. I am simply not reconciled to this notion. The existences of today's poor are fragile indeed—so much so that they may not live to see the better day we are slowing down to create for them.

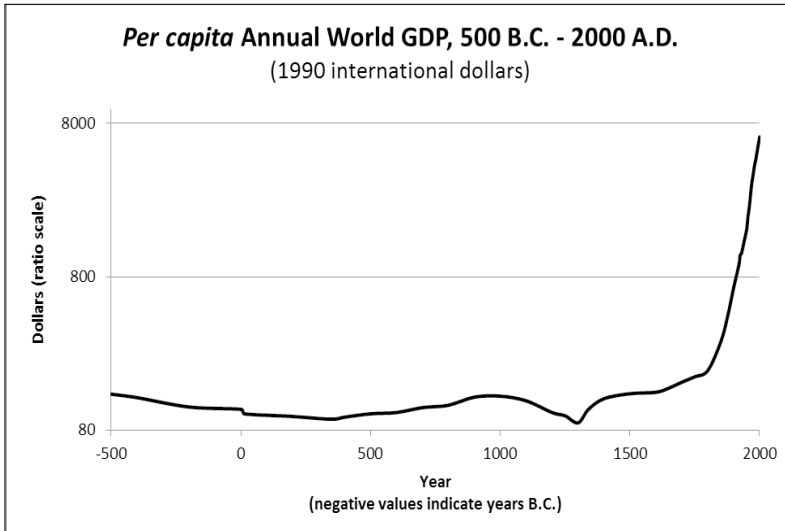
Perhaps some reminders about the desperation of the poor are in order. Each year roughly 5 million people—mostly children—die from water-borne diseases,<sup>1</sup> while 2.6 million children die from malnutrition.<sup>2</sup> Approximately 22 thousand children die each day from causes related to their poverty,<sup>3</sup> and every thirty seconds a child in Africa dies from malaria.<sup>4</sup>

The poor are impatient with their condition and rightly so. We should be as well.

Myers and I agree on a common goal: full flourishing for all. Every human bears the *imago Dei* and deserves the blessed opportunity to create, to enjoy meaningful work, to explore vocational calling, and to rest at the end of each day.

Surely, we have made progress toward that end, and Michael Kremer and Bradford DeLong have painted a striking portrait of it (see fig. 1). According to their numbers, human societies existed for more than one million years without experiencing even modest economic growth. According to Kremer and DeLong, inflation-adjusted global GDP *per capita* remained roughly 150 dollars—per year—from 1,000,000 BC until 1620 AD.<sup>5</sup> Mercifully, the Industrial Revolution

spurred an upward trend that appears to be boundless. This success is especially stunning because it means that global income has grown much faster than the global population.



**Figure 1**

**Source:** J. Bradford DeLong, "Estimates of World GDP, One Million B.C.–Present." Accessed February 12, 2013, [http://delong.typepad.com/print/20061012\\_LRWGDP.pdf](http://delong.typepad.com/print/20061012_LRWGDP.pdf).

Although global income per person is soaring, the gains are hardly distributed evenly. As figure 2 reveals, the average daily wage in 2011 was more than 130 dollars in the United States. In the same year, daily wages in India were about 10 dollars, and in sub-Saharan Africa the daily wage was less than 7 dollars.

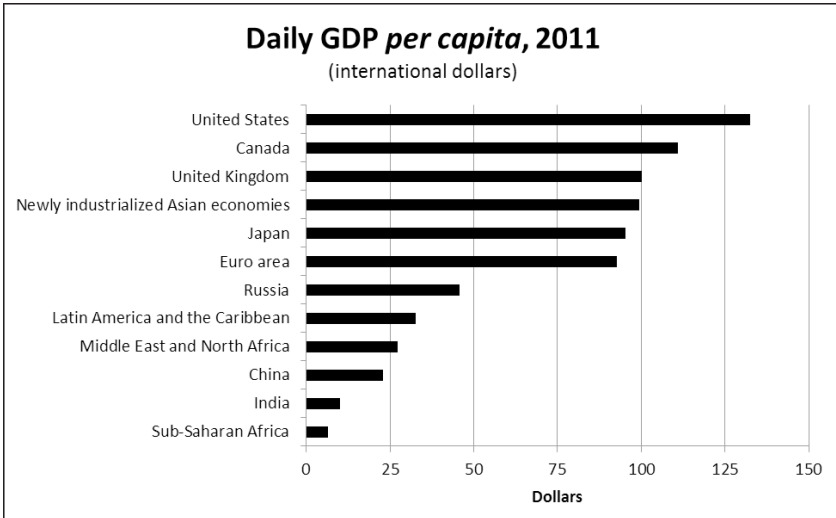


Figure 2

Source: International Monetary Fund, *World Economic Outlook Database*, October 2012, and the author's own calculations.

