

Lesson Six

Wealth and Poverty

Aims

The aims of this lesson are to enable you to examine:

- different definitions of poverty and wealth and income;
- different explanations of the distribution of poverty, wealth and income between different social groups;
- different explanations of the existence and persistence of poverty;
- different solutions to poverty with particular reference to the role of social policy.

Context

In this lesson we will examine different definitions of and theories about poverty and wealth, and go on in the following lesson to link these issues to that of welfare.



The textbook references for this lesson and Lesson 7 are:
Sociology AS for AQA, ch. 4.

and also (optionally):
Sociology: Themes and Perspectives, Ch. 4 and pages 19-25.



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Introduction

In this lesson we will be exploring different definitions of poverty and how wealth, income and poverty can be measured. The lesson will also examine the distribution of wealth amongst social groups and discuss why poverty still exists within a modern society.

Social policy plays a significant role when addressing issues of poverty and the lesson will cover some of the key legislative policies as well as exploring what other welfare provision is available from the public, private and voluntary sectors.

Forms of Poverty

(a) Absolute Poverty

The traditional way of approaching the subject of poverty was to relate a person's or family's income or resources to that required for subsistence. In the 1890s Charles Booth calculated that an income of between 18 and 21 shillings (£1.05) was necessary to maintain a *moderate* family in terms of food, rent and clothes in London, and so this figure provided his absolute poverty line.



poverty in Dublin, Ireland,
around 1901

In the other classic study of poverty, **Seebohm Rowntree** in York (1899) established an absolute poverty line based on the cost of providing 3,500 calories a day for men involved in *moderate muscular work*, and then added to it figures for the cost of clothes and shelter. The 'poverty line' was the income needed to cover these costs; therefore below this threshold was poverty. Today a similar approach is involved in determining levels of benefit for the low-paid, unemployed and so on, which are based on the concept of need rather than desert.

This definition provides a clear measure of which sections of society are in poverty at a given time but it does not account for changes over time. For example in modern society some goods are considered to be a necessity, for example a washing machine, but decades ago it would have been considered to be a luxury.

Today we measure by what is called the 'budget standard measure' which was developed by Bradshaw in 1990. This method uses research information about spending patterns of the poorest groups in society and uses the data to establish what would be a modest budget; below this level an individual or family would be considered to be living in poverty. This is really an updated form of the Rowntree method.

(b) Relative Poverty

The subsistence view of absolute poverty has come under great attack over the last few decades. As **Peter Townsend** and others have pointed out, it ignores individual dietary requirements, particular needs in particular localities, and the incomes of society as a whole. This has led to the view that poverty is a relative and not an absolute phenomenon.



As Townsend (left) pointed out in a letter to *New Society* in August 1980: *Poverty is relative because need is relative to social institutions and practices.* Hence a person in the hinterland of West Africa may be seen as rich if he or she owns a bicycle, while in parts of the USA *poverty* is indicated when the car is not changed each year.

Townsend has also stressed that poverty cannot be indicated simply in relation to having sufficient money for food, clothing and shelter. He refers to an old lady he interviewed who saw the purchase of a birthday card for a young relation as of greater importance to her than food, etc. It is part of *normal* or expected behaviour in our society to send such a card, and so the lady correctly saw it as essential to her whole social identity to behave in this way.

Neither absolute nor relative concepts of poverty are as clear or objective as they might appear. Rowntree, for example, added the cost of a daily newspaper as an essential expenditure in his 1936 study, and this shows the element of subjectivity involved in determining what is necessary. Relative poverty is clearly even more difficult to pin down, as some might see its existence simply in the patterns of income and wealth inequality in society, while others might see the need for feelings of hardship and perhaps envy and resentment. It is, however, a more valuable concept because it both indicates that poverty is a problem that is unlikely to be removed and that its implications vary from time-to-time and place-to-place.

Therefore the definitions and explanations of relative poverty are linked to societal expectations at any given time. The disadvantages of this definition are that it cannot be representative of any other society and so cross-cultural comparisons cannot be drawn. In addition, as previously discussed, quantifying a normal standard of living is difficult.

(c) The 'New' Poverty

Several writers have identified a new form of poverty in modern industrial society based on technological change. **Ivan Illich**, for example, has pointed to the pollution from petrol fumes, nuclear waste, factory affluence and so on that leads to a deterioration of

living standards for all. He also points to what he calls *impoverishing wealth*, with everyone being pressurised into seeing the latest gadget as essential and feeling the need to rely on experts or specialists to help run their lives. Illich writes scathingly about the teaching profession confusing teaching with learning, the medical profession substituting cure for prevention and in practice creating more medical problems (iatrogenic diseases).

The theme was taken up by **Jeremy Seabrook** in an article in *New Society* in February 1980. According to Seabrook the removal of traditional forms of poverty has coincided with *the shedding of human resources, the relinquishing of wisdom in favour of what can be bought for money; a slow and continuous process of subordination to the mighty purveyors of all good things and the professional answerers of human needs*. He further sees *an assault on the values and morality of the working class, leading to the boredom of the young and the sourness and resentment of the old*.

