A BRIEF HISTORY OF IMPOVERISHMENT

Poverty between – and within – nations doesn't just exist. It is created and needs constant maintenance. Warning: extremely violent content.

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1 Conquest and plunder

The roots of our current vastly unequal world can be traced back to the late Middle Ages when European lust for gold and silver drove plunderers to far-flung lands. Led by Christopher Columbus, the Spanish invasion of the Caribbean led to warfare, slave trafficking and the forced mining of gold in horrific conditions. According to a contemporary account, it led to the deaths of over three million people between 1494 and 1508 alone. The invaders spread south, where the same story repeated – Mexico, Peru, and Bolivia suffered the most. By the mid-1600s, much of Latin America's population had been wiped out through a combination of massacres, forced labour, deprived livelihoods and imported disease (which was often spread knowingly, an early instance of bioterrorism). The African slave trade also got going in the 1500s and would persist over the next 350 years, draining trillions of dollars in stolen labour and killing and uprooting millions.

2 Enclosure

Even as such vast wealth was being looted abroad – in order to build up military might at home and provide a handy pot for overseas trade – the domestic picture was less than rosy. In Britain, the birthplace of the Industrial Revolution, the long drawn-out dispossession of the peasantry by wealthy interests that had started in the 15th century was also finally reaching its conclusion. This process – known as 'enclosure' – was marked by denying peasants their rights to access common land to earn their livelihood. Slowly and with brute force, it turned a large portion of the country's population out of their homes and off their land, making them rootless wage earners and refugees. These people had no assets apart from their labour and became easy prey to those who had profited from capturing common lands through enclosure. This was the army of workers needed for capitalism to thrive. As the gears of industry began to turn and fortunes outstripping those of royalty were made by this new, small class of capitalists, this ragged army – which included small children – were exploited through dangerous, arduous, unceasing, ill-paid work. Previously predominantly self-sufficient, these former ➲

President Kwame Nkrumah of Ghana, a critic of Western influence over his country, meets with US President John F Kennedy. There may have been smiles all around but Nkrumah's cards were marked.

ABBIE ROWE/WIKIMEDIA COMMONS

peasants were a captive market – they now had to purchase the basic goods needed to hold a life together.

3 Colonial extraction

Another, much bigger, captive market had been created in the colonies. The model was simple. Take the example of India: local enterprise and industry were crushed; large sections of the Indian workforce were turned into producers of (undervalued) raw materials required by Britain's factories, and British-made manufactured goods were then imported back. During a drought at the end of the 19th century, the country was still producing enough to feed everyone. Instead the colonialists exported millions of tons of grain to Europe, while 20 million Indians died of hunger.

Over in Africa, Belgian colonialists in the Congo under the brutal reign of Leopold II forced the population to produce rubber for export while also taking complete control of goods produced for the local economy. Here the colonial era wiped out half the country's population.

The wealth of the nations that had been colonized (or destabilized in other ways to allow for extraction of their resources) plunged. And by the dawn of the 20th century a model had come into place that is still maintained by the West today. The Majority World has been largely cast as supplier of raw material and labour – both of which are undervalued. The unequal exchange – or theft – has now been normalized.

4 Neo-colonialism and coups

Rather than bringing general affluence in the West, colonial bounty was creamed off by the elite. In the early decades of the 20th century, inequality plumbed crazy depths in Europe and the US with the wealthiest 10 per cent capturing around 90 per cent and 80 per cent of all wealth, respectively. This produced a classic capitalist crunch: the masses were unable to exert the consumer power needed to keep the profits rolling. Widespread discontent and economic malaise ensued, with the Great Depression hitting at the end of the 1920s. Out of the ruins came an impetus, as urged by British economist John Maynard Keynes, to boost public spending to fire up the economy and for state intervention to make markets serve social ends. In the US, massive government spending was the strategy to get people into well-paid employment.

From the 1950s to the 1970s many newly independent countries in Latin America, Africa and Asia opened a door to another future – by investing in their people. Contrary to Western advice, they followed protectionist policies to safeguard their resources, agriculture and industry and upped public spending on health and education. Regional alliances were built to try to counteract the power of the West. Inequality began to fall and incomes rose, despite all the structural obstacles.

Hell on earth: the vast open-pit Serra Pelada goldmine in Brazil, 1985. Some 100,000 diggers were employed, each carrying 20-kilo sacks of ore up 400 metres via muddy steps and wood and rope ladders. Violence and deaths were commonplace.

ROBERT NICKELSBERG/GETTY

Western interests responded by instigating coups and installing or supporting dictators who would play ball across vast swathes of the Global South. A fierce critic of such neo-colonialism the Pan-Africanist Kwame Nkrumah of Ghana, was ousted by a CIA-sponsored military takeover.