## Hope for the Poor

Putting together the information depicted in figures 1 and 2 leads to an intriguing conclusion: Global average incomes are on the rise, though—as figure 3 illustrates on the next page—incomes have not risen at the same rate for all.

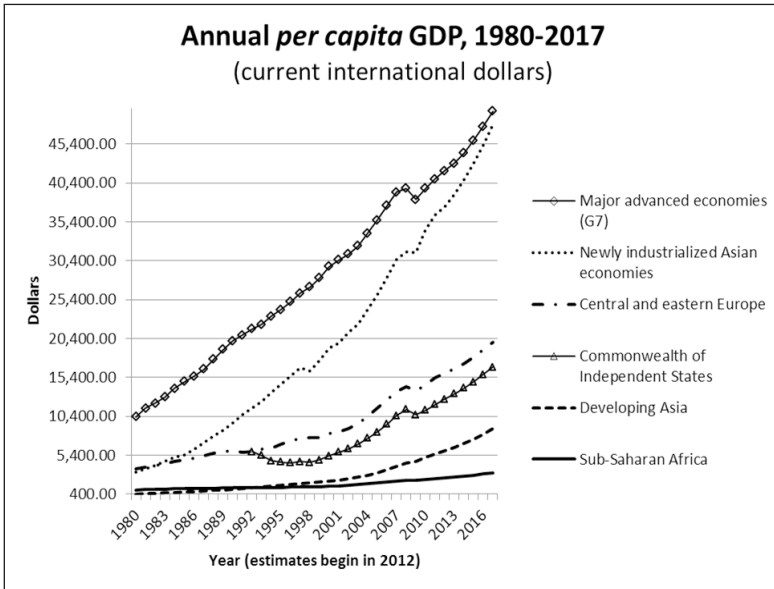


Figure 3

Source: International Monetary Fund, *World Economic Outlook Database*, October 2012.

This conclusion begs an obvious question: Why have living standards risen more quickly in some places than in others? The answer lies in thinking about global and local economies as gardens—all of which are capable of thriving and flourishing once the right preconditions are in place. When economic growth is absent or slow, the main reason is that societies sometimes lack the essential preconditions for economic growth—conditions that create the incentive system that encourages growth-producing activities. These three powerful preconditions are well-known among economists: economic freedom, clearly defined and enforced property rights, and well-functioning markets.

Consider the growth path of the four “newly industrialized Asian economies” (Hong Kong, Korea, Singapore, and Taiwan) in figure 3. Although they possess few natural resources and have large populations, these economies have nevertheless thrived—rising from the ranks of the global poor to the global rich in a very short time.

In fact something quite remarkable is beginning to happen across the globe. Although there are many who continue to struggle on less than one dollar per day, the global distribution of income has narrowed significantly during the last

few decades. Perhaps even more important is the startling fact that the number of people living in extreme global poverty is on the decline. Columbia University economist Xavier Sala-i-Martin estimates that between 1970 and 2000 the number of people who earn one dollar or less per day fell by 212 million, and the number living on two dollars or less decreased by 428 million.<sup>6</sup> Most of these gains have taken place in China and India—nations with large populations that are experiencing rapid growth and development.

Economic growth and development in an economy lead to gains for everyone. David Dollar and Aart Kraay conclude that the poor experience increases in their incomes that are, on average, proportional to a nation's rate of economic growth.<sup>7</sup>

## **Genuinely Fair Trade**

One of the single greatest impediments to increasing gains for the global poor is the unfair and immoral system of trade restrictions that already rich Western nations place on markets in which the global poor are best positioned to make significant gains. The developed nations need to discontinue such wrongheaded policies. We need to abandon our habit of protecting the already rich from those who remain poor.

Consider with me two specific cases. For starters, it is simply not fair to the global poor that American taxpayers subsidize American cotton growers. In one case, we handed a father-son cotton farm in California 3.5 million dollars over seven years.<sup>8</sup>

It is a helpful thing to consider who benefits and who loses from such arrangements. In this particular case, two people in California benefit: The father and son who apparently cannot run a profitable business if they had to rely on their own talents, skills, and interests alone. One may also argue that their employees benefit—at least in the short run—because they get to keep their jobs, albeit by doing work that American consumers apparently do not find particularly valuable.

Who loses from this arrangement? Nearly everyone else. American consumers who enjoy wearing cotton garments lose. Cotton is cheap to grow, requires relatively little skill, and can be grown in some of the poorest locations on the planet. Instead of getting our cotton from international sources at low prices, we prop up already well-off US cotton farmers by giving them millions of our fellow taxpayers' dollars. Thus American consumers lose because their clothing costs more than it needs to, and their taxes are higher than they need to be. This hurts *all* Americans, whether rich or poor, because we can all benefit from lower clothing prices—especially the poor among us. It also hurts the poor in other countries who would like to sell us their cotton but are fighting an uphill battle.