Perhaps even more clearly than the other forms of poverty, such a view involves subjective judgments. Illich sees self-sufficiency as a form of birth-right, and is critical of any moves that increase the individual's reliance on others, a view with which many would disagree. Seabrook correctly identifies problems that have followed the break-up of working-class communities by re-housing schemes and decay of old industries, but he could be accused of romanticising a by-gone era in which people faced more serious social problems than they do today.

d) Social Exclusion

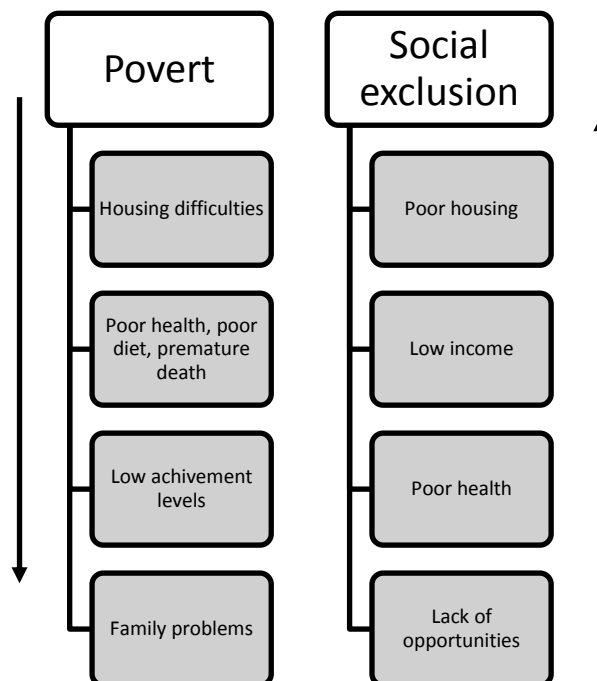
The previous New Labour government was keen to use the term Social Exclusion, rather than poverty. This can be defined as the inability to fully participate in society, due to a lack of money, high unemployment, rising crime levels and inadequate education. However, the coalition government which came to power in 2010 did not seem so keen on accepting social exclusion as the new definition of poverty.

The link between social exclusion and poverty also originated from the ideas of Townsend (1979) who argued that anyone denied full membership of society was socially excluded. Social exclusion is seen as a static concept because it has existed through many generations and continues to exist in modern society because there will always be poverty and inequalities in wealth.

It is difficult to measure social exclusion but there are accepted indicators which include unemployment, lack of skills, poor health, residing in areas where there are high levels of crime, family breakdowns and poor living conditions/housing.

The key differences between poverty and social exclusion are that poverty leads to a whole range of different social problems whereas social exclusion occurs as a consequence of specific social problems. See Figure 1 for a simple representation of this.

Figure 1: The differences between poverty and social exclusion



Measuring relative poverty

It is useful to have an idea of how relative poverty is measured and there are currently two methods:

- 1: **The relative income measure or HBAI.** It is called HBAI because the abbreviation stands for **Households Below Average Income**. This measures income as a proportion of a typical household income. In other words it measures against another figure and currently the premise is that if a household receives less than 60% of the median British income then it is said to be in poverty. The median is an ever-changing and flexible figure.
- 2: **Consensual measure of poverty** is a method by which possessions and services are measured. In other words, possessions and services are ranked according to perception of necessity. These include things like beds and bedding, heating, having a minimum of two meals per day, having a refrigerator, having access to a GP, being able to eat fresh fruit and vegetables each day, being able to

afford to visit family and friends and celebrate key events such as birthdays (Gordon et al, 2000).

The Extent of Poverty in Modern Britain

A detailed account of the extent of poverty in modern Britain is provided in recent books by both Atkinson and Townsend, but perhaps the most valuable outline of literature on the extent and causes of poverty is provided by Robert Holman in *Poverty: Explanation of Social Deprivation* (1978). Referring to various surveys, he pointed out that in 1975 nearly 3 million people were in receipt of benefits, and he quoted a 1974 report from the Child Poverty Action Group which claimed there were 13 million families living on incomes not more than 40% above basic benefit rates which provide the official definition of poverty.

He also quoted Evason's study of 1973 which investigated the actual expenditure patterns of a sample of households and concluded that large families of 4+ children simply faced a permanent financial crisis and inadequate diet. Holman's own conclusion was: *Whichever definition of poverty is used the numbers in poverty are to be counted in hundreds of thousands, or millions, rather than hundreds.*

David Donnison gives a horrific picture of the continuation of absolute poverty in modern Britain (*New Society*, July 1980) when he writes:

Undernourished people hurrying by, clutching plastic clothing around bodies which are painfully thin or bulge mis-shapenly. Houses in which you sit shivering in your over-coat to interview pallid women, and step out gratefully to warm up - walking through snow and slush. Unpaid fuel bills; rent arrears; children with running noses; the sour smells of condensation and dirty laundry.

