
HOW MUCH WILL IT COST TO END POVERTY?

Contributed by Jim Jordal
Thursday, 04 December 2008
Last Updated Thursday, 04 December 2008

HOW MUCH WILL IT COST TO END POVERTY?

By Jim Jordal

When the discussion comes around to poverty, the dollar cost of dealing with the problem (and the associated fear of increased taxes) becomes of great concern. People have a knee-jerk fear of taxation and thus often give it their highest political priority, so we might predict that such people would voice a desire to end poverty but will devote few resources toward doing so. But almost never does anyone in a position of political leadership ask the much better and far more vital question: What will be the cost of not dealing with poverty?

It's relatively easy to come up with a dollar figure for ending or at least seriously alleviating poverty. One figure often used is that an expenditure of \$90 billion per year for 10 years would halve poverty in the United States. According to others in the Millennium Development movement the expenditure of 0.7 percent of the GDP of the world's developed nations would be sufficient to end world poverty. There are many other figures offered, but whatever the cost of the effort, it would be money well spent due to the truly awful consequences of failing to deal with poverty.

So what are some of these consequences? First, they aren't all economic, although in the final analysis they all have serious economic ramifications. The social costs of continued poverty are legion: blasted hopes, endemic disease, high rates of child and infant mortality, illiteracy, family breakdown, crime, homelessness, and a dehumanization and brutalizing of society. There are many others, but they all have the same ultimate outcome: a loss of the potential benefits that people excluded from the avenues of social and economic advancement could contribute—in other words a vast loss of what economists call human capital.

Nations develop economically as they accumulate capital over the years. We all know of the need for financial capital, but what about human capital? Are we generating and accumulating human capital as rapidly as we could? If we seriously investigate the human capital losses due to poverty we find them to be immense. And even worse, they increase geometrically—in other words they build on themselves just like compound interest. In this respect the costs of not dealing with poverty multiply far into the future, and greatly exceed the costs of dealing directly with poverty now.

People who are unemployed or marginally employed could, if they were put to work, produce goods and services that could help solve a host of world problems requiring massive human effort. How about just cleaning up garbage and pollution, and beautifying the country? How about tutoring students having difficulty learning? How about planting trees to replace those lost to corporate greed? All these efforts require many bodies, but cannot now be done because of excessive cost or a lack of trained personnel.

Human capital is also permanently lost when we fail to devote adequate resources to education. Yet we have those who oppose early childhood education because it is too expensive. Folks, that's nothing but economic shortsightedness. So better than spend millions now, it's better to spend billions later dealing with broken families, lost careers, crime, and the other dysfunctions associated with childhood poverty and the lack of education in early life.

Another massive loss of human capital is the imprisonment of over a million Americans—the highest rate per capita of any developed country. But don't misunderstand: the argument is not that nobody should be imprisoned, but that their incarceration should not be based on overly punitive laws generated by a society fearing social unrest and using the threat of prison sentences as a means of social control.

So why aren't we doing more to prevent these losses in human capital? Perhaps it's because our national economic values have moved drastically toward the short term. We don't make the investment in human capital because it would cost too much now. We want immediate returns, and are willing to sacrifice our future welfare to get them. That this is a form of national suicide seems to escape us. Think about it!