

PART I

INTRODUCTION

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## I

## The Challenges of Conflict-Sensitive Poverty Alleviation

Over the past few years more than ten million relatively prosperous families in India gave up the right to buy fuel at subsidized prices so that poorer Indians could do so. On the other hand, some wealthy Indians have muscled their way into qualifying for affirmative action privileges, undermining an effective way of improving the prospects for deserving low-income students. In Brazil, the new millennium gave birth to a radical departure from the race-blind “racial democracy” myth to enact benefits for deprived Afro-Brazilians, despite the lack of a powerful pro-affirmative-action movement. Yet the affirmative action program has divided the Afro-Brazilian community, with recriminations and student expulsions for not being “black enough.”

These contradictions are a small fraction of the puzzles encountered in the efforts to induce relatively prosperous citizens to sacrifice some of their income for the sake of the poor. And, other puzzles arise in efforts to protect poverty alleviation programs from efforts of more prosperous people to wrest away the privileges. In highly polarized Argentina and Brazil, the extremism of pro-poor populist programs provided the opportunity for serious retrenchments of the programs. In contrast, violence by a populist movement based in Thailand’s poorest region following a coup d’état against its leader reduced the movement’s formal government and electoral power, yet brought the region greater policy relevance. It also elevated the rural inhabitants’ social and political status from subservient “villagers” to active participants in policymaking.

Poverty goes beyond simply the lack of income, to encompass deprivations in education, health, respect, and so on. Nevertheless, increasing the incomes of the poor typically provides them with greater capability to

overcome these deprivations. Moreover, in accord with a core premise of this book, poverty alleviation is best served by overall economic growth that not only increases the incomes of the poor, but also increases a country's capacity to enhance social services for the poor.

If the ultimate objective is to address the broad spectrum of deprivations of the disadvantaged, then understanding how respect is enhanced or denied is also a key challenge. Pro-poor initiatives have to avoid the surprisingly common consequence of poverty alleviation programs that they strengthen the prejudices against lower-status people. In Bogotá, Colombia, residents of expensive neighborhoods accept much higher utility rates so that residents of poorer neighborhoods could pay less, yet the neighborhood designations add disrespect to the deprivations of poverty.

Further, it is equally challenging to understand how to minimize the damage caused by government leaders who institute self-serving initiatives masquerading as poverty alleviation programs. The Malaysian and Sri Lankan affirmative action programs not only have further undermined the international standing of affirmative action, but also have greatly exacerbated societal polarization and economic decline.

Understanding these complex interactions is crucial for advancing the well-being of the roughly two billion people living below the internationally recognized poverty line, of whom three-quarters of a billion people live in extreme poverty.<sup>1</sup> Despite the remarkable poverty reduction documented by Millennium Development Goals assessments, poverty alleviation remains the most compelling development challenge. If the policies *also* contribute to empowering the poor, the gains are more likely to be sustainable. And if prosperous and poor people can avoid sustained destructive conflict, the overall gains of the economy are highly likely to be shared by the poor.

The cases sketched above demonstrate why the parsimonious models most prominent in economics and political economy are insufficient. For example, will altruistic impulses be directed to the poor in individual towns, regions, or nations? Or to kinsmen or coreligionists? Will social identities be enhanced if members of other groups are seen as deserving or undeserving of assistance? Moreover, models attempting to predict whether people at particular income levels would favor redistribution fail to find empirical confirmation, in part because of the distorted views

<sup>1</sup> World Bank PovcalNet database; the poverty line defined as US\$3.20 per day, the extreme poverty line as US\$1.90 per day.

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people have of their own standing within the income distribution (Gimpelson and Treisman 2018).