If it can be argued that elements of absolute poverty remain, then the case for relative poverty is unanswerable. Despite the creation of the Welfare State, vast inequalities remain. Metcalf points out that in 1886 a male worker 10% from the bottom of the annual pay distribution earned 68.6% of the median, while in 1979 the corresponding man was paid 68.3% of the median. Since 1938 the earnings of the poorest-paid tenth of male manual workers have more or less stood still at about 68% of median earnings, and without overtime a third of the full-time adult work-force would officially be defined as *low paid*.

A similar story can be discerned in the distribution of wealth. Wealth is even more difficult to measure accurately than income, as

the government does not collect information on wealth for tax purposes. There is also the problem of defining wealth, with the two main distinctions being *marketable wealth* and *non-marketable wealth*. Marketable wealth includes anything which can be sold and its value realised, such as land, shares, savings, houses and personal possessions. Non-marketable wealth, on the other hand, included non-saleable assets such as salaries and pensions. Most wealth is still to be found among a small minority of people.

Wealth Inequality

In terms of wealth inequality, Revell pointed out in 1967, for the population over the age of 25, the top 1% owned 42% of total personal wealth and the top 10% owned 83%. Westergaard gives figures to show that in 1960 in terms of post-tax income the richest 1% earned as much as the poorest 30% and the richest 5% almost as much as the poorest 50% added together.

Finally, the Child Poverty Action Group produced some rather shocking statistics in 1984. They found that 7.7 million people were living on or below the benefit line (equalling 14.4% of the population) with another 15 million on its margins. Those that would officially be defined as in poverty included 75% of the unemployed, 67% of the elderly, 55% of one-parent families, 47.5% of the sick and disabled, and 10.7% of those in full-time work. Nowadays, wealth is still unequally distributed, with the top 10% wealthiest UK citizens owning 90% of the country's wealth.

'Poverty in the United Kingdom': Peter Townsend

Peter Townsend's massive review of poverty in the United Kingdom was published in 1979, but it still merits a short outline of his findings and comments in its own right.

Townsend says:

The chief conclusion of this report is that poverty is more extensive than is generally or officially believed and has to be understood not only as an inevitable future of severe social inequality but also as a particular consequence of actions by the rich to preserve and enhance their wealth and so deny it to others (p. 893).

He therefore sees control of wealth as the only means of alleviating or ending poverty in a society. In addition to the absolute standard of poverty as indicated by the supplementary benefit line, and the relative income standard, Townsend stresses the existence of a

relative deprivation standard, which is related to the level of income for each type of household or income unit below which the capacity to fulfil membership of society diminishes disproportionately to income. This membership of society included those diets, amenities, standards, services and activities which are common or customary in society.

His basic findings were:

1. By the State's standard, almost 5 million people were in poverty and a further 12¹/₂ million were on the margins of poverty in terms of income levels.
2. By the relative income standard 9.2% of the sample in households were in poverty and a further 29.6% on the margins (relative poverty was based on incomes of less than 50% of the mean for households of their type).
3. By the deprivation standard over ¹/₄ of people were living in poverty on the basis of their income.

In order to attack poverty, Townsend stresses the need for the abolition of excessive wealth and excessive income, some breaking down of the distinction between *earners* and *dependants*, the introduction of a legally enforceable *right to work*, the reorganisation of patterns of employment and work practice, and growth in the rights and responsibilities of local communities (p.926).

Risk groups

It should now be apparent that there are specific risk groups in society with regard to becoming impoverished or being 'stuck' in poverty. These groups are briefly outlined as follows:

The long term sick and disabled

These individuals can suffer long term financial hardship which leads them into poverty or maintains them in poverty.

Lone parent families

This group is at high risk of becoming financially poor because there is only one income and often the lone parent cannot work because they have to provide child care.

Unemployed and low income groups

Those with low levels of income or in households where one or more partner is unemployed can experience diminishing standards of

living and a descent into poverty. There are also psychological impacts such as stress and depression which compound the effects, as well as other kinds of ill-health.

Older adults

With people living longer, many more elderly individuals are descending into poverty as their pensions do not cover the cost of living and standards fall. There is little opportunity for older people to boost their income and for those who have to survive on a state pension and have no savings, rising costs diminish the value of their pension. Being elderly does not necessarily make you poor but it increases the risk of becoming poor.

Ethnic minority groups

These groups are at a higher risk of poverty because they are generally employed in lower income jobs and have higher unemployment rates than other groups in society

Women

Most of the groups in poverty have a larger number of women than men. Women are more likely to be in part-time low-paid work than men.

Demographic factors

Where you live can have an impact on your risk of being in poverty. This is directly linked to opportunities for employment and things like transport.

Recent Research on Poverty

Research in the 1980s and 1990s has indicated the continuation of poverty in its various forms. The 1984 Policy Studies Institute study found that "severe financial hardship" was being experienced by many people on Supplementary Benefit (now called Income Support), with three-fifths of the children involved missing items from a standard set of clothing. According to *Social Trends*, local authorities in 1987 accepted responsibility for 118,000 homeless households, and rising mortgage rates in the late 1980s and early 1990s are likely to exacerbate this problem. Between 1979 and 1983 there was a 33% increase in the number of families falling below the Supplementary Benefit line, and a 54% increase in the number on it.

