Critique and Cooperation: Social Responsibility and Strategies for Poverty Alleviation in a Globalized World

SEAN ANTAYA
POLITICAL SCIENCE & HISTORY, LEVEL IV
UNIVERSITY OF WINDSOR

Abstract
This paper examines the relationship between poverty and social responsibility in an increasingly globalized world. More specifically, I argue that individualized forms of poverty alleviation are ineffective, and instead posit that socially responsible methods of poverty alleviation must necessarily challenge the capitalist structures that create poverty in the first place. To illustrate this point, I compare micro-finance and worker cooperatives as poverty alleviation strategies. I conclude that micro-finance is largely ineffective due to its attempt to alleviate the conditions of poverty without challenging neoliberal capitalism, while worker cooperatives might be more effective due to their inherently transformative nature, which aims to radically alter socio-economic structures in societies.

I. Introduction
Over the past few decades, poverty has remained an important subject of debate amongst academics, politicians, media pundits, and the general public. Many scholars suggest neoliberal economic policies and the processes of global capitalism are the main catalysts for rising poverty and inequality throughout the world. Additionally, because of increasing global interdependencies, some observers wonder whether privileged individuals and nations should share a sense of social responsibility to alleviate poverty.

Using a critical heterodox political economy framework, I argue that privileged citizens in the Global North have a certain degree of collective social responsibility in regards to poverty. Furthermore, I argue that this responsibility is context-dependent, and the action that people and institutions take to carry out this responsibility must ultimately address the capitalist socio-economic structures that cause poverty in the first place. To argue this point, I evaluate micro-finance and worker cooperatives as two possible methods of poverty alleviation. I find that though proponents frame micro-finance as a populist leveler, these


strategies generally do little to truly change the socio-economic structural root causes of poverty, and can actually be counter productive by reinforcing neoliberal ideology. Conversely, worker cooperatives offer a more effective solution because they directly confront the structural roots of poverty, and have the potential to radically alter social relationships both within workplaces and throughout societies.

II. Poverty and Social Responsibility

It is important to understand what poverty and social responsibility mean in the context of this essay. This paper views poverty as multidimensional – meaning poverty cannot solely be understood as an economic calculation and poverty measurements need to consider levels of education, health, and other socio-cultural factors in their assessments. A person who has substantially less access to wealth, education, or healthcare than the rest of the society might then be considered ‘poor’ in some respect. However, because the processes of globalization creates global interdependencies and inequalities, a person’s access to education, health and material wealth must also be compared to the rest of the world.

In capitalist economies, the processes of capitalist accumulation creates poverty by constantly developing new labour saving techniques and technology that generate “an industrial reserve army” of extra workers. This allows capitalists to keep wages and labour regulations low because workers must compete not only with new labour-saving methods and technology, but also with unemployed reserve workers who simply want to earn enough money to survive. While some scholars argue that these economic conditions can create a “culture of poverty” as part of the superstructure, and that this culture further entrenches negative behaviors within poor communities, others argue that the concept of “culture” merely distracts analysts from examining the true underlying structural causes of poverty. Both perspectives still ultimately see capitalism’s socio-economic structures as the root cause of poverty, but simply attribute different levels of significance to the cultural products of impoverished material conditions.

Under the current conditions of global capitalism, neoliberal free trade agreements and deregulatory policies allow transnational and multinational corporations to use the Global South as an almost never ending reserve army to exploit. Companies can force governments to lower existing labour and environmental standards, and to implement other business-friendly neoliberal policies by threatening to go to countries with lower regulatory standards and cheaper labour. Furthermore, neoliberal free-trade policies also tend to benefit affluent countries in the Global North that are populated by relatively well-off consumers who can purchase the goods produced by the cheap labour and resources extracted from the Global South. Poverty is still a problem in the Global North; however, as increasingly more working class manufacturing jobs move to the Global South, and neoliberal policies deteriorate many countries’ welfare state social programs. While the World Bank claims that “extreme” poverty is declining as part of their Millennium Development Goals, non-“extreme” poverty and inequality are rising in many places in both the Global North and Global South.

