

The End Of Poverty

With so much wealth in the world, why is there still so much poverty?



Taxation

In order to provide roads, water, schools, and other services normally provided by a modern government, the state must have some means of collecting revenue. It took centuries in Europe for the central government to gain the power to collect taxes, largely because the aristocracy resisted. In the same way, the oligarchs who control the economies of many poor countries limit the state's capacity of impose taxes.

As a result, wealthy members of most countries are able to evade taxes to a great extent. First, they prevent even preliminary discussion or investigation of the possibility of taxing the assets held by the rich (their real estate, business holdings, and financial assets). Second, income taxes are rare and at a low level. Third, the taxes on luxury imports, which were taxed heavily until a few decades ago, have now been lifted.

The primary tax in most countries is now some form of tax on primary commodities: food, drinks, gas, electricity, and other things on which the poor rely. Thus, tax systems have become increasingly regressive, falling more heavily on the poor.

A few countries, such as Venezuela and Bolivia, have undergone virtual revolutions in their tax policies. By wresting control of their natural resources, they have been able to fund public services in large part from the profits or royalties derived from petroleum and natural gas, thus reducing the need for taxing the commodities used by the poor. Although not every government has the option of collecting revenue from hydrocarbons, many could collect more revenue from real estate, which is generally an undertaxed resource.

Debt

In total violation of international law, when countries in the South won their independence, the accumulated debts of colonial governments were transferred to the newly formed governments. By loading debt on the politically independent countries, the old colonial powers ensured that the new nations would remain economically weak and subservient to their wishes. This enabled the North to dictate policies on agriculture, trade, and customs, and give special privileges to foreign corporations, such as monopolies over mineral extraction or monoculture exploitation.

The oil crisis of 1979 and the resulting global depression (triggered by US monetary policy) massively increased borrowing by developing countries. Northern banks holding large reserves of "petrodollars" felt impelled to push loans on developing countries, which were mostly a corrupting influence. Elites in government and business borrowed the money for vanity projects, but when the bill came due, the poor had to pay for the extravagance, directly through taxes, and indirectly through lost development opportunities. The resulting debt repayment has crippled the economies of many countries, because the surplus that might have been reinvested in their own economies is instead transferred to banks and governments of the North.

The developing world still pays \$10 to \$15 in debt service to the North for every \$1 it receives from the North in foreign aid and private transfers by emigrants to their homes. Because the debt these developing countries have accrued over time is so great and the interest is so high, very few countries are able to pay

off their debt. In fact, the debt keeps growing. The World Bank and the International Monetary Fund thus have enormous leverage over indebted countries. Through "structural adjustment programs", the financial institutions can then force countries to sell off state assets, charge higher prices for subsidized commodities and services, and raise taxes and user charges on the poor. These austerity programs create misery by raising the cost of living of the poor, but they do not improve overall economic conditions.