

# HISTORY 250-2: Why is anyone still poor?

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## 1 Definitions

Before discussing a topic with such a vast number of possible argumentative paths, it is appropriate to objectively define the central theme and the key concepts involved. This endeavor does not endorse, necessarily, a Socratic pursuit of definitions, but it encourages a scientific approach to issues that are far too many times discussed in overly subjective terms.<sup>1</sup> In this context, we start by acknowledging the following:

1. In absolute terms, being poor means different things in different time periods, reflecting an ever-changing society.
2. In relative terms, poverty implies the deprivation of an individual's ability to be a full community member. This can take on many forms, including a lack of access to food, shelter, clothing, healthcare, education, and other important aspects of human life in each historical context. Since humans typically live in monetary societies, this deprivation is usually accomplished by insufficient monetary resources.
3. Fundamentally, poverty is related to inequality: some people are in better conditions than others. We call those at the tails of the distribution the rich and the poor. From this point of view, as long as any form of inequality exists, a corresponding form of poverty will exist.
4. Inequality can be observed in all levels of social organization. We see people stratified in different socioeconomic classes, but we also see countries stratified in different levels of economic power. The relationships between individual people are more complex and chaotic, but they can be consolidated into different communities (e.g., countries, states, villages, etc.).

With these assumptions in mind, “Why is anyone still poor?” can be reframed as “Why is there still any inequality among different communities?” Of course, this approach abstracts away all internal problems within the borders of a country, a state, or any human community. However, as we’ll see later, it is enough to sustain productive discussions about the root causes of economic inequality and its persistence throughout history. It also has the advantage of being more simple to

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1. David Wolfsdorf, “Socrates’ Pursuit of Definitions,” *Phronesis* 48, no. 4 (2003): 271–312, issn: 00318868, accessed March 6, 2023, <http://www.jstor.org/stable/4182735>.

describe and is very similar in spirit to Émile Durkheim's idea of collective consciousness.<sup>2</sup>

## 2 Why is there still inequality?

### 2.1 Introduction

The works of Adam Smith, Kwame Nkrumah, and Mahatma Gandhi discuss some of the most fundamental ideas about human societies through very different lenses. It might be, therefore, a little surprising that all three of them deal with the fact that imperialism and exploitation of human groups are the primary roots of inequality. By comparing each pair of authors, the reasons why imperialism has succeeded in the past stand out. Smith and Nkrumah discuss how the control of powerful nations over weak ones prevents them from experiencing economic growth and how this condition persists through time. Nkrumah and Gandhi present strong and contrasting arguments for how the weak nations should approach this issue and why it hasn't been solved yet. Finally, Gandhi and Smith complement each other by presenting the mechanisms through which imperialism makes rich nations richer and poor nations poorer.

### 2.2 Smith and Nkrumah

Nkrumah introduces the concept of neo-colonialism as a way for influential nations to maintain a strong influence over former colonies. While keeping international sovereignty on paper, poor countries are controlled from the outside by economic, political, and cultural means. Thus, for the less developed parts of the world, foreign trade is mostly a way of perpetuating the exploitation relationship with the developed part.<sup>3</sup> For example, rulers of neo-colonial states lack the motivation to prioritize the development of education, empower their expatriate workers, or take any action that would challenge the colonial system of commerce and industry because they are supported not by the people but rather by the neo-colonialist masters that provide "aid". As Nkrumah himself says, developing countries "will lack the financial strength to force the developed countries to accept their primary products at a fair price."<sup>4</sup>

This is exactly the kind of control Adam Smith feared when he proposed different levels of capital security. He explains that "the capital of the landlord or farmer is more secure than that of the manufacturer, so the capital of the manufacturer, being at all times more within his view and command, is more secure than that of the foreign merchant."<sup>5</sup> It is clear from this statement that he is aware of the various control and exploitation dynamics between countries and the risks involved for a developing economy to engage in international trade (such as being locked into an exclusive market). It is remarkable how imperialism continued being a source of inequality throughout the 189 years between both authors.

The idea of political unity to achieve economic stability is also extensively discussed by both of them. Smith focuses on the territorial aspects and the immediate advantages, for example,

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2. Émile Durkheim, *The division of labor in society* [in English], trans. George Simpson (London: Free Press, Collier Macmillan New York; 1964).

3. Kwame Nkrumah, *Neo-colonialism: The Last Stage of Imperialism* (1965; repr., London: Panaf Books, 2004), ix.

4. Nkrumah, xiii.

5. Adam Smith, *The Wealth of Nations* (1776; repr., Evanston, IL: Quartet Copies, 2023), 12.

of having networks of canals that allow access to the sea. Railways were still in early adoption stage at his time, and he explains the socioeconomic situation of inland Africa and north Asia as a combination of geographical misfortune and political fragmentation.<sup>6</sup> Nkrumah can't agree with this reasoning after the industrial revolution, so his arguments in favor of political unity are different. As part of his recipe to defeat neo-colonialism, he opposes every characteristic of it, including the "divide and conquer" strategy, which allowed minorities to be ruling countries in the continent of Africa.<sup>7</sup>