Social responsibility is somewhat more difficult to define in the context of global interdependency. Pogge, for example, acknowledges the structural causes of poverty in the Global South, and argues that people in the developed world have a moral obligation to assist in poverty alleviation. However, simply shifting responsibility onto developed nations without further analysis is too vague, and leaves too many unanswered questions. For instance, does Pogge hold every individual in the developed world equally responsible? Surely this cannot be the case; after all, it would make little sense to argue that a laid-off factory worker in Detroit has the same responsibility for pov-

36Harvey and Reed, 277.
37For a discussion on the culture of poverty thesis influenced by Oscar Lewis, see Harvey and Reed, 278-279.
39Sparke, 62-69.
40Sparke, 15, 103.
poverty in the Global South as the CEO of a large corporation, and neither one can be held entirely responsible for the existence of unequal capitalist structures in the first place. Responsibility must therefore depend highly upon the context of a particular individual in question and their place within the society in which they live. The degree of responsibility that they bear must be based upon their personal circumstances, abilities, and power for creating societal change.

It is important to recognize that this understanding of responsibility does present a moderate paradox. While an individual CEO has a great deal of power, agency and responsibility to enact change, it would be unlikely for him/her to enact significant structural change that would contradict the ways he/she obtained success. Conversely, workers and dispossessed members of society have very little individual agency and responsibility for poverty, yet in many ways present the best chance for structural change through collective action. The labour movement, for example, has historically enabled common people to push for progressive change which has benefitted marginalized members of society, even though members of the labour movement were not the ones responsible for marginalization. However, in an increasingly atomized neoliberal society, it is likely that an effective class-based popular movement will only arise if individuals feel that their actions will truly make a difference, and it is unclear whether it will be the traditional labour movement or some other unforeseen social movement that will present the best chance for structural change through the future.

Pogge also ignores that the same structures that cause poverty in the Global South also contribute to poverty in the Global North. While it might be fair to argue that people in Global North should first address the extreme forms of poverty in the Global South, eventually those in the Global North will have to address the less extreme forms of poverty at home which will continue to persist unless there is structural change. As a result, responsible individuals who wish to take action must try to change the exploitative structures of capitalism itself, rather than simply treating the symptoms of exploitation.

Even if it is determined that certain people in the Global North bear a degree of responsibility to alleviate poverty throughout the world, the best strategies for poverty alleviation are still unclear. Ananya Roy notes that any attempts to exercise this responsibility must coincide with a sense of accountability. This is a salient point, as many well-intentioned forms of charity and methods of poverty alleviation, especially those of the ethical consumer variety, can do more harm than good. TOMS shoes, for example, is one company that bases its business model around ethical consumerism. Economists have criticized this model because the free shoes that TOMS donates to impoverished communities in the Global South often make it difficult for local shoemakers and shopkeepers to compete, and thereby creates yet another form of exclusion and inequality, despite TOMS’ ostensibly good intentions. As a result, Slavoj Zizek argues that ethical consumerist methods perpetuate many of the inequalities caused by global capitalism, and simply create further complications that prevent effective change. Varieties of ethical consumerism might therefore be considered to be examples of irresponsible poverty alleviation strategies precisely because of the ways that they attempt to treat the symptoms of capitalism while ignoring the root of the problem.

III. Micro-Finance

Many economists have recently touted microfinance as a method of poverty alleviation with far reaching potential to stimulate positive economic, social, and cultural changes within impoverished communities in the Global South, all without upsetting the system of neoliberal global capitalism. Micro-finance intends to create a more democratic and “gentler” capitalism by giving impoverished people access to credit via small loans with minimal interest rates, primarily so that people can start small businesses and become self-sufficient. The assumption is that by “democratizing” credit and giving traditionally marginalized groups in the Global South the same opportunity as

15“The Economics of TOMS Shoes.”
17Roy describes the ubiquitous popularity of micro-finance throughout Poverty Capital.
18Roy, 2, 26.
everyone else, micro-finance will act as a leveler to allow poor individuals to transcend the social, cultural, and economic barriers of poverty, while also fostering strong democratic pro-market institutions and norms.19 Essentially, micro-finance is considered a way to bring impoverished people into capitalist markets on their own terms.