In terms of relative poverty, the percentages of households headed by pensioners and the unemployed with below half average income rose between 1981 and 1985, but those of the disabled and single

parents fell, thereby altering slightly, the profile of poverty. See Table 1.

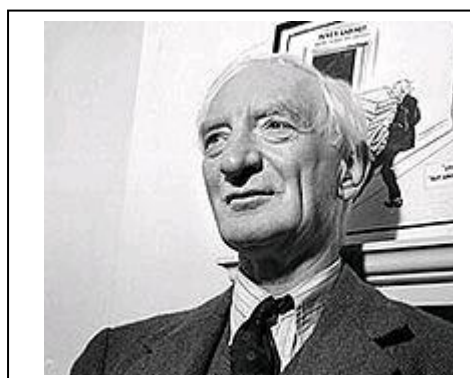
Table 1: Individuals Below Half Average Income 1961-1991

	<i>Single - no children</i>	<i>Single - with children</i>	<i>Couple - no children</i>	<i>Couple - with children</i>	<i>Single pensioner</i>	<i>Pensioner couple</i>
1961	1.5	0.5	0.8	3	2.5	2.4
1963	1.5	0.6	1.1	3	2.6	2.5
1965	0.8	0.8	0.8	2.8	2.4	2.3
1967	0.7	0.8	0.7	2.6	2.1	2.1
1969	0.9	0.6	0.9	2.6	2.2	2.3
1971	0.9	0.9	1.0	2.6	2.3	2.5
1973	0.8	0.6	1.0	2.5	2.3	2.3
1975	0.8	0.6	0.7	2.5	1.4	1.7
1977	0.7	0.6	0.8	2.5	1.0	1.3
1979	0.9	0.7	0.7	2.6	1.0	1.8
1981	0.8	0.8	0.8	4.0	0.9	1.2
1983	1.6	0.7	1.2	3.5	0.8	1.1
1985	1.4	0.9	0.9	5.1	1.1	1.2
1987	2.1	1.0	1.9	6.0	1.6	2.4
1989	3.2	2.1	1.7	6.0	2.5	3.1
1991	3.1	2.7	2.2	6.5	2.5	3.2

Adapted from Joseph Rowntree Foundation 'Inquiry into Income and Wealth' Volume 1 1995.

The Welfare State and Poverty

Increasingly questions are being asked which link the subject of poverty with social policy and the *welfare state* which is discussed later and in more detail in the next lesson. It is useful here, then, simply to raise a few of the key features of the *welfare state* which could be mentioned in any discussion.



The UK welfare state was started following a report by **Lord Beveridge** (left) in the 1940s, outlining 'five giant evils' which were threatening the well-being of society. Beveridge introduced National Insurance, the NHS, free state education, new council housing and the notion of full male employment to tackle these giant evils.

Causes of Poverty in Industrial Societies

While arguments can rage about the significance of absolute and relative poverty in Britain, its existence will generally be admitted to the extent of seeing the need for some form of assistance or benefit. However, ideological considerations come into the interpretation of the causes of poverty, and these can be placed in a rather simplified model that ranges from extreme *right-wing* interpretations to extreme *left*.

- (1) *Individual responsibility*: Some writers such as Murray and Herrnstein stress the rôle of inheritance in determining intelligence and mental stability. Earning-power and the ability to cope with environmental challenges is seen as the product of this, and so poverty reflects poor inheritance. A variation on this is provided by E.C. Banfield who talks of *lower class individuals* who seek out the slum which is *an expression of his tastes and style of life*, with the slum being *a place of excitement - where the action is*. This is viewed by some as a psychiatric problem which requires treatment.
- (2) *The over-indulgent state*: In this view, the provision of welfare services by the state is seen to be diminishing people's incentive to work, and rendering them dependent and child-like. Poverty can be ended or vastly diminished by removing such provisions and giving *social security scroungers* the incentive to work. Such an ideology created the workhouses of the nineteenth century, based on the principle of *less eligibility* so that only the really desperate would seek relief.

Its modern form is found in the work of Murray. He talks about a developing underclass with no experience of work and no desire to find it.

- (3) *The 'Culture of Poverty'*: Oscar Lewis in his Latin American studies identified whole communities whose values prevented them from taking advantage of opportunities to lift themselves out of squalor. He argues *the poor constitute a distinctive culture experiences, attitudes and values generated in poor communities are passed on from one generation to the next in a never-ending cycle*.

Feelings of helplessness, inferiority, resignation and fatalism lead them to be *not psychologically geared to take full advantage of changing conditions or increased opportunity*. In Lewis' view whole groups are not integrated into society, do not participate in it, and lack any effective organisation as a result of these values that he called a *culture of poverty*.

Activity 1

Now read the following passage.