In addition, none of these models can tell us what the basis of income comparisons might be. Are people satisfied or dissatisfied with their perceived relative standing in relation to the entire nation, to another region, or in comparison with people of different ethnicity, language, religion, or other ascriptive characteristics? In many Latin American and Southeast Asian countries, the national income distribution is becoming more equal, according to the standard measures, and yet there is no indication that this has tempered the dissatisfaction about economic policies. In Southeast Asia, particularly in Thailand, a case especially highlighted in this book, dissatisfaction over regional inequality appears to be more important than perceived inequalities overall. The fact that the poverty in Thailand's poorest Northeast region has declined substantially has not reduced the antagonism toward the center, and may lead to growth-suppressing conflict in the future. The "revolution of rising expectations" undoubtedly is at play in some of these cases.

Furthermore, economics in isolation, with its emphasis on utility maximization, cannot address the central issues of sacrifice, as Simpson and Willer (2015, 44) ask:

Why do people cooperate in situations in which they could benefit more through selfishness? Why do people behave generously, often making great personal sacrifices in order to help others? Why do people behave in trustworthy ways, when they could profit more by exploiting dependent partners? In situations such as these an opposition exists between what is best for oneself versus what is best for others. Because of the fundamental nature of that conflict – reflecting the often-divergent consequences of egoism and sociality – answers to these questions offer important insights into understanding the microfoundations of social order.

Whether out of straightforward generosity or to maintain the social order, efforts to strengthen poverty alleviation outcomes require prosperous people to make some sacrifices by supporting, or at least acquiescing to, pro-poor policies. Of course, some prosperous people may perceive a pro-poor policy as benefiting themselves; such clear-cut scenarios are of little need for psychological insights to understand the behaviors of these segments. Thus, the first concern of this book is how to promote the willingness of the non-poor to make some degree of sacrifice for the sake of the poor. Their mindsets – their degree of empathy with the poor, the threat levels that they feel, their stereotypes as to whether the poor want or deserve greater benefits, and other psychological aspects – play a

significant role in enhancing or deflating this commitment. Even if relatively prosperous individuals are predisposed to support pro-poor policies and programs, their expectations and identifications are crucial in establishing whether they believe that an initiative claimed to be pro-poor actually would have the claimed impact. This, in turn, depends on perceptions as to whether the government is truly committed to, and capable of, pursuing the initiative.

They would also ask whether the initiative freezes out better alternatives, and whether the beneficiaries are deserving of the benefits – clearly an attitude that goes beyond economic self-interest. In terms of protecting the individual’s own interests, and others whom the individual wishes to protect, the obvious question is whether the initiative would lead to unacceptable harm. A less obvious but also important concern is whether the initiative would open the way to other initiatives that lead to unacceptable harm.

Of course, favoring pro-poor government policies and programs is not the only way to contribute to poverty alleviation. Philanthropy can be more direct. Many religions require charity: tithing for many Christian denominations, *zakat* in Islam; *tzadakah* in Judaism; *dāna* in Hinduism, Buddhism, Jainism, and Sikhism. Yet, often the contributions are to be implemented by the religious institutions (particularly in Christian denominations). However, in most developing countries, private philanthropy that reaches the poor is modest. For example, in Mexico, one of the richest countries still considered to be “developing,” philanthropy by individuals was estimated to be only .0014 of the GDP in 2012 (García-Colín and Sordo Ruz 2016, 339, 343). This is only one-fifth of the magnitude of nonprofit philanthropy from other sources, presumably international sources and domestic corporate contributions.

In addition, private philanthropy typically contributes less to poverty alleviation than do concerted government efforts. Dasgupta and Kanbur (2011, 1) argue: “Rich individuals often voluntarily contribute large amounts towards the provision of public goods that are intrinsically important for the well-being of poor individuals, but have limited impact on their incomes.”<sup>2</sup> They point out that:

<sup>2</sup> The examples of public goods to which they are referring are support of “places of worship, ethnic festivals, literary and cultural activities, sports clubs, civic/neighborhood amenities (including parks, museums, theatres, community halls, libraries), facilities for scientific research, etc.” (Dasgupta and Kanbur 2011, 2).