“Economists have criticized this model because the free shoes that TOMS donates to impoverished communities in the Global South often make it difficult for local shoemakers and shopkeepers to compete, and thereby creates yet another form of exclusion and inequality, despite TOMS’ ostensibly good intentions.15”

The Bangladeshi Grameen Bank founded by Mohammed Yunus is one of the most influential and successful micro-finance institutions. Yunus argues that micro-finance will allow capitalism to be an ethical force for good in the world by alleviating poverty, improving human rights, and empowering women.20 The Grameen Bank claims that micro-finance has helped lift 10 million Bangladeshis out of extreme poverty between 1990 and 2008.21 Consequently, many other influential institutions throughout the world such as the World Bank and US-AID now regard micro-finance as an effective method of poverty alleviation.22 The World Bank, for example, claims that increasing financial “inclusiveness” in the Global South through micro-finance is directly correlated to increased well-being and decreased inequality.23 They believe that development can be made more successful and egalitarian by directly bringing the poorest members of countries into the global market, instead of focusing solely on top-down market liberalization as structural adjustment programs had done in the past.24

However, upon further examination it seems that micro-finance does not resolve poverty as well as its proponents claim. Though the Grameen Bank alleges that micro-finance has led ten million Bangladeshis out of extreme poverty, this causality is difficult to prove, and the bank itself admits this.25 Additionally, while alleviating extreme poverty is admirable, there is no guarantee that micro-finance would allow a similar degree of mobility out of non-extreme, yet still abhorrent, impoverished conditions. Evidence also suggests that micro-finance is less empowering for women (and the poor in general) than its proponents claim. Ali and Hatta note that organizations such as the World Bank do not actually have any ways to measure levels of empowerment over time.26 They found that the Grameen Bank and other Bangladeshi micro-finance institutions tend to judge micro-finance’s success based mainly upon repayment and sustainability rates rather than evaluating the condition of their borrowers.27 In their own research on empowerment, Ali and Hatta found that there is very little correlation between micro-finance and women’s empowerment in Bangladesh, and concluded that micro-finance would likely be more successful if it coincided with state or NGO sponsored skills training and education programs for women.28 Similarly, based on his own study of micro-finance in rural India, Ray argues that micro-finance and its methods based upon self-help will only become useful development tools if they are used in conjunction with other empowerment strategies.29 Similar to the cases of ethical consumerism, if research suggests that micro-finance in its current iteration is not working for the poor in the way it is supposed to, it would be a violation of the Global North’s social responsibility to continue promoting micro-finance without altering its implementation in some way.

There are also bigger reasons that micro-finance might be an ineffective, and even detrimental method of poverty alleviation. Mainly, the popular

---

22 Roy, 98, 99.
23 Ledgerwood, et al. 463, 471.

27 Ali and Hatta, 118.
28 Ali and Hatta, 118, 119.
30 Sparke, 29.
31 Sparke, 36-39.
discourse surrounding micro-finance both relies upon and reinforces what Matthew Sparke calls the “myths” of neoliberal free-market ideology. Micro-finance’s supporters ultimately feel that the free-market is inherently a leveler and claim that simply giving the poor access to credit (thereby integrating them into capitalist markets) will allow them to improve their own standing in society. However, Sparke shows that the belief in the unfettered free-market’s leveling abilities is undeserved, and instead shows that inequality tends to increase alongside the individualistic free-market policies of privatization, liberalization, and deregulation. By perpetuating exploitative neoliberal ideology under the guise of leveling and inclusiveness, micro-finance is counter-productive, and in fact serves against the interests of impoverished communities.

The counter-productivity of prescribing neoliberal solutions to poverty becomes even clearer when micro-finance strategists ignore wealth redistribution and social programs as possible solutions to the various inequities in poor communities, such as lack of education or limited access to healthcare. Most prominently, Yunus insists greatly on equality of opportunity, but discourages wealth redistribution to fix other forms of inequality. Meanwhile, Labonte and Schrecker argue that “even a little economic redistribution could go a long way” to reduce health inequality in the Global South, and show that neoliberal fiscal discipline tends to prevent countries from pursuing any sort of redistributive policies. Instead of using micro-finance as a single tool for poverty alleviation in conjunction with state-sponsored social programs, Yunus simply reinforces neoliberal discipline by dismissing any type of redistribution, and shifting all responsibility for success or failure solely onto impoverished individuals.

