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UP AND OUT *of* POVERTY

THE SOCIAL MARKETING SOLUTION

A Toolkit for Policy Makers, Entrepreneurs, NGOs,
Companies, and Governments

A photograph of two young children, likely of South Asian descent, peering over a weathered wooden fence. The child on the right is looking directly at the camera with a thoughtful expression, her hands clasped near her chin. The child on the left is partially visible, looking towards the camera. The background is dark and out of focus.

PHILIP KOTLER NANCY R. LEE

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Foreword

Philip Kotler and Nancy Lee lay out a compelling case for the power of social marketing to promote social change and to address itself to the problems of the poor. This is no surprise to those who have followed Dr. Kotler's work since his founding of the field some 40 years ago. But if you think that marketing is about branding, slogans, and advertising campaigns, this book provides ample evidence of the importance of "total" marketing—the creation, distribution, and promotion of products, services, and experiences that meet human needs. Over the years Kotler has tackled the role of social marketing in healthcare and nonprofit management and has described multiple applications of social marketing to social change. But here, in *Up and Out of Poverty*, Kotler and Lee tackle one of the world's most intransigent and disgraceful realities: poverty and its devastating human, social, and political consequences.

Poverty has many fathers: war, natural disaster, racism, discrimination, ignorance, and avarice. The masses who labored to build the pyramids; the peasants who fed the czars' empire; and the unemployed youth who roam the streets of Palestine, Johannesburg, and Bangkok today share a common anonymity. No monuments are raised in their names; no record of their individuality exists. They are simply "the poor."

The world continues to treat poverty like an epidemic of polio—a single disease with a common cause. Experts proclaim the discovery of a never-ending array of "poverty vaccines"—microfinance, healthcare, basic education, girls' education, democracy-building, foreign investment, foreign aid, political and social stability, peace education, and many more. Economists search for answers in the success of Asian tigers. Anthropologists look at primitive societies for root causes. Educators decry the lack of classrooms and quality education for the poor. Rock stars and celebrities both stir and calm our conscience with fund-raisers. Public health experts promise that the eradication of malaria, HIV/AIDS, and TB will lead to the eradication of poverty.

These approaches to poverty reduction make sense if you assume that poverty is a “vaccine-preventable disease.” The metaphor of disease vaccines is attractive. A vaccine for polio works reliably for people of all ages and both genders. It does not matter to a polio vaccine whether people are angry or dispirited, whether they love their children, or whether they believe in their ancestors or trust their church. A polio vaccine is indifferent to their desire to escape the boredom of poverty in drink or the oppression of poverty in wife beating. A polio vaccine is stable over time. After it is administered, it is resistant to war, natural disaster, racism, divorce, and economic downturn.

These views of poverty are credible because the poor remain anonymous and silent. And this is precisely where Kotler and Lee make their most convincing argument for social marketing’s role in the intelligent fight against poverty. Their ambitious title, *Up and Out of Poverty*, reflects more their determination to end poverty than their conviction that social marketing is another magic vaccine against poverty. No, the importance of this work is the focus on reframing poverty. It isn’t a communicable disease susceptible to vaccine development. Poverty is a chronic human condition, more like diabetes than polio, susceptible to external events and influenced by individual and community differences.

Up and Out of Poverty illustrates the power of social marketing to contribute to poverty reduction in three uniquely marketing ways: exchange theory, market segmentation, and competitiveness. *Exchange theory* suggests the disquieting thought that the poor have the right to want what the rich want. The notion of paternalism, in which development is guided by the “needs” of the poor (needs conveniently defined by the rich), is discarded. Kotler and Lee emphasize the ability of market research to identify what the poor want—companionship, the chance to lead or help others. They illustrate how social marketing translates those desires into products and services such as condoms, oral rehydration, and malaria bed nets. In exchange, the poor are willing to use these products and services to alleviate their poverty.

Market segmentation offers the seemingly novel thought that the poor might not all be alike. Some of them might be more efficient targets of change than others. The notion of *competitiveness* emerges

from commercial marketing, where it is assumed that every new product or service competes in the minds of consumers with existing consumer choices. For years development experts have assumed that the poor are sitting around waiting for help. The idea that development programs had to compete for the poor's attention seemed ludicrous. In fact, the poor make choices every day on how to survive. And some of those choices are resistant to change. A development program must not only be good, it also must be better than what the poor already value.

Perhaps most importantly, Kotler and Lee stress the importance of integrating public- and private-sector resources to create programs large enough, focused enough, and continuous enough to make a difference in the immense weight of the poverty problem. The whole concept of continuity to development programs brings into question one of the development community's most cherished, if least accomplished, goals—sustainability. Sustainability has come to mean that after two to five years of a program, its effects should last long after the program has ended. The logic is attractive. There are so few resources, and the problem is so immense. But as Kotler and Lee suggest, marketing emerges from a paradigm in the commercial world in which marketing is a continuous business function, not a start-up cost.

Perhaps most appealing is the work that the authors have done to track down relevant case studies and use them to illustrate their points. This new book is not only an eye-opener for the development professional, but also a darn good read.