The very notion that wealth should serve any social purpose was being dismantled

5 The neoliberal moment

Meanwhile, in the shadow of the Cold War, an extreme economic ideology birthed in the US was going mainstream. Contrasted against the bogey of communism, neoliberalism argued for a perfect world where markets were liberated from state intervention. People would act in their self-interest and the market would miraculously apportion fruits. This was sold as true freedom and democracy. In this utopia, any pro-poor interventions by the state were considered 'commie' and workers' rights needed no protection – though ironically the propping up of the interests of the super-rich and corporations was not considered as messing with freedom. The very notion that wealth should serve any social purpose was being dismantled.

The demands of Southern nations for greater political and economic justice on the international stage could not have been more at odds. Progressive measures such as nationalization and land reform posed particular threats to this extreme market ideology.

Luckily along came a debt crisis to sort things out. In the 1970s Wall Street banks were awash with petrodollars from the Arab oil-exporting countries that had caused oil prices to skyrocket through embargoes. This cash they began lending aggressively – and recklessly – to Southern countries, often to dictators installed by the West. By the 1980s they were sucking up more than $100 billion a year in profits from interest. As countries became increasingly unable to pay – and the bubble threatened to burst – the International Monetary Fund (IMF) was called in to act as an enforcer, in effect bailing out the banks. The IMF would now offer new loans to help pay off the spurious debt – but in return would demand that recipient countries cut public spending, privatize public assets and liberalize their economies, prising them open to the corporate interests of wealthy nations. The World Bank also weighed in, demanding the same conditions for its loans to poor countries.

This was the dreaded 'structural adjustment' period – the largest single cause of impoverishment in the 20th century, according to inequality expert Jason Hickel. Who needs colonialism when the IMF and World Bank will ensure that countries of the Global South are totally compliant, allow the extraction of their resources and open up to predatory 'foreign investment'? At its peak, Global South countries were losing $2.66 trillion a year due to the undervaluing of their goods and labour. Even where debt relief was negotiated, it was tied to conditions requiring *further* liberalization and privatization. Today poor countries still pay over $200 billion annually in interest on debt owed to foreign creditors.

6 Corporate rule

For countries that were undergoing economic ravishment by structural adjustment, the 1990s brought new torments in the form of the World Trade Organization (WTO), a club dominated by rich nations. In the name of creating a 'level playing field', the WTO required poorer countries to sign up to an all-or-nothing, binding set of rules, which removed protections for domestic industries and allowed foreign capital unhindered access. This was strongly prejudicial to the interests of local industries, which were not in a position to withstand foreign competition. Influence within the WTO is weighted by the size of a nation's economy – thus even if all poorer nations joined forces to demand policy changes they would still not have a chance against wealthy nations. This trade injustice has drawn widespread protests and pressure for the WTO to reform.

Meanwhile, wealthy nations are increasingly going down the route of bilateral Free Trade Agreements (FTAs). Usually negotiated in secret, the interests of their corporations are paramount in FTAs and include the ability to sue states for eye-watering sums (should they, for example, want to terminate a contract or nationalize an industry) with no provision for states to do the same. Such instruments are working to create a utopia for transnational corporations, creating a business-friendly climate, which translates as the demolition of labour protection, tax cuts for the wealthiest and a supine regulatory environment. Tax havens operated by the richest countries are home to huge sums of illicit wealth draining out of some of the poorest. Today, due to how the global economy has been engineered, for every dollar of aid sent to poorer countries, they lose 10 times as much in outflows – and that's *before* one counts their losses through unfair trade rules and underpaid labour. Foreign investors take nearly $500 billion a year in profits from the Global South, and trade-power imbalances cost poorer nations $700 billion a year in lost export revenue.

7 Concentration

In the 21st century wealth increasingly flows through corporate hands towards a small super-elite. In a trend that began in the 1990s, the lion's share of equity value is being realized through squeezing workers: the classification 'working poor' so familiar in the Global South is now increasingly also being used in the wealthy North, where neoliberal capitalism is leading inevitably to wage erosion and work precarity, coupled with the withdrawal of state support.

Inequality is rising dramatically. In 2018 the richest 26 people owned wealth equivalent to the poorest half of the world's population. And their wealth was increasing at the rate of $2.5 billion a day. Meanwhile 3.4 billion people – nearly half the world – were living on less than $5.50 a day. ●

Sources: This article is indebted to the research and analysis of Jason Hickel in his book *The Divide* (Penguin Random House, 2017) and his writings elsewhere. Further sources include Oxfam, Global Financial Integrity and Zak Cope's *The Wealth of (Some) Nations* (Pluto Press, 2019).