In some respects there seems to be a parallel between the description of Lewis of the culture of poverty and our own first impressions of slum life in Nottingham. We observed hopelessness and despair, we saw that our respondents did not participate to any real extent in the 'major institutions' of the larger society, even in such institutions as trade unions which self-interest might dictate. Nevertheless, except for the so-called 'problem families', the poorer families could not be said to be culturally distinct from the richer. They seemed to respond to the same values, to share the same basic assumptions, to accept similar restraints. Their hopes for the future may not have been as high as those in mainstream society but there was no indication that this was due to a culture of poverty. More likely, it was simply a 'realistic' appraisal of their possibilities, given that they had so little power at their disposal to change them.

Adapted from K Coates and R Silburn 'Poverty : The Forgotten Englishmen' 1970

Question

1. How far do the findings of Coates and Silburn support the theory of a culture of poverty?



- (4) **Cultural Deprivation:** This is similar to the *culture of poverty* view, except that it sees individuals or groups inadequately socialised into the prevailing culture, rather than forming a distinct or opposition culture. Spinley's 1950s study pictured London slum-dwellers as people who had received inconsistent parental treatment and lacking in the value of postponing the gratification of desires; this created insecure personalities and rebelliousness.

This view has been reiterated in the 1970s by the leading Conservative politician Sir Keith Joseph, who in a famous speech argued *the roots of much deprivation go back to infancy and early childhood when the child is developing emotional and social relationships and looking for models of behaviour ... inadequate people tend to have inadequate parents and ... inadequate parents tend to rear inadequate children*. He went on to stress the existence of a *cycle of deprivation*, with inadequate parents having large families that they could not hope to train to be anything more than inadequate parents.

- (5) **Institutional Failure:** This view accepts that poverty could be eradicated if only the available institutions were made to function more effectively. Several problems are assigned partial responsibility for this. Writers such as Titmuss and Rein have pointed to technical inefficiencies of the system, with off-putting practices deterring many of those in need from claiming benefits. Kincaid, for example, in *Poverty and Equality in Britain* saw poverty as a *direct consequence* of limited effectiveness of social security provision, with national insurance benefits leaving people below the poverty line, and social stigma and lack of knowledge working against claiming supplementary benefits.

The Seebohm Report commented in 1968 on the fragmentation of provision, and the study by the pressure group *Shelter* of the Granby Street area of Liverpool pointed to the fact that the problems of poverty cut across administrative and functional boundaries, with a combination of educational, health, employment, housing and racial factors making it difficult to deal with them at once.

- (6) **The Structural Argument:** This is essentially the radical approach, involving arguments that clearly owe much to a Marxist analysis. Alonso saw poverty as the direct corollary of wealth, with the latter creating opportunities for choice that naturally forced the relatively poor into even greater situations of disadvantage. Marx saw the impoverishment of the proletariat as the inevitable consequence of capitalism.

However, it is not just Marxists who see the cause of poverty located in the class system. Townsend sees the growth in poverty in cities as a result of widening inequalities in the labour market. In other words, it is firmly located in the class system and can only be tackled by radical policies by the government.

Activity 2

Read the following extract and answer the question which follows it.

The prime reason for the existence of poverty lies in the inequalities in occupational rewards, created by a highly stratified labour market. Large parts of the population are denied access to work which has good pay, security and otherwise good conditions. The existence of poverty is thus related to the fact that Britain is a hierarchically organised society. If poverty is to be reduced then Britain must become a less hierarchical society with a smaller share of national resources gravitating towards higher groups in society.

The fact that the majority of national resources are channelled through the individual wage system rather than, say, through child benefit and social security systems means that groups who are not part of the paid workforce or of the family of that workforce are put at a disadvantage. This includes people who are disabled, chronically sick, retired, long term unemployed and those in one parent families. They are denied access to paid employment, their income provides only bare essentials and they have become a kind of modern underclass.

Adapted from P Townsend 'Poverty in the United Kingdom' 1979

Question

1. What would Townsend see as the solution to poverty?



Activity 3

Read the following extract and answer the question which follows it.

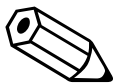
The existence of a group identified as the poor serves to set them apart from the rest of the population. The result is not just that the working class is divided and so weakened but rather that the use of the poor as a reference group persuades those sections of society which are neither wealthy nor poor that their lot is actually acceptable in terms of status, resources and power.

As a result, the possibility that they will strive to change the position of the elite is reduced. Also, the poor act as a warning. They demonstrate the fate of those who do not conform to prevailing work and social standards. Their plight is needed to encourage others to work for low incomes in unpleasant surroundings and degrading conditions. Not least, those in poverty act as scapegoats, a vulnerable group on whom the blame for social problems can be placed, so diverting attention from that minority which has some control over social affairs.

Adapted from R Holman 'Another Model of Poverty' in E Butterworth and R Holman (eds) 'Social Welfare in Modern Britain' 1975

Question

1. In Holman's view, what interests are served by the existence of poverty?



The Morality of Wealth

Is it moral or “fair” that these men be should so rich while billions of other human beings are below the poverty line?

It is easy to say “of course not” and many people would argue that it is indeed a failure of our global community that this has been allowed to occur. If these are the results of ‘capitalism’ and ‘free enterprise’, then surely we should be looking for something better?