—Bill Smith, EdD

Innovations Management/Academy for Educational Development
Associate Editor, *Social Marketing Quarterly*

Preface

Many books have been written about the scourge of poverty. They offer different theories on poverty and different solutions. Some outline macro solutions, and others deal with micro solutions. Our book takes a very different look at the problem and offers a different model for helping the poor escape from poverty. We examine the power of “social marketing methodology” to abate the suffering of the poor. This preface describes the major approaches to fighting poverty and how our approach adds to the set of tools for helping the poor achieve a better life.

Of all the problems facing mankind—disease, hard drugs, crime, corruption, armed conflict, global warming, nuclear risks, environmental sustainability—poverty is among the most persistent and shameful. Furthermore, poverty contributes greatly to the other problems. The poor suffer more from disease, and their hopeless condition leads some of the poor into lives of crime, hard drugs, and armed conflict. This means that the cost of poverty far exceeds the cost that the poor themselves bear. Poverty pours its poison on the rest of mankind.

Until the nineteenth century, the poor received little attention. Poverty was seen as inevitable. Governments and do-gooders could do little about it. The Industrial Revolution exacerbated the problem by attracting poor rural peasants to the cities in search of work. This led to the establishment of shantytowns and poorhouses. The plight of the poor became more visible. Caring researchers such as Beatrice and Sidney Webb in the U.K. started to count the poor and write about their plight. Charles Dickens, in *Oliver Twist*, vividly dramatized the conditions and exploitation of the poor.

The concept of creating antipoverty programs began in the nineteenth century and continues today. One sixth of the world’s population earns less than \$1 a day. Another 2 billion of the world’s 6 billion people earn less than \$2 a day. In the year 2000, the United Nations outlined its multilateral plan for reducing world poverty. The United

Nations formulated the Millennium Development Goals (MDG)—eight goals with 18 accompanying targets, designed to significantly reduce poverty levels by 2015. Target 1 was to cut in half between 1990 and 2015 the proportion of people whose income is less than \$1 a day. The goal is ambitious and is not likely to be achieved, given the tumultuous new circumstances of rising food and energy costs and continued armed conflict in the world.

Experts have put forth different theories of the causes of the problem and therefore have advocated different measures to cure the problem. We can distinguish between experts who see poverty as having a major basic cause and those who see many causal factors at work.

The simplest theory is that the poor have brought the condition on themselves. The assertion is that many are shiftless, lazy, and uneducated and prefer to live on handouts rather than exerting effort to lift themselves out of poverty. The implied solution from this view is to either find a way to change their attitude and behavior or leave them in their penurious state. Granted, some of the poor are responsible for their condition. However, there is evidence that most of the poor would be ready and willing to escape their penurious conditions if they could find employment and have a decent place to live.

Another simplistic theory is that poverty is the result of the poor having too many children. Each new child makes a poor family poorer. The argument goes further to say that the Earth has a limited population “carrying capacity” for resources and food to permit a decent standard of living for 6 billion people (let alone the 9 billion people projected by 2020). Therefore, poverty continues to be a problem because of overpopulation. This is a variation on Thomas Malthus’ proposition that the rate of population growth will exceed the rate of growth of food supply, resulting in starvation, war, and the continuation of poverty.¹ The major modern version of this view is found in the book *The Limits to Growth*.² Here the solution follows that much poverty would abate if poor families would limit the number of their offspring voluntarily or by edict. China represents the latter in restricting families to only one child. Certainly this has been one of the major contributors to China’s impressive reduction in the number of families living in poverty.

Another singular theory is that poverty persists because the poor don't own any fungible property on which they could borrow money. They lack tradeable assets. This theory has been propounded by the highly respected though controversial Peruvian economist Hernando de Soto in his book *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*.³ De Soto argues that the real source of wealth is real property—that is, well-defined and socially accepted property rights. Property is an asset that can be used to get or make a loan or mortgage, or obtain insurance or own stock, and other things that make capitalism so effective in producing economic growth and prosperity. But de Soto says this doesn't work in poor communities and countries because the institutions don't recognize the assets of the poor. The poor have plenty of assets (land, homes, businesses), but they typically lie in the extralegal, informal realm. The legal system has not adapted to this reality. The costs of making these assets legal (obtaining proper title to a house, registering a business) are so prohibitive in terms of time and money that the assets end up being “dead capital.” The poor cannot use their assets to achieve any of the normal capitalist tools to achieve upward mobility. Because these assets are not recognized, they create an extralegal style of living within their informal social circles. For de Soto, the singular solution is to push the legal system to allow the monetization of these assets so that the dead capital becomes alive.

Besides these grand singular theories, the majority of experts recognize poverty as resulting from many interrelated causes, all of which must be addressed in an integrated fashion. Consider Paul Collier's views in his book *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It*.⁴ According to Collier, the billion people at the bottom live in “trapped countries.” He identifies four elements that cause countries to become trapped:

- *Civil war.* Nearly three-quarters of the bottom billion have been through or are currently experiencing civil war. Civil wars usually occur where there are large numbers of unemployed and uneducated young men and ethnic imbalances.
- *Natural resources curse.* Almost 30% of these countries rely on exporting some raw materials, such as oil or minerals. Countries with large amounts of natural resources tend not to

develop the skill sets of their people, and they tend not to hold democratic elections. Corrupt governments and impoverished and violent masses often result.

- *Landlocked countries.* About 30% of the countries with desperate poor are landlocked or surrounded by bad neighbors. This leaves them economically disadvantaged.
- *Bad governance.* About 75% of the countries suffer from bad governance or autocratic leaders who exploit their people.