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The earlier emphasis on state-organized redistribution of income and wealth has largely been supplanted by attempts to encourage the rich to voluntarily contribute to local public goods . . . What appears to be of critical importance in assessing such claims is the magnitude of their direct impact on the private asset base of poorer individuals, i.e., on their private consumption . . . [P]hilanthropic provision of public goods that are intrinsically valuable, but have negligible income-augmenting effects on the non-rich, may often be reasonably viewed as complementary to a policy of redistribution. The poor do benefit from such provision, but the rich benefit more.

(Dasgupta and Kanbur 2011, 3–4)

This book sides with Dasgupta and Kanbur in emphasizing the importance of government policies and programs dedicated to poverty alleviation.

Nevertheless, it is essential to recognize that the incomes of the poor, whether it is the bottom 20 percent or bottom 40 percent, typically grow in close relation to the overall growth of the economy (this crucial point is elaborated in Chapter 2). This is why actions that jeopardize overall growth, including profligate spending as well as disruption that scares away investment capital, is damaging to the poor. Yet in some countries the poor's income gains can be augmented with pro-poor policies that complement sustainable overall growth policies, just as cases do exist in which the incomes of the poor lag behind the others. Achieving poverty alleviation beyond the economy's overall growth requires recognizing that some governments, responding to their own objectives and the support of key stakeholders, do not adopt the most effective pro-poor policies. Moreover, governments often neglect the very poorest people, who typically live in remote areas and are not integrated into the economy in ways that can enhance their livelihoods.

Thus, understanding how to achieve poverty alleviation requires attention to the psychology associated with two tasks. The obvious task is to provide the resources for the poor to increase their incomes and other assets, ranging from health and education to respect and self-esteem. The second task is to avert high levels of sustained conflict, because the economic decline brought on by destructive conflict undermines the incomes of the poor along with the non-poor, often with greater deprivation for the poor. Unsurprisingly, the correlation between levels of conflict and economic decline are very strong (Blattman and Miguel 2010; Justino 2011). This means that policies that provoke high conflict levels risk undermining economic growth, and consequently undermine poverty alleviation. The Dollar and Kraay (2002) and Dollar, Kleineberg, and Kraay's (2016) analyses also reveal that the poor do worse than the

rest of the population when the overall economy is in recession, but better than others when the overall economy is doing very well.

The bottom line is that for the bulk of developing countries, overall economic growth is necessary for the rise in the incomes and socio-political standing of the poor. Systemic factors that undermine overall economic growth, such as high levels of sustained conflict, hit the poor the hardest.

A very important caveat is necessary, however. In some instances, destructive conflict, including open violence, may have a positive effect of providing entrée to the poor to the policy process, such that their needs and wants would be taken more seriously. The case of so-called red shirt violence in Thailand seems to be such a case. Of course, the risk is that destructive conflict will escalate and become endemic, rather than stabilizing with the new, broader policy participation.

Growth-killing conflict does not necessarily entail overt violence, despite the fact that so many conflict studies presume that the predominant issue is violence, ranging from street violence to civil wars. While physical harm is obviously important, the focus on economic growth means that other forms of conflict are important as well. These include impasses over needed policy reforms, lack of intergroup cooperation, suppression of information, economic sabotage, and capital flight. Contentious relations between employers and employees can lead to paralyzing strikes; economic crises begging for urgent action go unaddressed due to such non-violent conflicts. When groups become so polarized that the economy is seen as a zero-sum game, hobbling economic growth, the poor lose out. We can conclude: *Poverty alleviation has the best chance when pro-poor government policymakers, relying on enough support or acquiescence by the non-poor, can effectively enact pro-poor, pro-growth policies in a context of low destructive conflict.*

It is true that poverty alleviation can occur even without a pro-poor commitment, if rapid economic growth pulls up the incomes of the poor. However, a pro-poor commitment by a sufficiently relevant set of the non-poor often can resist policies that would beggar the poor and support policies that are more directly pro-poor. Of course, some of the non-poor may favor pro-poor policies in order to preempt disruption by the poor. Even so, the pages that follow argue that less defensive support for the poor out of concern for their welfare and contributions to the overall economy is even more promising.

