

BOOK REVIEW

Challenging the Injustice of Poverty: Agenda for Inclusive Development in South Asia

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by Rehman Sobhan, Published by Sage Publications, Delhi, 2010, pp. 486, INDRs. 895

South Asia is the second fastest growing region in the world after East Asia. This growth has reduced poverty rates but they have not fallen fast enough to reduce the total number of poor people. This is despite growth being complemented with various poverty alleviation programmes. The number of people living in poverty has actually increased and South Asia has the largest number of people living in poverty in the world. It has nearly 600 million people living on less than US \$ 1.25 a day — more poor people than Sub-Saharan Africa. Why does South Asia have such poverty despite growing economies and many poverty alleviation programmes in place? Prof. Rehman Sobhan attempts to answer this question in the book and suggest a possible way forward.

Poverty is a subject that has been in the academic debate for long years. It is now an accepted fact that growth alone is inadequate to address the problem of poverty. The international community has recognized this fact and their development assistance today is one way or another linked to poverty alleviation. The recent initiatives such as PRSP (Poverty Reduction Strategy Paper), MDGs (Millennium Development Goals), etc., reflect this, but Prof. Sobhan argues that increased resource flows under these programmes to combat poverty may not be effective unless policy makers address the

structural sources of the problem which create and perpetuate poverty. This is the key theme of the book.

The book is an outcome of six years of untiring work specifically on the subject conducted jointly by the Centre for Policy Dialogue (CPD), Bangladesh and South Asia Centre for Policy Studies (SACEPS), Nepal (as shown in Annex 3C of the book). In order to obtain the individual South Asian country specific poverty situation, studies were commissioned to obtain inputs for the book (as shown in Annexures 3A and 3B in the book). So the arguments developed in this book are an outcome of comprehensive research and extensive dialogue.

At the onset, Prof. Sobhan says ‘Our study is predicated on the proposition that the persistence of poverty, and growth in inequality derives from the unjust nature of social order which effectively excludes the resource poor from equitable opportunities for participating in the development process’. He goes on to say, ‘Unless the structural injustices which underlie poverty can be corrected, poverty will persist across South Asia’. Then he goes on to highlight the possible way forward with interventions to promote a more inclusive development process by illustrating a number of examples from South Asia.

The central premises of the work, seek to move away from visualization of poverty as a measure of income deprivation. Attempt is made to re-define poverty as a process which excludes significant segments of the population from opportunities to participate on equitable terms in opportunities for development and decision making in society. It is argued that eradicating poverty should thus be measured through the change in opportunity structures for the excluded. It is an attempt to provide a somewhat different though not necessarily an original interpretation of poverty in South Asia.

The inequitable distribution of opportunities across society between the rich and the excluded is defined as ‘structural injustice’. The term ‘structural’ indicates that exclusion does not derive from the play of market forces but originates in the structural arrangements of society which determine the working of market forces, as well as the design and functioning of its institutions. The assumption underlying this structural perspective on poverty recognizes that neither targeting of development resources to the excluded, nor the promotion of growth, are likely to resolve the problem of poverty. Prof. Sobhan also shows that it is not enough to recognize the salience of structural issues in the poverty discourse, without addressing the political economy which underlies the structural features of a society.

He highlights four main areas of structural injustice: (a) unequal access to assets, (b) unequal participation in the market, (c) unequal access to human development, and (d) unjust governance.

In brief, the above areas are elaborated as follows in the book. In regard to (a), the author argues that inequitable access to wealth and knowledge disempower the excluded from participating competitively in the market place. Historical injustice and political economy are used to show how such exploitative and inequitable structures emerged over the years to prevent the poor having access to land and corporate assets.

In regard to (b), it is argued that the resource poor remain excluded from the more dynamic sectors of the market, i.e. those benefiting from globalization, due to the prevailing property structure of society. It is shown that the excluded interface with the dynamic sector of the economy only as primary producer or wage earners at the lowest end of the marketing chain where they sell their produce and labour under severely adverse conditions. The author argues that the incapacity of the excluded to share in the value addition process derives from institution failure, i.e., the incapacity of primary producers to come together through collective action, to enhance their bargaining capacity in the market place.

In regard to (c), the argument is that in an increasingly knowledge-based global economy, which is driving the IT revolution, inequitable access to quality education, relevant to the dynamics of the market, is a major contributory factor for deprivation of the excluded. In regard to (d), the argument is that institutions of democracy remain unresponsive to the needs of the excluded, both in the design of their policy agendas as well as the selection of their electoral candidates. The author argues that this lack of appropriate political response to the voices of the excluded reflects a form of political market failure in South Asia. It also reflects according to the author, a form of institutional failure whereby the excluded have remained, as in the economic market place, unable to get themselves heard.