Each condition requires a different type of solution. Collier favors legitimate military interventions in areas being torn apart by civil war. Countries with large amounts of natural resources should develop skills that raise the value of their exports and should not simply export raw materials at world market prices. Landlocked countries must learn to work with neighboring port-based countries to build roads that will give them access to ports. Bad governance is the hardest problem to solve. Robert Mugabe ran Zimbabwe into the ground, and the rest of the world stood helplessly by.

Collier's chief recommendation to fight poverty is to "narrow the target and broaden the instruments." Narrowing the target means focusing on the one billion of the world's people (70% of whom are in Africa) who are in countries that are failing. Broadening the instruments means shifting focus from aid to an array of policy instruments: better delivery of aid, occasional military intervention, international charters, and smarter trade policy.

What about foreign aid as a partial solution to the problems of the poor? Two experts have sharply different views of the value of foreign aid. Jeffrey Sachs, author of *The End of Poverty*, wants the West to be more generous and to give substantially more foreign aid to poor countries.⁵ On the other hand, William Easterly, in *The White Man's Burden*, advances strong arguments against foreign aid.⁶ He describes Jeffrey Sachs as one of those big "top-down planners" who is never embarrassed about the many failures of foreign aid. Some estimate that as little as 15% of foreign aid reaches the deserving poor as a result of high administrative expenses and corruption. Foreign-aid relief agencies' tendency to do "top-down planning" fails to provide information on variations in local needs for medicines and foods.

Foreign aid also creates a dependency that keeps countries from reaching for their own solutions. Foreign aid hurts a country's private businesses that produce or sell the same foreign-aid items. Easterly sees the work of large foreign-aid bureaucracies and their vast past expenditures and interventions as largely a failure. At the same time, Easterly acknowledges some good deeds of these large aid agencies, especially when they concentrate on particular needs. These include drilling and maintaining local wells, building and maintaining local roads or sewage systems, or distributing medicine or food in particular places where they are needed.

The major problem of top-down planning is that huge agencies at the international and national levels have to decide how to allocate money to the different poverty-alleviation tools. They do this by setting priorities that reflect the country's modal conditions. But the priorities may vary from village to village and city to city. This means that some communities receive more to spend on causes that are not important, and other communities receive less than they need.

This makes it desirable to add a "bottom-up planning approach" that engages all the communities to develop their own proposals and programs of need, which are then passed upward. These programs must meet certain criteria, such as taking a long view of what would develop the community, and explaining the program's logic. The need is to "Take the mountain into the valley." C. K. Prahalad, in his book *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*, eloquently describes how local innovation and financial assistance to the poor can give the poor an incentive to help themselves escape from poverty.

Given these different approaches to understanding and reducing poverty, we are ready to state the main features of this book:

- This book doesn't believe that one major solution (such as foreign aid or population control) provides a full answer to the poverty-alleviation problem.
- We believe that the best solutions will involve more than government solutions and nongovernment organization (NGO) solutions. The solutions will involve the private sector as well, working closely with government agencies and civil organizations.

- We believe that much of the work of helping the poor lies in using tools to understand, influence, and assist the poor in participating in developing their own solutions.
- We link the big national picture of the problem with the specific conditions found in each local situation.
- We describe and illustrate with actual cases the major steps in the social marketing planning, implementation, monitoring, and control program. We believe that this level of analysis has been missing in all the previous work on helping the poor.

In essence, our book aims to describe what to do and how to do it in helping the poor escape poverty.

We have written this book so that those working to help reduce poverty will understand and use the powerful tool of social marketing. We believe that social marketing can help people move up and out of poverty, ensure that they don't slip backward, and even keep them from entering this situation in the first place. We think it has been missing as a major player in the poverty solution mix.

Part I, "Understanding the Poverty Problem and Its Broad Solutions," summarizes the various definitions used to measure the number of people living in poverty, major factors that cause or reflect poverty, and ways in which the nonpoor are also impacted by poverty. We then examine the barrel of current poverty solutions and describe how the social marketing solution differs.

Part II, "Applying Marketing Perspectives and Solutions," is more practical, outlining various theories, principles, and techniques that have been used to create behavior-change campaigns. These are illustrated with successful poverty-reducing cases from around the world.

Part III, "Ensuring an Integrated Approach," focuses on the unique role that the three major sectors (public, nonprofit, and private) play in poverty reduction. The final chapter stresses the critical need for these three sectors to work together, ensuring an integrated approach.

We believe you'll find the marketing concept easy to grasp. We adopt a customer-oriented mind-set. We define who our customers are and what they need and want in order to adopt the desired behaviors we have in mind—ones that will help them move up and out of poverty.

Endnotes

- ¹ Thomas Malthus, *Principles of Political Economy* (London: William Pickering, 1836).
- ² Donella H. Meadows (and others), *The Limits to Growth: A Report for the Club of Rome's Project on the Predicament of Mankind* (New York: Universe Books, 1972).
- ³ Hernando de Soto, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else* (New York: Basic Books, 2000).
- ⁴ Paul Collier, *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It* (Oxford, U.K.: Oxford University Press, 2007).
- ⁵ Jeffrey Sachs, *The End of Poverty: Economic Possibilities for Our Time* (New York: Penguin Press, 2005).
- ⁶ William Easterly, *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good* (New York: Penguin Press, 2006). The same skepticism about foreign aid is articulated in Clark C. Gibson, Krister Andersson, Elinor Ostrom, and Sujai Shivakumar, *The Samaritan's Dilemma: The Political Economy of Development Aid* (Oxford, U.K.: Oxford University Press, 2005).