But the proponents of capitalism and free enterprise would argue that the average standard of living of poorer people is higher (and has been higher) in those countries which have adopted those

principles. The obvious contrast for many years was between capitalist Western Europe and communist Eastern Europe — most obviously in the two halves of Germany. In communist countries, there was much less disparity between rich and poor, yet almost everyone was denied the sort of luxuries that were the norm for ordinary people in Western Europe.

Psychologists and economists have both attempted to explain this phenomenon. Psychologists argued that there was less incentive for people in communist countries to engage in those entrepreneurial activities which would generate wealth because they were unlikely to see the rewards of their efforts. The more you have, the more you are able to spend and so the bigger the stimulus to the economy as a whole. This is the basis of “trickle down” economics — people should be allowed to earn as much as they like as that wealth will eventually trickle through to those who actually need it.

The signs are that trickle down economics have not worked very well in practice. Most of these billionaires are not spendthrifts, indeed it would be very hard for any of them to “spend” their money in any meaningful way. Most of their wealth is simply re-invested and continuing to grow.

Most people in Britain are neither millionaires nor paupers. We occupy a huge middle ground where some are a little bit richer than others. Most of us frown on the wealth of the billionaire and yet strive to become richer in our own lives. Having worked hard and built up a certain amount of wealth, we would be unhappy if that was taken away from us, either by an individual or by the state. The idea that ownership is nine tenths of the law runs deep in our psychological make-up, along with other home-spun wisdom like “an Englishman’s home is his castle”. The entire framework of government and law, including the police system, may be said to protect the haves from the have nots.

Even where wealth has not been earned directly, e.g. when it is inherited, we tend to respect its possessors. Few countries have had a more pronounced class system than Britain with its long tradition of forelock-tugging and deference to the landed gentry. The Labour movement has long since been forced to relinquish its more extreme ideas for the forcible redistribution of wealth if it aspires to actual power.

Solutions to the Problem of Disparities of Wealth

If we assume that these disparities of wealth *do* constitute a problem, what can be done about it?

One of the most important tenets of communism was that the means of production are owned by everyone, whether that be money, land or industry. So the state could justify taking away the possessions of the rich and managing them themselves. This is the most drastic solution to the problem and it has not proved conspicuously successful in improving the lot of the poor.

A less drastic “socialist” solution is to achieve a partial redistribution through taxes on the wealthy, e.g. income tax, capital gains tax, inheritance tax, etc. In most countries, some proportion of wealth is redistributed in this way but it is clear that it is not keeping pace with the polarising effects of free enterprise.

Most of the world’s poor do not live in the same countries as the rich and, in poor countries, there is no such wealth to redistribute. If a government takes too much away in taxes, the rich take their wealth elsewhere. In today’s global village, there is no shortage of “tax havens” (like the Isle of Man) where the wealthy can establish residence, park their wealth and avoid paying substantial taxes. Indeed such activities help to make the tax havens themselves rich.

No one country can do much to effect a meaningful change to the patterns of disparity. If the richest countries tackled the problem together, it is possible that something could be done. But the richer individual people become, the more untouchable their money becomes and the easier it is for them to locate their wealth somewhere else.

Technological Liberation?

Even though some of the newest billionaires have made their fortunes from computing, there is the possibility that information technology may offer the key to the problem of the widening gap between rich and poor.

As its popularity grew in the mid-1990s, the Internet was hailed as a possible liberating force because it had the potential to provide unlimited amounts of information at minimal cost. Producers of books, newspapers or even software no longer needed factories to “produce” their wares; they simply opened up access to them. Users or customers would simply download what they wanted as and when they wanted it, perhaps paying a small fee for the privilege. If we can all become producers at such a modest cost, wealth may be redistributed. Instead of a few giant companies like Microsoft making vast fortunes from selling us the tools of production (the software programmes), those tools might be free to all.

It is too early to tell whether there is any truth in this but it seems unlikely that access to vast reserves of information will remain free for long. Netscape, founded by James Clarke in 1995, to produce the most popular “browser” for the Internet, was already worth \$3

billion on the stock market on its flotation in 1996, not because it was charging its users large sums (it was giving the software away free) but on the expectation that it *would* be able to do so in future. Just as Microsoft had found a way of ensuring that nearly all the personal computers in the world used its proprietary language MS-DOS (which underlies Windows) so it seemed that Netscape might dominate the channels of access to a new generation of tools.

In its first year or two, Netscape was not generating wealth directly and yet, measured by its share value, it had become richer than whole developing countries. Thus the “digital revolution” seems to offer the likelihood of even greater disparities of wealth and poverty.

