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### Original Citation

Siddiqui, Kalim (1995) Economic reforms and the poor. *The Nation*.

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# Economic reforms and the poor

Dr Kalim Siddiqui

Recently we have seen some optimism in the Western financial institutions and ruling elites in the Third World over positive outcome of the World Bank (WB) and IMF initiated structural adjustment programmes (SAPs). The SAPs include policies that many Third World countries have adopted as it embarks on a reckless spree of globalising its economy. The excitement stems from the upturn in the industrial growth rate, the improved balance of payments positions, the huge inflow of foreign investments and a rise in export in a few Third World countries, like Thailand, Malaysia, Indonesia, India, etc.

However, little thought have been given for other consequences of these policies, especially on poverty and health. Let us look at the experiences of Latin American and African countries which underwent SAPs in the 1980s on the advice of WB and IMF. Subsequent to the adoption of SAPs in these countries, the levels of unemployment has increased accompanied by reduction in real wages of the poor. Even middle class has suffered. There was also a rapid rise in prices of food. Since expenditure on food takes up a large share of poor family's income, the effect on the nutritional status of the poor was a clear decline. In India for example, there was a decline in expenditure on other things as an increasing proportion of the budget of the poor was being devoted to food. At the same time, more food expenditure was being diverted towards starches and cereals, and less towards milk products, egg, fish and vegetables.

The WB/IMF and other international financial institutions have undoubtedly played a major role in shaping Africa's recent economic, political and social history. The consequence of their intervention have been generally negative as far as economic and social development in Africa is concerned. A drastic cut, as suggested by WB led-SAPs, in government spending would also reduce long-term growth and the well-being of the African population by undermining education, health and safe water provision. One should question the wisdom and viability of widespread privatisation, given the social structure in most African economies and the lack of a developed indigenous capitalist class. Following the SAPs prescription on privatisation would mean a take over of African economies by the multinational corporations. Trade liberalisation and more emphasis on commodity export would lead to de-industrialisation and the collapse of world prices for primary products. At present, the prices of commodities exported from Africa by and large remain depressed. For most African countries, the proportion of primary commodities being exported rose from 92 per cent to 94 per cent between

1965 to 1990. But the prices of major export commodities, coffee, copper, and cotton, have all dropped by 25 per cent to 30 per cent since 1975.

The World Bank claim is that tackling poverty requires 'an increase in GDP per capita growth and that will enhance the capability of the poor'. However, there is little prospect for a reduction of poverty through higher economic growth, as current growth rates among the best economies of African countries are according to WB's own assessment, still too low to reduce poverty. The WB estimates that it would take annual growth of 4.7 per cent in consumption to reduce the number of poor in sub-Saharan Africa—a rate which is far above 0.8 per cent achieved in the 1980s and 3 per cent projected by the WB for 1993-2000.

Moreover, there is little indication that other requirements for poverty reduction, especially investment in people, is going to be met in the foreseeable future. According to UNICEF, SAPs hurt the poor and the environment. If the growth-oriented policies of the past ten years produced only modest growth, the push for further reforms along similar lines will do little for the poor and vulnerable in a region where the share of the poor people living in poverty is larger and the number of poor is increasing faster.

In India, the increase in growth rates has not led to an increase in employment opportunities. A large number of the urban poor in India rely on government cheap food supply at subsidised rates. However, the food subsidy has been reduced since the commencement of the SAPs. The market prices of food have risen about 20 per cent. The *Economic Survey* (1993-1994) admits that the spurt in inflation is due to rise in the prices of foodgrains, particularly rice and pulses—the major protein component of the Indian vegetarian diet. The rise in unemployment and poverty resulted in what has been described by various studies as "feminisation of labour and poverty." Forced by poverty, women and children were entering the poorly paid temporary and seasonal jobs in larger numbers than ever before, resulting in an increase in school dropouts.

Oxfam report on Latin America (1994) points out that WB and IMF reforms have deepened the crisis in Latin America. The report also points out the crisis was rooted in a complex array of external and internal factors, including the unequal patterns of land and income distribution. The report further notes that the deregulation of markets under SAPs has exacerbated these inequalities, excluding the poorest sections of society from the benefits of growth.