1

Why Poverty Hurts Everyone

“Poverty is a call to action—for the poor and the wealthy alike—a call to change the world so that many more may have enough to eat, adequate shelter, access to education and health, protection from violence, and a voice in what happens in their communities.”

—The World Bank¹

At 5 a.m. in Zimbabwe, 13-year-old Chipo walks two miles to draw water to bring back to quench the thirst of her four younger siblings, ages 5 to 11. She prepares a slim pot of porridge, wondering where she will get something to feed them that night. She will have to carry her youngest sibling, who has had diarrhea for a week, to a medical clinic four miles away, where she expects a long wait. Her parents died from AIDS earlier in the year. Her neighbors are poor too, but they have provided a little help. She has no thought of schooling; her siblings and their survival are her only concern.

Meanwhile, near a vending machine at a gas station in Newark, New Jersey, Jim spots Suzanne after not seeing her for a long time. He is taken aback by her gaunt frame and worn-looking clothing. She breaks down and explains that she hasn't been eating much because she doesn't have money for food. Three years ago, she was hit by a drunk driver, and the accident shattered many bones in her body. She

spent months in the hospital, and when she returned home, her husband divorced her. She has been living on \$700 per month in alimony and \$60 in food stamps. She applied for disability assistance but was told she was ineligible. She also has applied for part-time jobs, but she feels that when employers see her cane for walking, they immediately dismiss the idea of hiring her. Her rent is \$430, her utility bill is \$90, and her phone bill is \$60. She spends over \$70 a month on co-payments for doctor visits and prescription medication, and \$40 a month for gas. That leaves \$10 for food, since she usually runs out of food stamps toward the middle of the month. Suzanne fights back tears as she explains how awful she feels about not bathing, but soap and shampoo are not covered by food stamps.

Most of the terrible fates experienced by the poor like Chipo and Suzanne are familiar to many of us. We see the faces of the hungry, unemployed, and homeless. We read about gender inequalities, those who are illiterate, and villagers who have to travel an hour for health care or to get clean water—on foot. We know about mothers who experience their children dying young from diarrhea, who die in childbirth, and who age prematurely. We are frequently reminded of the vast numbers who have tuberculosis, malaria, or HIV/AIDS. And we hear about those whose farmland is producing less each year, whose livestock are not healthy, and whose water is contaminated.

But what is the impact on the rest of us—the nonpoor? We suggest it is enormous, and we make the case in this chapter. Over the years, many books have been written about poverty and its causes and cures. Some take a 360 degree view and offer broad policy and solution ideas often involving economic measures. Others get very close to the victims of poverty and describe their hardships and sufferings. Our book differs as it focuses on the fieldwork aspects of trying to solve specific problems of hunger, disease, inadequate schooling, family planning, inadequate or foul water, and other problems contributing to poverty. We believe that the developing field of *social marketing*, with its apparatus of concepts, tools, and principles can

make a deep dent in these problems and has been missing in the poverty solution mix.

Our relentless focus and attention is on those poor who want to help themselves. What do they want and need that will address the barriers and support the behaviors that will move them out of poverty, even keep them out in the first place? They are the homeless people who don't know what resources are available or how to access them; the millions of women who want to use family planning, but can't convince their husbands; poor farmers who are afraid to try chemical fertilizers because they heard they might be bad for their livestock; sexworkers who fear they will lose business, even be jailed, if they suggest that their clients use condoms; fishermen who thought the mosquito net delivered to their door was for catching more fish; young adults wanting a job requiring computer skills they don't have; tuberculosis patients who think because they feel better they can discontinue their medications; poor families wanting to save money but not trusting financial institutions; children dropping out of school because their itching from riverblindness makes them the brunt of teasing; and the high school students who end up not graduating because their attendance is so poor they get behind.

We will describe many cases in this book where social marketing theory and practice has been successfully applied to influence behaviors that reduced poverty and improved the quality of lives. We believe that the need to accelerate our progress in fighting poverty is growing more urgent than ever as a result of the financial meltdown starting in 2008 that has caused more people to lose their jobs and many to lose their homes and increase the numbers of poor. Hopefully help will be forthcoming along with these new tools and concepts for addressing the issues.

We begin with a brief picture of the poverty landscape, answering the questions: Who are the poor? How many are there? Where do they live? Why are they poor?

Who and How Many Are the Poor?

Governments are interested in measuring poverty for several reasons: to know its percentage in the population, to track whether it is rising or falling, to know its percentage among different groups, and, perhaps most importantly, to provide direction for developing poverty-reduction strategies. Several commonly used definitions of “poor” appear in the sidebar titled “Definitions of Poverty.”