Or consider our attempts to protect “poor” American sugar growers. Right now it is illegal in the United States to buy sugar from any foreign source. Sugar is a crop much like cotton: it is cheap to grow, requires little skill, and can be grown in some of the poorest places on earth. It should come as no surprise, then, that the consequences of our efforts to protect US sugar are eerily similar to the results in the case of cotton. Sugar growers in the United States benefit at the expense of US consumers, US confectioners, and the poor sugar growers who would dearly love to have access to our markets.

The fairest trade of all is trade that is genuinely free. This is the truly fair trade envisioned by Joseph E. Stiglitz and Andrew Charlton in their book *Fair Trade for All*.<sup>9</sup> One of the ways in which the already rich can serve the poor is to work to ensure that our trade with poor countries really is free—free from political logrolling by politicians desperate for votes, free from opportunistic lobbying by industries such as US sugar and cotton, and free from the harm to the global poor that well-intentioned rich Northerners like us can sometimes bring.

## What Is to Be Done?

It seems unlikely that narrowly focused initiatives such as fair trade coffee will ever lead to significant and lasting gains for the poorest among us. Given that one of the primary causes of entrenched global poverty is unfair trade policies that are presumably “protecting” the global rich from the global poor, so-called fair trade initiatives are merely one of many pieces of duct tape that caring Christians attempt to use to patch up a system of international trade that is fundamentally unfair to the poor.

There is nevertheless much we can do. First, we can work to eliminate protectionist trade barriers so that the poor have a level playing field when it comes to trade. Second, we need to remember that poverty comes in both material and spiritual forms. We kid ourselves when we become so focused on one form of poverty that we overlook the other—whether in the lives of others or in our own. Third, we need to be stronger advocates for basic human rights across the globe.

Finally, we need to actively participate in the educational and vocational advancement of the poor. One of the most powerful tools in the global economy is education because it leads to greater income-earning possibilities. Nevertheless the benefits of education do not stop there. According to the United Nations, even basic education leads to dramatic increases in the quality of life. Consider just one example: Although more than 40 percent of women in Africa do not have access to basic education, the children of a woman with just five years of

primary school education have a survival rate 40 percent higher than children of women with no education.<sup>10</sup>

While fair trade may lead to slight gains for the poor, it is genuinely fair trade—free trade—that will continue to lift millions out of poverty. Our work is not complete until we no longer think in terms of “us” and “them.” With the eventual full human flourishing that God intends, such distinctions will become artifacts of what I hope will be a faintly remembered past.

## Notes

1. “Fast Facts: The Faces of Poverty,” UN Millennium Project, accessed February 12, 2012, <http://www.unmillenniumproject.org/documents/UNMP-FastFacts-E.pdf>.
2. Robert E. Black et al., “Maternal and Child Undernutrition: Global and Regional Exposures and Health Consequences,” *Lancet* 371, no. 9608 (January 19, 2008): 243–60; UN Inter-agency Group for Child Mortality Estimation, *Levels & Trends in Child Mortality: Report 2011* (New York: UNICEF, 2011), accessed February 12, 2012, [http://www.childinfo.org/files/Child\\_Mortality\\_Report\\_2011.pdf](http://www.childinfo.org/files/Child_Mortality_Report_2011.pdf).
3. United Nations Children’s Fund, *The State of the World’s Children* (New York: UNICEF, 2009), accessed February 12, 2013, [http://www.unicef.org/rightsite/sowc/pdfs/SOWC\\_Spec%20Ed\\_CRC\\_Main%20Report\\_EN\\_090409.pdf](http://www.unicef.org/rightsite/sowc/pdfs/SOWC_Spec%20Ed_CRC_Main%20Report_EN_090409.pdf).
4. “Fast Facts: The Faces of Poverty.”
5. For the sake of space, in creating figure 1, I have truncated DeLong’s data so that it extends backward “only” to 500 BC.
6. Xavier Sala-i-Martin, “The World Distribution of Income: Falling Poverty and ... Convergence, Period,” *Quarterly Journal of Economics* 121 (2006): 351–397.
7. David Dollar and Aart Kraay, “Trade, Growth, and Poverty,” *Economic Journal* 114 (February 2004): F22–F49.
8. *Myths, Lies, and Nasty Behavior*, with John Stossel, ABC News (October 17, 2006), accessed February 16, 2013, <http://abcnews.go.com/2020/story?id=448934>.
9. Joseph E. Stiglitz and Andrew Charlton, *Fair Trade for All: How Trade Can Promote Development* (New York: Oxford University Press, 2005).
10. “Fast Facts: The Faces of Poverty.”