

Transnationals and Poverty

by Pat Aller

At the 1995 United Nations World Summit for Social Development, a young man from Central America told his story. He lived in a village where people had grown their own food and bartered for other necessities. A large North American corporation came to town, bought the best land, and hired the villagers to grow flowers for export. Today many of the villagers are poor, out of work, and sick, with neither time nor land for planting their own food and unable, under their new cash economy, to pay for enough groceries (now imported) to stay healthy.



This is one face of the new world order, not as heralded by the UN twenty years ago, but in reality. The money value of trade between nations is now eclipsed by that of foreign direct investment by transnational corporations and others. Structural adjustment programs, by which the World Bank and other institutions were supposed to help developing nations, often displaced small businesses and self-employed workers, and encouraged so much national debt that now many poor coun-

tries owe more than their gross domestic product.

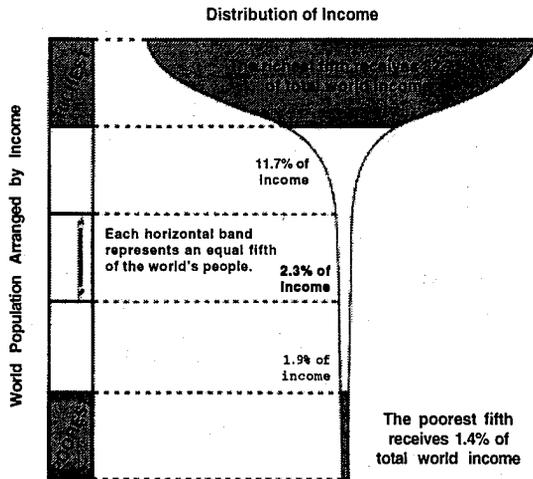
The Central American story is one example of how transnational corporations increase poverty. They buy low (paying third-world wages) and sell high (profiting on cheap goods sold at first-world prices). Cash incomes of transnational employees in less developed nations seem to have risen, but costs of shelter, food, transportation, and other needs often erase the gains. Many city laborers for big business live in slums without sewers, clean water, or access to health centers, schools, and transportation.

Then there are hidden costs to the community, nation, and the world, including lost revenue (when corporations receive subsidies or abatements), pollution, job health hazards, forests destroyed for sprawled factories and houses and cheap export timber, deserts created by over-irrigation and over-farming and over-lumbering, silted waters, and others.

In some developing nations — but usually not the poorest — workers may earn more, save, and raise their standards of living. Corporations occasionally contribute to schools, health centers,

transportation and roads, and other community needs. They sell cheaper goods. But even then, transnationals often hinder sustainable development (achieving economic growth while preserving the environment).

A recent conference on globalization and liberalization admits the widening gap between rich and poor, where the most wretched of the earth's nations and people are getting poorer. The world's richest fifth of people had 61 times more income than the poorest fifth in 1991, double the thirty-to-one ratio in 1960. Since 1945 when the UN began, global GNP (gross national product, or output



Source: UNDP, Human Development Report, 1992

in goods and services) has increased sevenfold; per capita income, threefold

Yet the 48 poorest nations, with ten percent of the world's population have only one tenth of one percent of the world's income. Their average per capita income in 1993 was \$300 — less than a dollar a day, compared to \$9 for the developing world as a whole, and \$21,500 for the most developed nations. After suffering

structural maladjustment by the world's financial institutions, leading to crippling national indebtedness, trade in the poorest nations has fallen as they are squeezed out of competition by transnationals bypass them for more affluent nations.

Today one in every five people in the world is considered extremely poor by the UN. Women are the majority in that class. Children, the elderly, disabled, migrants, refugees, and indigenous peoples, as well as those long out of work, are other categories of the very poorest. While the majority are rural, many are moving to the cities, swelling poverty there and often leaving behind — and further impoverishing — women and children.

South Asia has the largest number of poor people, but half of all Africans and many east Europeans are also poor. The United States and west Europe have only 1% of the poor, but that is 15% of their populations. Developed countries have 34 million out of work.

To call world attention to the tragic and dangerous crisis of

poverty, to make it the primary concern everywhere, the UN has designated the next ten years, 1997-2006, the "First International Decade for the Eradication of Poverty", following the "International Year for the Eradication of Poverty" in 1996. October 17 (the day the Universal Declaration of Human Rights Was signed in 1948) has been chosen as the day, each year, when nations and groups worldwide protest against poverty as a violation of human rights and show what they are doing to help eradicate it.

UN studies and declarations agree that poverty is linked to lack of control over resources, including unequal access to land; that with mounting populations, landholdings in most regions of the developing world are becoming smaller and more fragmented; that rural landlessness or near landlessness is on the rise. As reported in the last *Georgist Journal*, the UN world conference on Habitat, in Istanbul, June 1996, recommends recapture of speculative gains in land values to alleviate poverty and increase affordable housing.

At the big UN world conferences since 1992 (environment, human rights, population, children, women, social problems, and shelter), nations pledged to create better conditions for the earth's people. References to problems created by transnational corporations, and how to remedy them, are few and weak in such national commitments. Poverty is not caused by transnational corporations alone. But when a company pays little or nothing for the economic and social harm it causes in foreign lands, while siphoning huge profits to executives and shareholders at home, the loss of resources in the workers' nations has profound economic and political impact.

In *The Crime of Poverty*, Henry George wrote, "The crime.... the meanness born of poverty... poisons the very air which rich and poor alike must breathe.... There is one sufficient cause that is common to all nations; and that is the appropriation as the property of some of that natural element on which and from which all must live." Georgist and other groups must constantly point to the human rights violations that make up the "crime" of poverty, suggesting and working on ways to abolish it.

How to Learn More

For UN pamphlets and other information on poverty, contact:
Development and Human Rights Section
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Also recommended is David Korten's
When Corporations Rule the World,
Kumarian Press, ISBN 1-887208-01-1.