



chapter 9

Poverty

For decades, Economics in India has been a study of poverty. When I started studying Economics in college way back in 1974, the first thing I was taught was the Theory of the Vicious Circle of Poverty. This says that poverty is inescapable. Poor people and poor nations are doomed to remain poor. Of course, this is nonsense. If this were true, the world would still be in the Stone Age. The history of biography is full of rags-to-riches stories. America was built by poor immigrants, as was Hong Kong. Poor people struggle hard, and usually succeed. Rich people get lazy and hooked on to luxury. This theory is now taught in ICSE and CBSE schools. Textbooks which contain this nonsense should be immediately discarded.

Economics is *not* a study of poverty. It is a study of the production of wealth. Adam Smith, in 1776, wrote *An Inquiry into the Nature and Causes of the Wealth of Nations*. It is the causes of wealth that Adam Smith studied. It is this that his free market followers study today. However, India is said to be a poor country and its poverty often calls for POLITICAL ACTION to solve. The politicians spend crores of rupees on POVERTY ALLEVIATION. Should this continue? Let us take a closer look at the symptoms of poverty we see, like beggars.

I often travel between Delhi and Dehra Doon by car. After Roorkee, the road passes through a dense forest. Thousands of monkeys line the thoroughfare waiting for the scraps of food that Hanuman worshippers throw at them. Does this prove that the forest is poor and resourceless?

Or does this show the role of INCENTIVES (or what psychologists call POSITIVE RE-INFORCEMENT)? The monkeys have learnt that hanging around by the side of the road is an easy mode of existence. The same is true of beggars.

Long ago, the great dissenting development economist Lord Peter Bauer of the London School of Economics and Political Science made the observation that the widespread beggary that exists in the cities and towns of India and Pakistan is not a proof of poverty; but rather, the result of the fact that the predominant communities in both countries, Hindus and Muslims respectively, believe that they earn spiritual merit by giving alms to the poor. There are no Parsi, Jain, and Sikh beggars in these very countries because these communities practice charity differently and encourage self-help.

In India, there is a law against the maiming of children for pushing them into beggary.

THE EXISTENCE OF THE LAW PROVES THE EXISTENCE OF THIS VILE PRACTICE.

THIS IS WHY MOST BEGGARS ARE HORRIBLY CRIPPLED.

It is quite likely that the petty kleptocracy of municipal and police officials view beggary as an activity that generates a good income for themselves.

BEGGARY IS AN INDUSTRY. IT PROVES ONE

Self-help is an ethic which holds that help from outside weakens a person. It should only be sought by the desperate, and that too from private charity, or from friends and family.

THING ONLY: THAT WE SHOULD RE-THINK CHARITY.

We must not give to beggars; rather, we should encourage competing private charities.

THERE IS THEREFORE NO REASON TO ALLOW KLEPTOCRATS TO SPEND TAX MONEY HELPING THE POOR.

COMPETING PRIVATE CHARITIES IS THE ONLY WAY.

How would you rather spend your money in order to help the poor in a truly useful manner:

- Pay taxes to the socialist state?
- Give alms to every beggar on the street?
- Contribute to Mother Teresa's Missionaries of Charity?

Self-Help

Note that there are no Sikh or Parsi beggars in India. The Sikhs practice and encourage self-help. Anyone who gets a free meal at a Gurudwara *langar* is motivated to go out, work, earn a living, and himself contribute to a *langar* for others some day.

Samuel Smiles' *Self-Help* is a book every Indian should read.⁵ Written in the 1860s, it was translated into Turkish, Arabic, and Japanese within a few years and sold millions of copies worldwide. In Victorian England, it was second only to the Bible in every home; and in Meiji Japan it spread the firm belief that the Japanese could catch up with the rest of the world if they worked hard and conscientiously, with the least government interference.

The book promotes one's belief in oneself; only one who believes in himself will practice self-help and thereby maximise his human potential. The notion of the WELFARE STATE does not encourage such a point of view. It looks at the poor as hopelessly so, and in need of charity via the state. In India, Rajiv Gandhi himself commented that 80 per cent of the money spent on POVERTY ALLEVIATION SCHEMES does not reach the targeted poor. It is swallowed up by the kleptocracy.

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⁵ An Indian edition of this book is available from Liberty Institute, New Delhi.

vate charity, or from friends and family. We all have the moral sentiment of SYMPATHY and we all have the virtue of GENEROSITY. That is, we all sympathize with those who are in suffering, and we all possess a generous and giving disposition: that is why beggars are multiplying. They are a living and growing testament of public sympathy and generosity. Their existence proves that well organised and well-directed private charity is the best idea; preferable to state taxation in order to help the poor; and much better than unorganised individual aid encouraging beggary. There is no need, in a free market economy, for state action in aid of the poor.

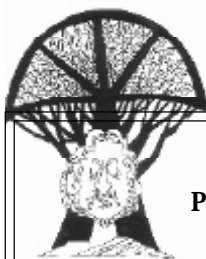
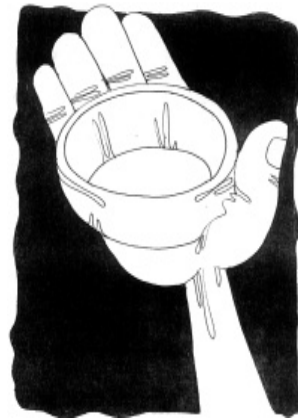
Instead, there is an urgent need to spread the idea that PROSPERITY LIES IN ECONOMIC FREEDOM. Today, the poorest of the poor players in the market economy have their lives ridden with economic controls and are preyed upon by the petty officialdom. The transportation industry is extremely unfree. There is, of course, exchange control; which makes every Indian incapable of participating freely in the globalising world economy. Indian agriculture is also under an inordinate amount of government restrictions.

If all these controls were abolished; and if there was ECONOMIC FREEDOM, the country would immediately prosper. There would be very few poor people, and they could be helped through competing private charities. Beggary would be discouraged by society. The state would tax us all minimally, and invest these proceeds in the best PUBLIC GOODS—especially roads and law and order, and this would allow India to urbanise aggressively: the 400 Singapore vision. Villagers would increasingly prefer to migrate to towns and cities and participate in the greater DIVISION OF LABOUR there. There would be no population pressure on land and Indian agriculture would achieve greater efficiency. Land reforms and land redistribution would be unnecessary. The state would only have to look after property rights.

We must promote the ethic of self-help by encouraging people to create wealth in freedom. Today, we are only encouraging dependence, and hence stifling the full development of India's human potential. This gives an excuse to the kleptocracy to preach in favour of "pro-poor" socialistic policies. These can never help the poor in any meaningful way. These should all be abolished. No ration shops. No subsidies. Instead, free trade, sound money, public goods, law and order, and COMPLETE ECONOMIC FREEDOM.

Freedom enables people to make economic achievements without hindrance. The ethic required is that of self-help. I help myself, and I am free to do so. I do not depend on others, least of all the state. If every Indian thinks like this, and if every Indian is economically free, there will be no poverty.

Poverty of rights
Poverty of freedom
Poverty of truth
Poverty of wisdom
Poverty of good policies
Poverty of good sense
Poverty of public goods—
The poverty's immense.



POINTS TO PONDER

- If the Theory of the Vicious Circle of Poverty is untrue, what explains mass poverty in India?
- How can India become a prosperous nation?
- What are the ways by which we can meaningfully help poor people?
- If all the people in need got dole from the state, would this weaken or strengthen the family? Think deeply: Would we be in need of family and friends if we were on the dole?