Activity 4

How to be a Billionaire

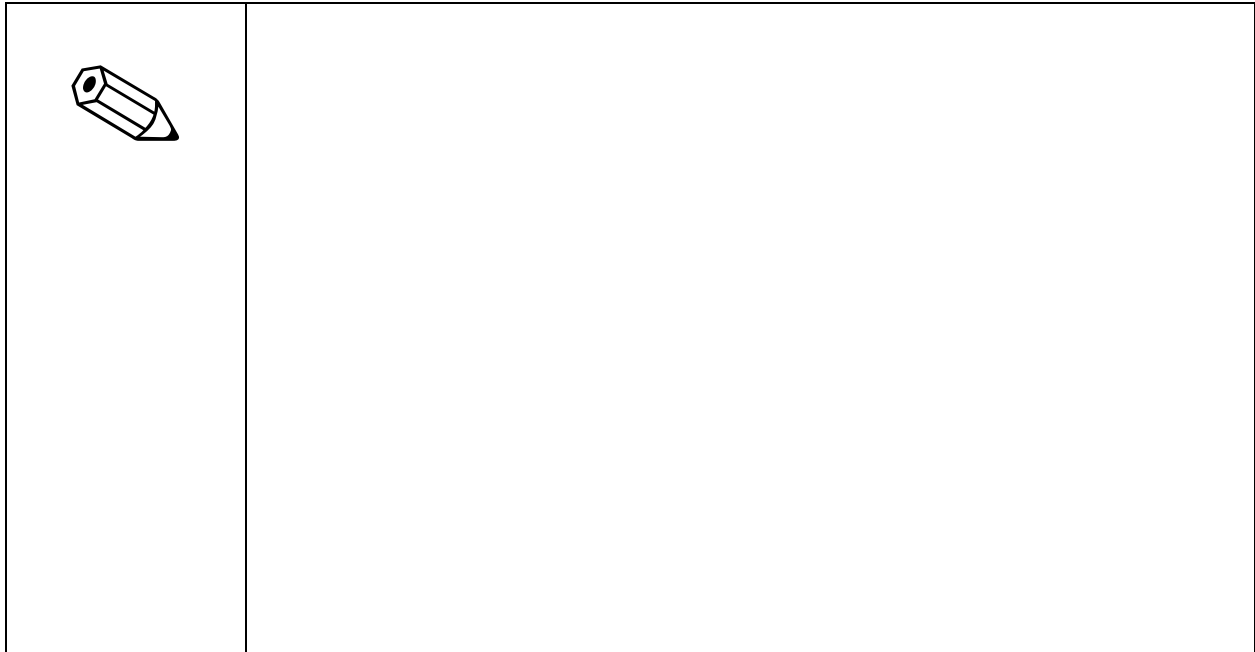
At the time of the UN's Report on Human Development (prior to the 1998 crash of stock markets in the Far East), the world's top ten billionaires, according to Forbes Business Magazine) were as follows:

1. Bill Gates (\$18 billion) — computer software
2. Warren Buffet (\$15.3 billion) — US financial
3. Paul Sacher (\$13.1 billion) — pharmaceuticals
4. Lee Shau Kee (\$12.7 billion) — Hong Kong investments
5. Tsai Wa-Lin (\$12.2 billion) — Taiwan insurance
6. Li Ka-Shing (\$10.6 billion) — HK property
7. Yoshiaki Tsutsumi (\$9.2 billion) — Japanese property
8. Paul G. Allen (\$7.5 billion) — computer software
9. Kenneth R Thomson (\$7.4 billion) — media
10. Tan Yu (\$7 billion) — real estate

These are all men who can be said to have made their own fortunes, rather than inheriting them. There are virtually no female billionaires.

Questions

1. Who are Britain's billionaires and how have they made their money?
2. What trends can we discern in the nature of the activity which generates such enormous wealth, e.g. in the first half of the 1990s?



Examination Approaches

Questions on the subject of poverty and wealth tend to focus on the extent and nature of inequality in modern industrial society, the contrasting causal explanations of its continuance, and its relationship in Britain to the welfare state. The welfare state is discussed in more detail in the next lesson, and so when you reach that point you should quickly revise the points raised in this lesson.

When discussing poverty in modern Britain it is useful to point to its nature and extent in nineteenth century Britain, and the work of both Engels and Rowntree provides a useful reference point. In *The Condition of the Working-Class in England in 1844*, Engels graphically describes the poor in Manchester. In an area known as *Little Ireland* he found 4000 people living in old and dirty cottages with ... *masses of refuse, offal and sickening filth ... (lying) among standing pools*, and he speaks of ragged women and children ... *as filthy as the swine that thrive upon the garbage heaps*. In his view the damp, filthy and overcrowded conditions had produced a race of people that ... *must really have reached the lowest stage of humanity*.

Rowntree's study was much more *scientific* in its approach, classifying life-styles in York, producing statistics on the number and percentage of households living in such conditions, and illustrating points with particular examples.

The poorest people in his classification lived in *Class A* and these constituted 2.6% of the total population and almost 2000 people in all. Its members only avoided the workhouse thanks to charity and mutual help. The conditions of life are best illustrated by details of a

single address: *Widow. Two rooms. Son thirty-two, messenger. house clean and fairly comfortable. Son consumptive; in sick club. Been twenty-five years in house and cannot get water laid on, though they offered to pay more rent. This tenement shares one water-tap with fourteen other tenements, and one closet with fourteen others ...*

Such a picture might suggest that whatever conditions some people face in modern Britain they cannot constitute real poverty. Some evidence would suggest, however, that this is not totally true. In *I know it was the Place's Fault* published in 1970 Des Wilson described life in the Harper household in Wandsworth. The father worked up to 16 hours a day as a foreman store cleaner to try to raise money for a better home, but still they had to share a lavatory with six other people and they had neither a bathroom nor hot water. The wallpaper was peeling due to rain coming through the ceiling, and the living room had mice and maggots.