The World Bank reports that a person is considered poor if his or her consumption or income level falls below some minimum level necessary to meet basic needs. This minimum level is called the *poverty line*. Because basic needs vary across time and societies, poverty lines vary in time and place. Each country uses a line that is appropriate to its level of development, societal norms, and values. Information on consumption and income is obtained through sample surveys of households, conducted fairly regularly in most countries. When estimating poverty worldwide, the same poverty reference needs to be used, providing a common unit across countries. Since 2005, the World Bank has used reference lines set at \$1.25 and \$2 per day of income, per person.²

Jeffrey Sachs, in his book *The End of Poverty*, distinguishes and describes three degrees of poverty. For each, we have applied the World Bank’s reference lines to estimate the size of each group:

- Those in *extreme poverty* are households that “cannot meet basic needs for survival. They are chronically hungry, unable to access health care, lack the amenities of safe drinking water and sanitation, cannot afford education for some or all of the children, and perhaps lack rudimentary shelter—a roof to keep the rain out of the hut, a chimney to remove the smoke from the cookstove—and basic articles of clothing, such as shoes.”³ Using the World Bank’s most recent data (2005), economists estimated that 1.4 billion people were living in extreme poverty, less than US\$1.25 a day.⁴

- For those in *moderate poverty*, “[the] basic needs are met, but just barely.”⁵ These people still must forgo many of the things that many of us take for granted, such as education and health care. The smallest misfortune (poor health, job loss, natural disasters, drought, inflation) threatens their survival or might cause them to spiral down to extreme poverty levels. By defining the moderate poor as people earning between \$1.25 and \$2 per day, the number is estimated at 1.6 billion.⁶
- A household in *relative poverty* has an “income level below a given proportion of average national income.”⁷ It is a reflection of the distribution of income in a given country. “The relative poor, in high-income countries, lack access to cultural goods, entertainment, recreation, and to quality health care, education, and other prerequisites for upward social mobility.”⁸ They may also have received less attention with the focus on solving the problem of the extreme and moderate poor, where suffering is more obvious. Although no formal estimate of the global relative poor exists, it would not be surprising if more than another billion may be in this class, making the world’s total number of poor people about 4 billion—a majority of us.

Definitions of Poverty

- *Absolute definition.* As of 2005, the World Bank defines the number of people living in extreme poverty as those earning less than \$1.25 a day, and those living in moderate poverty as those earning between \$1.25 and \$2 a day.
- *Food-defined definition.* Defining a threshold that says that the cost of obtaining a sufficient amount of food for a given family’s size should not exceed 33% of the family’s disposable income. Thus, a family of four should earn at least \$19,991 because they need to spend \$6,663 to obtain an adequate amount of food to feed the family. This family of four is defined as poor if it earns less than \$19,991 a year. This measure has historically been used in the United States but is not used by most other nations.

- *Human poverty index definition.* The United Nations Development Programme defines an index composed of four factors: the likelihood of a child not surviving to age 60, the functional illiteracy rate, long-term unemployment, and the population living on less than 50% of the median national income.
- *By situation.* The United Nations (UN) defines poverty as “a human condition characterized by the sustained or chronic deprivation of the resources, capabilities, choices, security, and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political, and social rights.”⁹
- *Definitions by where the poor live.* The *village poor* are found in thousands of villages in Africa, Asia, and elsewhere where little is grown and little industry exists. The *rural poor* live in small communities that have become depressed as a result of drought or industry abandonment and where few job opportunities exist. And the *urban poor* are where people live in relative poverty, in the worst cases in crowded and dirty slums.

Where Do the Poor Live?

Over 90% of the extreme poor live in three regions of the world: Sub-Saharan Africa, East Asia, and South Asia. Looking at extreme poverty by country, Table 1.1 shows the percentage of the world's poor who live in each of these countries, with “poor” defined as living below the global poverty line of US\$1 per day.¹⁰ As indicated, ten countries represent 84.24% of the world's poor and almost two thirds (63%) live in India or China.

TABLE 1.1 The Top Ten Countries Representing 84.24% of the World's Poor (Below US\$1 Per Day)

Rank	Country	Percentage of the World's Poor
1	India	41.01%
2	China	22.12%
3	Nigeria	8.03%

Rank	Country	Percentage of the World's Poor
4	Pakistan	3.86%
5	Bangladesh	3.49%
6	Brazil	1.82%
7	Ethiopia	1.82%
8	Indonesia	1.49%
9	Mexico	1.43%
10	Russia	.99%

Source: NationMaster, 2008

To understand how “poor” a country is, however, it is more relevant to consider what proportion of its population lives in extreme poverty. Table 1.2 shows this statistic for all countries with 50% or more people living below the poverty line. As you can see, the vast majority (70%) of these countries are on the continent of Africa.

TABLE 1.2 Countries with 50% or More of Their People Living Below the Poverty Line¹¹

Rank	Country	Percentage of the Population Living Below the Poverty Line
#1	Liberia: (Africa)	80%
#2	Gaza Strip: (Middle East)	80%
#3	Haiti: (Central America)	80%
#4	Zimbabwe: (Africa)	80%
#5	Chad: (Africa)	80%
#6	Sierra Leone: (Africa)	70.2%
#7	Suriname: (South America)	70%
#8	Mozambique: (Africa)	70%
#9	Angola: (Africa)	70%
#10	Nigeria: (Africa)	70%
#11	Swaziland: (Africa)	69%
#12	Burundi: (Africa)	68%
#13	Tajikistan: (Asia)	60%
#14	Bolivia: (South America)	60%
#15	Rwanda: (Africa)	60%

(continued)