The politics of pro-poor initiatives has to take into account that the “non-poor,” though a convenient summary term, masks a wide range of



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income levels and circumstances. Thus, in some circumstances, the very wealthy may have no qualms about steering government programs more in the direction of the very poor than in support of middle-income families. Yet, in other circumstances, the very wealthy may feel threatened by more radical initiatives.

In short: *The primary challenge addressed by this book is to understand the psychology relevant to promoting and defending pro-poor policies, while minimizing destructive conflict and empowering the poor in the policy process.*

THE PROMISE – AND LIMITATIONS – OF SOCIAL  
PSYCHOLOGY

The field of social psychology has made great strides, through both theorizing and experiments. It has generated insights on the general patterns of forming identities, attributing traits to both “ingroups” and “outgroups,” and developing empathy directed toward accepting sacrifices on behalf of the poor. Social psychology now offers the framework to understand how antagonisms arise that fuel destructive conflict. For citizens called upon to make sacrifices for the poor, these psychological dynamics also shape perspectives about income distribution and judgments of the deservingness of the poor, which in turn depend on stereotypes of the poor.

In addition, the non-poor’s tolerance depends on the degree to which they identify with elements of the poor. The dynamics of identification, a major focus of social psychology, influence whether those called upon to make sacrifices for the poor identify with some of the poor. And even for those non-poor disposed to support pro-poor policies in principle, the heuristics (Kahneman and Frederick 2002) that shape views of government leaders’ dishonesty or incompetence can generate skepticism toward sound initiatives.

However, the useful application of these psychological underpinnings requires meshing them with the realities of policies and actors’ concerns about the fate of policy alternatives. People we might expect to be predisposed to either cooperation or conflict act differently because of their perceptions of policy motives and potential consequences. Predispositions to make sacrifices for less-fortunate people often founder on perceptions that government policy initiatives are insincere, or would have little success. These predispositions may be blunted by stereotypes of the poor as uninterested or unable to take advantage of additional benefits.

The theories are invaluable, but knowing how they will play out, and selecting policy approaches and enactment strategies, require knowing how to put the theories into appropriate political and socioeconomic contexts.

This book attempts to fill the gap in connecting distributionally relevant identifications to the stance regarding pro-poor policies. Part of the challenge is that the willingness to make sacrifices that entail income losses and other risks is often fragile, in light of the capacity to rationalize self-serving behavior. We must presume that compelling reasons – whether practical or ethical – are necessary for prosperous people to be willing to make sacrifices for people beyond those with whom they most immediately identify. Thus, to guide the formulation of pro-poor government policies, this book applies understandings of psychological dynamics to determine:

- circumstances in which the non-poor consider the relevant poor as deserving, which depends on stereotypes held about the poor, the overlap of the identifications of the non-poor with the poor, and understandings of why poverty exists.
- whether seeking individual or ingroup self-esteem can heighten the salience of more inclusive ingroup identifications.
- whether the desire for ingroup self-esteem results in denigrating the poor in order to affirm the superiority of the ingroup, or self-esteem is more potently reinforced by generosity toward the poor.
- whether those whose support is pivotal for an initiative doubt that it would help the poor, or believe that it would result in unacceptably high damage to the pivotal group; both depend on confidence in the intentions and competence of the government.
- whether polarization and resentment that threaten to bring about growth-paralyzing conflict can be reduced by altering mental scripts, rectifying misperceptions of income-distribution trends, diminishing negative stereotypes, broadening salient identifications, or reducing the perception of victimization.
- whether appeals based on raw impulse, instrumental rationality, and conscience can be directed to strengthen altruism applied to support pro-poor policy initiatives.

These understandings can be the basis for determining how to change perspectives, time new initiatives, select the tactics for publicizing them, and know which initiatives are unlikely to succeed.

As this suggests, scaling up from individual attributes associated with pro-social behavior to group behaviors in the policy process requires a