Closely related to Yunus’ neoliberal theory of equality of opportunity, proponents of micro-finance contribute to the neoliberal “cult of the entrepreneur” which celebrates individuals who use their own ingenuity and hard work to pull themselves up the rungs of the socio-economic ladder, and then erroneously assumes that therefore anyone can work their way out of poverty in this manner. However, this ignores the reality that not every person in the world has the knowledge, ability, or desire to be an entrepreneur. Moreover, this theory seemingly justifies the exploitation of common workers. For example, under neoliberal logic, if a Bangladeshi factory worker wants to be paid more, he/she should simply start their own business, work hard, and let the market determine how much money they deserve. Of course, the belief that one simply needs to pull up their bootstraps to be successful ignores both the structural and circumstantial limitations that many impoverished individuals face, and can lead to victim-blaming. The flawed neoliberal understanding of poverty which overemphasizes individual responsibility, ignores the structural causes of poverty, and completely disregards redistributive policies has ultimately prevented micro-finance’s proponents from creating effective change and empowerment in poor communities.

IV. Worker Cooperatives as an Alternative

While micro-finance seems to be an ineffective method of poverty alleviation, worker cooperatives might offer a better solution in both the Global South and the Global North because, unlike micro-finance, they directly confront capitalist socio-economic structures. While Orthodox Marxist and Social Democratic alternatives to capitalism throughout the 20th-century generally stressed a greater role for the state in the economy, others argue that these measures were ultimately ineffective at combating the inherent exploitation of workers at the root of capitalist modes of production, and that these types of state alternatives result in a similarly exploitative and undemocratic state capitalism. Though he still supports a role for the state, Richard Wolff argues that workers self-directed enterprises (WSDEs), in which workers control the means of production themselves, are the only way to eliminate economic exploitation and vast inequalities throughout the world. WSDEs allow workers to democratically guide the direction of their workplaces by giving each worker an equal vote on all workplace matters. WSDEs are also inherently redistributive in the sense that they eliminate major wealth disparities

---

30 Sparke, 29.
31 Sparke, 36-39.
32 Roy, 24.
35 Wolff, 116-118.
36 Wolff, 118.
by giving workers control of their own surplus value, instead of that value floating to the top of company hierarchies. Perhaps most importantly, democratic workplaces can “unlaliate” workers from the products of their labour, and this process would likely lead to far more fulfilling, enjoyable, and productive lives for workers. This in turn could therefore create more harmonious and egalitarian societies in general.

Since WSDEs fundamentally change the ways of producing goods, there would consequently be a change in social relations and institutions throughout societies that implement WSDEs on a large scale. For example, Wolff suggests that workplace democracy would foster a sense of solidarity and communitarian beliefs amongst workers, and that this would consequently strengthen political democracy and civic involvement throughout society as a whole. Environmentalism might also be highly valued in such a society, as workers would likely be careful not to disrupt the ecosystems in which they live. By contrast, current owners of large corporations generally live far away from their factories or resource extraction operations, and tend to ignore long-term environmental problems such as climate change and ground water contamination, which tend to disproportionately affect poorer populations. Indeed, Wolff suggests that one of the best benefits of WSDEs is that they can be tailored to fit the circumstances of the communities in which they are located simply because they are run by the workers living in the same community. This eliminates the threat of outsourcing and the global reserve army problem simply because workers would not outsource away their own jobs.

Worker cooperatives are one form of WSDEs, and present-day worker cooperatives are generally founded on the seven cooperative principles outlined by the International Cooperative Alliance. Companies based around these principles, such as the widely successful Spanish Mondragon Corporation which employs 85,000 workers, have shown that cooperatives can be a sustainable model of production despite having far more complex and ambitious goals than that of capitalist companies motivated solely by profit. According to Booth and Fortis, Mondragon’s workers are more satisfied with their jobs and work harder than in comparable non-cooperative companies, and this has resulted in greater productivity than in other companies in the same industries. Because cooperatives aim to eliminate economic exploitation by giving workers control of the surplus value that they generate through their labour, this can also be a possible method to alleviate poverty throughout the world, and to thus foster sustainable democratic development in the Global South.