TABLE 1.2 Continued

Rank	Country	Percentage of the Population Living Below the Poverty Line
#16	Comoros: (Africa)	60%
#17	Guatemala: (Central America)	56.2%
#18	Malawi: (Africa)	55%
#19	Senegal: (Africa)	54%
#20	São Tomé and Príncipe: (Africa)	54%
#21	Afghanistan: (Asia)	53%
#22	Honduras: (Central America)	50.7%
#23	Kenya: (Africa)	50%
#24	Namibia: (Africa)	50%
#25	Ethiopia: (Africa)	50%
#26	Madagascar: (Africa)	50%
#27	Eritrea: (Africa)	50%
#28	South Africa:	50%

Source: NationMaster, 2009

Some are surprised to learn that India has (only) 25% living below the poverty line, China has 10%, and the United States has 12%. More detail on the United States is provided in the following sidebar.

Poverty in the United States

In the United States, an estimated 37 million Americans (12%) live below the official poverty line. Many are surprised by the following additional facts, published in 2007 prior to the collapse of the mortgage industry and the rise of gasoline prices:¹²

- One in eight Americans lives in poverty. A family of four is considered poor if the family's income is below \$19,991.
- One third of all Americans will experience poverty within a 13-year period. In that period, one in 10 Americans are poor for most of the time, and one in 20 is poor for 10 or more years.

- Poverty in the United States is far higher than in many other developed nations. At the turn of the 21st century, the United States ranked 24th among 25 countries when measuring the share of the population below 50% of the median income.

U.S. poverty rates vary significantly by race, age, education level, and other economic, social, and demographic characteristics. The overall poverty rate for minors (those younger than 18) is 22%, the highest in the developed world. The rate is highest for African-American minors (30%). And U.S. poverty has increased in recent years because of the rise in oil prices, the collapse of housing prices, the high debt burden, and deindustrialization resulting from the foreign outsourcing of more goods that normally would have supported blue-collar jobs in America.

A lot of controversy surrounds poverty measurements and solutions in the United States. Liberals tend to state that poverty levels are underestimated because these measurements ignore the medical costs of the poor, child support payments, and other costs. Liberals typically want government to spend more on antipoverty programs. Conservatives tend to believe that poverty levels are overestimated by failing to take into account the noncash benefits the poor receive, such as food stamps, public housing, church charity, and odd jobs. Conservatives also argue that living in poverty today is not as bad as it was in the past, with many poor people having TV sets, kitchen appliances, and even cars. They cite the 91% of households in the bottom 10% who own a color television, 55% who own a VCR, and 42% who own a stereo. They point to economic growth as the solution, not handouts.

Why Are They Poor?

There are ongoing debates over the causes of poverty, directly influencing the design and implementation of poverty-reduction programs that will be highlighted in Chapter 2, “Examining a Barrel of Current Solutions.” Most factors cited as contributing to poverty,

however, are related to a few major categories: health, the environment, the economy, infrastructures, education, social factors, and family planning. Examples include the following:

- *Poor health* that may be caused by lack of access to affordable health care, inadequate nutrition, low levels of physical activity, chronic diseases, clinical depression, substance abuse, lack of immunizations, and/or the spread of diseases such as AIDS, malaria, and tuberculosis.
- *Adverse environmental factors*, including erosion leading to soil infertility, overgrazing, overplanting, deforestation, natural disasters, drought, water contamination, and climate change.
- *Hard economic conditions* such as widespread unemployment, low wages, overspending, or economic failures of governments.
- *Lack of basic infrastructures and services* such as roads, sewage treatment, water supply, and electricity.
- *Poor access to education* or families keeping children from attending school because the children are needed to work on the farm or in other family businesses.
- *Strong social factors*, including crime, domestic violence, wealth distribution, war, discrimination, gender inequities, and individual beliefs, actions, and choices.
- *Lack of family planning*, sometimes reflecting lack of access to counseling and related services, and sometimes a result of religious or long-held cultural beliefs.

New forces operating in today's world are further threatening food supplies, raising food costs, and deepening the suffering of poor people. Major negative forces include the following:

- *High energy prices*. The world's economies in the past ran on cheap oil. The price of a barrel of oil shot up to \$140 in mid-2008, causing the transportation, food, and other costs to rise significantly. Oil prices subsequently fell to \$45 a barrel, which reduced energy costs but hurt oil-rich countries such as Venezuela and others that depended on higher oil revenues, causing an increase in unemployment in those countries.

- *The rise of China.* China's spectacular economic growth has required huge purchases of the world's steel, construction materials, food, and other items, causing their prices to rise significantly.
- *Biofuels.* The conversion of much farmland to growing corn to be made into biofuels has raised the price of farmland and many food products.
- *Droughts.* Long-lasting droughts in Australia, China, and other countries have significantly reduced the output of rice, causing rice prices to escalate, resulting in food shortages and riots in heavy rice-importing countries such as Haiti and Egypt.
- *Dietary changes.* People in emerging countries that are experiencing high economic growth are increasing their meat consumption, which has increased the need for grain to feed cattle and pigs, thus moving food prices higher.
- *Global warming.* Global warming tends to hurt food production in countries nearer to the equator by contributing to drought conditions.
- *Financial meltdown of 2008.* The U.S. economy suddenly turned from strong to weak as a result of loose credit standards leading to overbuilt housing and falling prices where many mortgage holders could not make their monthly payments. Home prices plummeted, banks stopped lending, and major "iconic" companies—Lehman Brothers, AIG Insurance, Citicorp—dove into bankruptcy or bailouts. The U.S. problem spread to all other countries that held "junk" mortgages, and a new mood of cost-cutting rather than spending on the part of consumers and businesses led to a worldwide recession filled with factory closings, lost jobs, and increases in the number of the poor.