A much more common focus of attention today is on the concepts of relative poverty and relative deprivation. In Peter Townsend's view *Poverty can be defined objectively and applied consistently only in terms of the concept of relative deprivation* and he identified 60 indicators of the style of living that included .. *diet, clothing, fuel and light, home amenities, housing and housing facilities, the immediate environment of the home, the characteristic, security, general conditions and welfare benefits of work, family support, recreation, education, health and social relations* The particular questions asked included presence of central heating, TV, experiences of unemployment, holidays away from home in the previous twelve months, and whether a child had a party on the last birthday.

In explaining poverty, Banfield sees *the lower-class individual* to blame. In this view the individual is improvident and cannot discipline himself *to sacrifice a present for a future satisfaction*, and he drifts from one job to another. He resents authority, feels no loyalty to his community, joins no self-help groups, and he is *not troubled by dirt and dilapidation*. Indeed he enjoys the excitement of slum life and for the opportunities it offers to commit crimes and avoid detection.

A very different explanation is offered by Kincaid who argues that *Any serious attempt to abolish poverty endangers the whole structure of inequality in society* because the visible effects of failure stimulate competitiveness. In Kincaid's view any attempt to lessen poverty would make it more difficult to maintain a system based on low wages: *... from the point of view of capitalism the low-wage sector helps to underpin and stabilize the whole structure of wages and the conditions of employment of the working class.*

Such a structural view of poverty is echoed by Gans who identified fifteen sets of functions that poverty can perform for society. These include the willingness of the poor to undertake ... *dirty, menial and*

undignified work, the way the poor provide a salutary lesson to the rest of society, and the way they provide emotional satisfaction for the wealthy who provide charity.

Summary

Poverty and wealth are not the simple concepts that they might at first appear, and various forms can be identified. There is certainly a continuation of these in modern industrial society, although the causes are essentially a matter of ideological debate. In the international sphere, significant differences exist, and it is interesting to assess the relevance of explanations of internal inequalities to the international domain.

Poverty is not an absolute state but a risk. This means that an individual may not necessarily remain in poverty through their lives but move in and out of poverty. Remember that factors such as economic mobility and technological advances can often reduce the risk of poverty for many individuals as they provide opportunities for employment and skills development.

Self-Tuition Quiz

1. What is meant by 'the cycle of deprivation'?
2. What in April 1988 replaced 'supplementary benefit'?

Self-Assessment Test (Lesson Six)

As soon as you are satisfied that you have assimilated the material contained in this lesson you should answer the following question and then compare your answer with the answer given at the end of the course. Please do **not** send your answer to your tutor.

1. Account for the continuation of poverty in modern industrial society.

Suggested Answer to Activity One

1. The authors noted some attitudes in their survey which suggested a culture of poverty, such as despair, hopelessness and lack of contact with wider society. Where they differ from Lewis is that they argue that these attitudes are a consequence of poverty rather than a cause of it. They have the same

aspirations as other people but the constant 'knock backs' of poverty has led them to become fatalistic. Coates and Silburn's work therefore gives little support to the theory of a culture of poverty leading to poverty.

Suggested Answer to Activity Two

1. The solution for Townsend would be to reduce the inequalities within the labour market between high and low paid jobs. Also, it must be ensured that those who cannot work, such as the disabled, are paid benefits sufficient for them to enjoy a similar life style to other people.

Suggested Answer to Activity Three

1. Holman goes one step further and argues that the existence of poverty acts directly in the interests of the ruling class.
2. Holman implies that the elite benefit from the existence of poverty in two ways. Firstly, the middle classes will support the status quo as they feel fortunate not to be poor. Secondly, the poor act as scapegoats to be blamed for social problems, such as drugs. In this way, blame is diverted from the rich and the current economic system.

Suggested Answer to Activity Four

1. Britain's long list of billionaires has included the following diverse figures:

David Sainsbury — grocery chain
Paul Raymond — property and media
The Duke of Westminster — property
Sir Evelyn de Rothschild — finance
2. On the way up have been the computing entrepreneurs like David Gates and Paul Allen and those who have made their money on the back of the East Asian so-called "miracle" economies. E-commerce has created many new "paper" millionaires. In the UK, there are also the so-called 'homillionaires', people who have seen the value of their home rocket past a million pounds.

On the way down the list of billionaires are those with inherited wealth because they have not been fast enough to identify new trends and those whose fortunes have been built

on property holdings — property hasn't been doing so well in recent years, in the UK and elsewhere.

Answers to Self-Tuition Quiz

1. The term 'the cycle of deprivation' was coined by Sir Keith Joseph to refer to the way inadequate parents brought up children inadequately to become in turn inadequate parents. It can be used to explain crime, poverty and the continuation of a whole range of social problems.
2. In April 1988 'supplementary benefit' was replaced by Income Support.