Various studies do, in fact, show that cooperatives can significantly improve both economic conditions and social relationships within poor communities throughout the Global South. Bromwich and Saunders’ study of farm cooperatives in Shandan County, China showed that after two years, the cooperative farmers had significantly more income, less costs, and a higher “degree of satisfaction” than non-cooperative farmers. Just as Wolff hypothesizes, these cooperatives also contributed to social development within their respective communities reflected by increased “community harmony,” a greater appreciation of egalitarian and communitarian beliefs, and increased women’s empowerment. Similarly, in Nicaragua, fair trade coffee farm cooperatives weathered the 1999 coffee crisis far better than non-cooperative farmers. Like in Shandan, Nicaraguan cooperatives also had a larger societal impact by fostering women’s empowerment, and had a higher percentage of primary school children attending class than in non-cooperative communities. Further still, Vasquez-Leon likewise argues that cooperatives throughout Brazil have been able to strengthen democratic participation and social equity in ways that both the state and private sector have failed. While more research is likely needed to confirm cooperatives’ potential as a development tool, these results are quite promising, and seem to suggest
that cooperatives succeed in areas where micro-finance falls short.

Indeed, the examples from China and South America demonstrate that the supposed goals of micro-finance, such as empowerment, leveling, and democracy, might be better achieved via worker cooperatives. This is likely because cooperatives do not try to fit within (or reinforce) the restrictive framework of neoliberal ideological boundaries, and the inherently exploitative structures of capitalism. Instead of the narrow and misleading assumption that equality of opportunity in the marketplace will lead to equality throughout society, cooperatives are based on the idea that social equality can only follow from economic equality in the workplace.

As the evidence suggests, this different mode of production can then lead to greater levels of respect, education, and satisfaction in entire communities, and not just for those individuals whom the market determines deserve better treatment.

Of course, cooperatives are not always as successful as in the preceding examples. For instance, Genna Miller’s recent study on cooperatives in the United States shows that there are some gender inequalities in US cooperatives. In particular, she found that women still tend to have a lower status compared to men in cooperative workplaces, and often participate less than men in the decision making process regarding technical and production decisions. Considering these lingering inequalities, Miller suggests that cooperatives may need to implement affirmative action and cross-training programs so that women obtain production and technical knowledge, and so that cooperatives can consequently be truly egalitarian workplaces. In addition to the gender issues that Miller discusses, cooperatives in the Global North may often use resources that were likely extracted by impoverished workers in the Global South, and therefore still benefit from the exploitation inherent to capitalist modes of production. This simply further demonstrates the primacy of establishing cooperatives internationally, and highlights the need to promote a broader social movement alongside cooperatives in the Global North that encourages awareness for exploited workers throughout the world.

V. Conclusion

If cooperatives do, in fact, present the best hope for poverty alleviation and for establishing egalitarian beliefs throughout the world, it should therefore be our responsibility in the Global North to make conditions favorable for cooperative workplaces. As mentioned earlier in this essay, this responsibility will vary depending on circumstance, but specific strategies for responsible individuals and social organizations might include petitioning governments to subsidize cooperatives, becoming involved in local activist networks which promote cooperative values, pressuring local businesses to adopt cooperative models, or even partaking in forms of ethical consumerism, despite its flaws, by buying cooperative produced goods (though ideally this would be done in conjunction with more transformative methods). Furthermore, unions could attempt to gain more control over the work process and gradually obtain ownership of companies through collective bargaining, and could also educate members on social responsibility and poverty in the Global South. While it is not reasonable to expect everyone in the Global North to completely change their lifestyles to promote cooperative workplaces, individuals who do have the knowledge, abilities, and initiative to confront global capitalism head-on should do so. Changing norms in the Global North will likely benefit the rest of the world, as more mainstream institutions might then promote cooperatives abroad with the same fervor that they currently promote micro-finance. While these goals are undoubtedly idealistic and it is important not to hail cooperatives as a panacea, normative discussions of social responsibility ought not to be constrained by an obsession with supposed pragmatism, which tends to favor path dependent strategies over more radical alternatives.

Miller, 19, 20.
Miller, 20.

| 40 |
Bibliography