The impact of these forces on living costs, credit availability, and joblessness has deepened the level of poverty. In 2008, for example, food riots broke out in Bangladesh and Egypt and required military interventions in Asia. Even in the United States, food banks and soup kitchens reported a 20% increase in visitors, and the number of citizens enrolled in food stamp programs grew by 1.3 million.¹³

And then there is the vicious cycle of poverty. Unfortunately, poverty has a built-in tendency to persist for generations within the poor and their offspring. Every baby born into a poor family faces a higher-than-average chance of dying at birth or shortly thereafter due to inadequate health facilities and abominable living conditions. If the baby survives, he or she will be exposed to hunger, polluted water, diseases such as malaria and dysentery, and other serious risks. The child, if he survives, is likely to grow up with little adult supervision because of parents who work in the fields or who are too weak to work. The urban poor child will grow up in slum conditions. He will receive either minimal or no schooling. The child will more likely bond with peers as he grows into his teens, many of whom will form gangs for mutual protection. Some children will end up in beggary or burglary or drug pushing. Early sexual intercourse is likely, resulting in young girls getting pregnant because of little parental supervision or ignorance about birth control methods. These young girls then bring into the world their newborns, who have no better chance than their parents of escaping poverty.

Why Should We Care About the Poor?

Poverty is a disgraceful and unjust condition that has always haunted mankind. Most people see the problem as insoluble. They see previous solutions that have failed. Some even think that previous remedies have worsened the condition of the poor. They claim that assisting the poor increases dependency and produces a “culture of poverty” that persists from generation to generation. Some go further and blame the poor for their problems. They think many of the poor are shiftless, lazy, unintelligent, or even parasitic. All that said, there is widespread pessimism about mankind’s ability to reduce the world’s level of poverty and wasted lives.

Why is it important to be optimistic about mankind's ability to reduce the number of people who waste their lives living in penurious conditions? What will the nonpoor gain if the lives of the poor are improved? The answer is that the nonpoor, as well as the poor, can benefit for seven reasons.

First, poverty means *wasted lives*—lives of people who could have grown to their full potential, prospered, and contributed. How many could have become doctors, scientists, professionals, and contributors to the well-being of their families, friends, and society at large? Chapter 7, “Understanding Barriers, Benefits, and the Competition for Change,” tells the story of Cheong Chuon, a Cambodian farmer who, because of the Farmer Field School program he attended, learned to feed his chickens well and for less money by giving them earthworms, and to feed his tadpoles termites from a termite mound. He was also helped to apply for a microloan that he used to buy more chickens and build a chicken house. He was able to repay the loan with his increased productivity.

Second, poverty breeds desperation and leads some desperate poor people into wasted lives, in some extremes even to *crime*. Beggars abound in poor countries; in some cases they are even organized as a business. Some who are deprived of good things turn to criminal activities—burglary, holdups, prostitution, or drug running. The victims of crime include the poor themselves as well as many members of society at large. How many could be organized and supported to become productive instead of destructive? In Chapter 5, “Evaluating and Choosing Target Market Priorities,” you’ll read about scavengers who live in the slums outside Manila in the Philippines. They gather, on a daily basis, to dig through the 130-foot mountain of garbage at the city’s biggest dump. Their cottage industries thrive as thousands sort through the baskets that are then brought back to the slums. Consider what would have happened to these 150,000 residents if their activities weren’t supported by the city.

Third, the poor are more prone to illnesses and *health problems*. Consider that in today's fast-moving world, diseases travel at break-neck speeds. Although it took decades for AIDS to spread, the bird flu showed signs of doing that in months. Those with only a few fowl to provide eggs and a few underfed chickens to eat will not destroy their only food source to save someone from the bird flu living in a land they have never seen. And, as described in Chapter 4, "Segmenting the Poverty Marketplace," consider the fate of New York City if an aggressive condom distribution campaign had not been launched on Valentine's Day in 2007. The city, with only 3% of the country's population, had 18% of the HIV/AIDS cases.

Fourth, the hopelessness felt by the poor makes them apt to *follow any demagogue* who promises salvation, whether it is through communism, fascism, or religious extremism. Osama bin Laden operated in the Sudan for years and found an eager following. Poverty, and its accompanying hopelessness, is a primary source of suicide bombers willing to trade their life for the small rewards given to their surviving families. In Chapter 6, "Determining Desired Behavior Changes," you'll read about Gulbibi, living in Pakistan, who was married at the age of 16. By the time she was 26, she had been pregnant five times, suffered one miscarriage, and given birth to four children. Eventually, with the help of a family clinic, she was able to convince her husband they could not afford to have any more children for a while. But what would her future and potentially that of many others have been if she hadn't taken action?