After elaborating on these four areas, Prof. Sobhan makes suggestions how to correct these injustices. The general recommendation is empowerment of the excluded by strengthening their capacity to participate on more equitable terms in a market economy and democratic polity. The policy agenda is premised on elevating the excluded from agents into principals through re-positioning them within the process of production,

distribution, and governance. The intention is to graduate the excluded from wage earners and tenants to owners of productive assets by investing them with capacity. The author states that democratizing access to assets and markets should be backed by equitable access to education and health care.

Re-positioning of the excluded should be built upon strengthening their capacity for collective action – this is, strengthening their capacity to participate and share the benefits. The author proposes policy interventions in the following areas to empower the excluded: (1) expanding the ownership and control of the excluded over productive assets, (2) strengthening the capacity of the excluded to compete in the market place, (3) designing institutions for collective action by the excluded, (4) enhancing access to quality education, (5) re-designing budgetary policy to reach the excluded, and (6) restructuring financial policy to deliver credit and provide savings instruments to the excluded.

Liberating the productive potential of these millions by investing them with resources and skills, it is argued, will stimulate, internalize and sustain the growth process across South Asia. This is the more inclusive development process the author advocates while recognizing that there will be political economy constraints for rectifying structural injustice. This policy advocacy has some resonance with socialism of the new school.

The author states that since a broad canvass is covered and the work intrudes to unchartered policy area, the research remains a work in progress, which, constantly needs to be fertilized by ongoing dialogue at the professional, policy making, and political level. The author also makes the point that injustice of asymmetrical globalization is not dealt with in the book. It is here that some of the arguments of the author may need detailed scrutiny. Making the excluded the principals, making collective action against unequal participation in the market, etc., may in fact, prove to be more difficult with current trends in globalization.

In the globalized world where capital has become volatile, jobs are vulnerable and disposable; employers disappear into a vague and shady background. Informal work is a clear feature of the current wave of globalization and there is a casualization of formal sector jobs into vague arrangements or no arrangements. For instance, in Sri Lanka, after three decades of liberalization, 62% of the workforce is in the informal sector. Moreover, over the years, control of production systems has shifted away from manufacturers into the hands of companies designed mainly to trade in the production of others. Chains of production with lead firm and several suppliers, with the lead firm no longer responsible

for the employment relationship and working conditions, is a common phenomenon today. Not only is production outsourced but labour too is outsourced. Hence becoming a principal in the production process is possible in traditional and well-established import substitution type of sectors (like the examples the author has given: Amul –India, Cargill – Sri Lanka, etc.) and not necessarily in export-oriented industries dominated by FDI and multinational corporations (MNCs). This area will need further research, i.e., identifying production areas where empowerment of excluded (marginalized) is possible via collective action.

In the section on institutions for promoting collective action, there is a discussion of Employee Share Ownership Programmes (ESOPs) but it is not clear how ESOPs would work in the informal sector where most poor labourers work. The fundamental question will arise as to who will take responsibility for establishing an ESOP.

It is suggested that the international community should take this matter of broadening the share ownership by workers in companies they are dealing with but as highlighted above, international production by MNCs is characterized by splicing the value added chain and shredding labour. Moreover, FDI prefers liberal labour legislation and therefore it is doubtful whether the initiative will come from the international community who are much influenced by the MNCs, unless the demand comes from the consumers in the western world.

These are some of the points that the author can reflect on in the on-going work of this project and when he thinks of writing a Volume 2 to this book. Despite these concerns, the argument on ‘structural injustice’ is valid and important and it is hoped that this issue will sooner rather than later, find a place in all poverty related programmes such as PRSP, MDGs, etc., of international institutions.

One can learn a great deal from reading this book. It will open a debate on poverty alleviation once again in South Asia where there are already two Independent South Asian Commission on Poverty Alleviation reports and as per the 13th SAARC Summit declaration, SAARC countries have geared themselves to achieve SDGs (SAARC Development Goals) by 2015 (in addition to the MDGs). It is indeed a remarkable piece of work on mainstreaming the poor via corporate assets and working out innovative collective arrangements.

The book is a distillation of Prof. Sobhan's thoughts over a lifetime of reading, thinking, contemplating and acting. He has combined great analytical skills with deep scholarship and brought home some key factors that determine poverty in the South Asian region. It is a must read for all those who are interested in the subject.

(Review based on a speech delivered at the launch of the book at the Indian International Centre, Delhi on 16 September 2010).