The SAP heavily relies on cuts in govern-

ment expenditures on public services. Health institutions in these countries were unable to cope with these problems which were compounded by the fact that trained doctors and nurses took flight to the West. Public health services, seldom an area accorded high priority, collapsed. Water supply, sanitation and preventive health programmes came to a halt. Public hospitals, despite inadequate staff and lack of medicine and equipment, attempted to recover through increase in patient fees. The result was attendance at hospitals declined. This was particularly true of vaccination and preventive health services.

It was not long before these changes were reflected in the health of the people. Health indicators such as death rates and incidence of disease, which had shown a decline in the past, showed an upward trend. The infant mortality rate, considered to be a sensitive index of socio-economic and health development, increased in some countries, while its decline came to a halt in others.

Many of these Third World countries export agriculture products and fruits, the prices of such commodities in home markets went up sharply and thus beyond the reach of the poor. The data from a large number of countries show a greater prevalence of malnutrition among women and children. There was a sharp increase in the proportion of underweight mothers. Pregnant mothers received less than 85 per cent of their calorie needs and 90 per cent of their protein needs. A higher incidence of anaemia was also reported.

The recent WB report, *Adjustment in Africa: Reforms, Results and the Road Ahead*, is seriously flawed. WB is a very influential institution. The WB seeks not merely to understand the world, but to change it. Its role as a powerful money lending agency, able to impose its own conditions on loans to governments whose economies are often deeply indebted, gives her very considerable power. WB's faith in neo-liberal economic policies remains unshaken, even if the evidence is contrary to it.

Since the early 1980s the SAPs imposed by the WB and IMF on Third World countries have led to impoverishment of millions of people. The cuts in government spending, devaluation, free entry of foreign capital and more emphasis on exports is ruining the economies of the Third World. Internal purchasing power has collapsed, famines have erupted, health clinics and schools have been closed down, millions of children have been denied the right to primary education. In several regions of the Third World, the SAP reforms have been conducive to a resurgence of infectious diseases including tuberculosis, malaria

and cholera. SAPs directly effect the livelihood of more than 4 billion people. The application of SAPs on a large number of Third World countries favours the interests of multinational corporations and international financial agencies. This new form of economic and political domination—a form of 'market colonialism'—subordinates people to market forces.

In Africa, the SAPs have largely been responsible for the collapse of school, hospitals and other basic services. The state subsidies to health are said to create undesirable 'market distortions' which is supposed to undermine efficiency and competition. The shortage of funds allocated to medical supplies including disposable syringes, as well as the price hikes (recommended by the WB) in electricity and water and fuel (for example required to sterilise needles) increase the incidence of infection.

The experiences of Latin America and Africa does not show a better hope for the poor in India where SAPs on health are now being implemented. Not only does India have a large number of poor people, but it also has seen no fundamental change in the disease and death pattern over the last four decades. The disease and death profile continues to be dominated by the diseases rooted in poverty—diseases not essentially amenable to technical intervention.

In fact, in the Third World countries the importance of the formation and use of human capabilities through arrangements that put 'people in control of the development process rather than vice-versa' and the experiences from various Third World countries who applied SAPs show us that the reforms have failed to provide an adequate framework for 'people-centred development' and have consistently prioritised instead what we call 'money-centred development'. Such a model ignores the needs of those who have little or no money. The domination of money-centred development over people-centred development has to be reshaped in order to make common cause with the other people, including unemployed, women, children and the rural dispossessed.

Therefore, there is an urgent task to develop a new approach to economic policy, which reduces import dependency of food and strengthens food security in the Third World. Fundamental economic reforms are also needed to involve the poor in the development process. Protection of agriculture and labour intensive industries; regulation of labour markets to protect the poor; public investment in most marginal areas and communities are vital. So is land redistribution and progressive income tax on the elites in the Third World.

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6/7/95 The Nation