Fifth, the poor represent far more than a group that deserves our sympathy and charity. Helping the poor escape from poverty will also help *raise the incomes of the rest of the world*. The poor constitute a major untapped market opportunity for businesses that can imagine new ways to bring down the cost of products and services to the poor. Up to now, companies have largely failed to recognize "the fortune that lies at the bottom of the pyramid."¹⁴ Through microfinance

loans, smaller package sizes, and less expensive equipment (computers, cell phones, and so on), most of the poor would have access to the material fruits of modern society. Business and commerce need to pay attention to the poor if they want to know where they will sell or rent the next billion cell phones or computers.

Today millions of Chinese and Indians are employed making low-cost products to sell to other less-developed countries. Stripped-down models of electric generators that meet basic needs are sold for less than \$200 in Africa to the working poor. Comparable output units but with more gadgets sell for three to four times as much in developed countries. Cell phone prices are dropping below \$30, in part because they aren't loaded with features that many customers don't need. An inexpensive cell phone in a country such as Mali, where there is only one landline phone per 1,000 people, is a business opportunity, not just a convenience. The owner of that phone charges other people for calls by the minute and creates a livelihood.

C. K. Prahalad,¹⁵ in his book *The Fortune at the Bottom of the Pyramid*, makes a compelling case for adapting products for the poor to make them affordable. Using Prahalad's math, the extreme and moderate poor have buying power equal to \$8 billion per day. This makes the poor a multitrillion-dollar annual market for the world's products. Prahalad believes that the poor are an opportunity, not a burden. Western companies can resurrect earlier and simpler models of successful products and provide them at lower costs to this vast marketplace.

A sixth reason that more advanced nations should worry about nations filled with poor people. These nations often collapse into "failed states" that fall into conflicts and violence that necessitate *military intervention* by U.S. or NATO or UN forces. This happened with Honduras, Lebanon, Somalia, and Bosnia-Herzegovina—each violent outbreak within or between countries posing a threat to U.S. and European national security. As described in Chapter 11, "The

Nonprofit Sector's Role in Poverty Reduction," lack of preparation for natural disasters can also lead to failed states and increased need for international support. The massive disaster in Central America from Hurricane Mitch in 1998 served as a wake-up call, inspiring the government to take several actions to minimize the impact of inevitable future emergencies.

Seventh, the poor are desperate to leave their surroundings and enter other countries legally, or more often illegally, to better their lives. The United States itself estimates that 12 million Mexicans and other Latin Americans have entered the United States illegally in spite of billions spent on U.S. border control. Europe is beginning to feel the enormous pressures of illegal immigration from desperate people fleeing appalling circumstances in Africa and Asia. Not only is there the fear that they will take jobs away from workers in the developed countries, but that they will end up living in burgeoning slums along with some imports of criminality. Clearly the working class (middle and upper classes) in developed nations cannot claim they are safe and unaffected by poverty. The poor are no longer only a problem for the poor but a problem for all of us.

Summary

This chapter has presented the various definitions used to measure the number of people living in poverty. The "absolute definition" of people who live in extreme poverty is those who earn less than \$1.25 a day (an estimated 1.4 billion). Those who live in moderate poverty earn between \$1.25 and \$2 a day (an estimated 1.6 billion). Adding to this the additional 1 billion estimated to be living in relative poverty, 4 billion could be considered poor. Although the majority (63%) of the extreme poor live in India and China, Africa has the greatest percentage of its population living in poverty.

Several major factors related to causing or reflecting poverty include those related to health, the environment, the economy, infrastructures, education, social factors, and family planning. Existing ideas (a barrel of solutions) for addressing these are presented in Chapter 2.

We concluded with ways that the nonpoor are also impacted by poverty, citing seven reasons we should all do all we can:

- Wasted lives that may have contributed to family, friends, communities, and society
- Crime
- Spread of illnesses and health problems
- Potential to follow demagogues
- Untapped market potential
- The collapse of failed states that then require our resources
- Illegal immigration into the developed world

Endnotes

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- ⁴ The World Bank, op. cit.
- ⁵ Sachs, op. cit. p. 20.
- ⁶ The World Bank, op. cit.
- ⁷ Sachs, op. cit. p. 20.
- ⁸ Sachs, op. cit. p. 20.

- ⁹ United Nations. Human Rights in Development. "Poverty: What is poverty?" Retrieved September 1, 2008 from <http://www.unhchr.ch/development/poverty-02.html>.
- ¹⁰ NationMaster. Poverty: Share of all poor people (most recent) by country. Retrieved August 31, 2008 from http://www.nationmaster.com/red/graph/eco_pov_sha_of_all_poo_peo-poverty-share-all-poor-people&b_printable=1. Data source reported as World Bank 2002 for population numbers and proportion of population living on less than a dollar a day is from the Millennium Indicators (millenniumindicators.un.org).
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- ¹² Center for American Progress Task Force on Poverty, April 2007. "From Poverty to Prosperity: A National Strategy to Cut Poverty in Half."
- ¹³ "The Progress Report." Center for American Progress Action Fund, April 16, 2008.
- ¹⁴ C. K. Prahalad, *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits* (Upper Saddle River, NJ: Wharton School Publishing-Pearson, 2005). No one has done more than Prahalad to open the eyes of businesses to the immense and neglected market of billions living in poverty. They need many of the same products, and Prahalad argues forcefully that by innovating, packaging, quantity, or use, most products can be made affordable by this large market of eager consumers. Businesses that ignore his message do so at their own peril.
- ¹⁵ Prahalad, *op. cit.*

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