In what concerns the relationships between imperialism and poverty, it is clear that Nkrumah and Smith see one as the cause of the other, and advocate for improvements in the situation. However, there is one key difference between them: Smith still believes in the free market as a way to achieve prosperity, despite its downsides. He believes international trade is still a valid path for economic development and overcoming of poverty. Smith's concept of the invisible hand, in which individuals pursuing their self-interest in a free market system would result in the greatest overall benefit for society, was a cornerstone of his economic theory. On the other hand, Nkrumah clearly sees it as a tool for perpetuating neo-colonialism. For him, the free market is not a fair and level playing field, but rather a system rigged in favor of the developed countries. Among some ways this favoritism can be achieved, he cites the control of international capital, interest rates, "multilateral" aid agencies, government plans, and political roles. It's evident most of these are only possible because of the continuous progress and technological development achieved since the industrial revolution. It's also clear how once locked in, it is hard for a country to break free of the invisible chains of neocolonialism.

### 2.3 Nkrumah and Gandhi

There's an interesting way of addressing inequality and imperialism: refusing "development" altogether. Both Nkrumah and Smith reflected on the goal of transforming a poor nation into a rich nation, or an underdeveloped nation into a developed nation. However, this is not the only available choice. Perhaps, it would be wise to consider why this kind of transformation should be used to fight inequality in the first place. Gandhi spends some time on this question, particularly in the context of British imperialism in India. He argues that the pursuit of material wealth and development is not the ultimate goal of human existence, and that a society can achieve true progress and well-being through spiritual and moral development. He advocates for an economy that focuses on the preservation of local culture and traditions to annihilate inequality.<sup>8</sup> This approach challenges the dominant paradigm of development as defined by the West, and offers an alternative vision of progress that prioritizes human values over economic growth. While this may not be feasible or desirable for all societies, it is a reminder that there are multiple ways of thinking about development and progress, and that these concepts are not universally applicable or desirable. As Gandhi himself would put it: "it is not an attempt to go back to the so-called ignorant, dark ages. But it is an attempt to see beauty in voluntary simplicity, [voluntary] poverty

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6. Smith, *Wealth of Nations*, 9.

7. Nkrumah, *Neo-colonialism*, 253.

8. Mahatma Gandhi, *Gandhi: 'Hind Swaraj' and Other Writings*, ed. Anthony J. Parel, Cambridge Texts in Modern Politics (Cambridge University Press, 1997), xvii-xxi, li.

and slowness.”<sup>9</sup>

In this context, poverty for Gandhi is not the same as was defined in Section 1. His ideal of civilization is poor only in the eyes of the West, and only because the West has taken financial poverty as the preferred definition. In fact, for Gandhi, true poverty emanates from modern civilization itself. Only when Indians unlearn what they have learned with the British, and when they abandon modern civilization, would they overcome poverty and inequality. This might seem a very radical change compared to what Nkrumah or Smith considered to be the root cause of inequality, but it turns out that these thoughts are not so far away from each other: Gandhi’s ideas are aimed to liberate India from colonial rule, which he considered to be harmful to the Indian people. This is in spirit, the same as Nkrumah’s fight against neo-colonialism.

The great difference between the two is that Nkrumah considers imperialism and modernity separable. *A priori*, there is no reason to believe there could not be a modern civilization without the evils of imperialism. That’s why he advocates for strengthening nations’ independence, not war against imperialists. However, Gandhi avoids relying on any uncertainties. He acknowledges the goods of modernity, but he values more the absolute certainty that if inequality was born in civilization, then abolishing civilization is for sure getting rid of inequality.<sup>10</sup> It would be hard for him to convince Nkrumah that this is a good path, solely because Nkrumah believes “the potential material resources of the world are so great that there is no need for there to be rich and poor.”<sup>11</sup> In other words: according to Nkrumah, the world inequality can be repaired by a redistribution of wealth. He even establishes specific conditions for that to work, such as the requirement that the entire developing class act simultaneously. This has not happened many times in history, but “unthinkable” events such as the Haitian Revolution can happen, as would point out Michel-Rolph Trouillot. Even so, Gandhi, would probably not be very impressed, since he is not concerned with material resources.

## 2.4 Gandhi and Smith

More than “not concerned” about them, Gandhi rejects material resources. In his view, the mechanism through which imperialism impoverishes people is rather simple: colonizers explore the work and belongings of the colonized. The exact same colonial process through which Spanish and Portuguese were able to explore Latin America was used by the British Empire in India.<sup>12</sup> Division of labor follows the same pattern throughout different centuries: the colony provides the natural resources used by the imperial power to produce processed goods. Adam Smith is aware of this dynamic, as he himself coined the term division of labor. However, while Smith saw the division of labor as a means of increasing productivity and economic growth, Gandhi saw it as a source of exploitation and inequality.<sup>13</sup> He believed that the division of labor in India under British rule had led to the exploitation of the lower classes and the destruction of traditional industries. It is evident that Gandhi views the British society as harmful: “We hold the civilisation that you support, to be the reverse of civilisation. We consider our civilisation to be far superior

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9. Gandhi, *Hind Swaraj*, xvi.

10. Gandhi, xvii.

11. Nkrumah, *Neo-colonialism*, 258.

12. Gandhi, *Hind Swaraj*.

13. Smith, *Wealth of Nations*.

to yours.”<sup>14</sup>

Not only that, but Smith believes that the spread of knowledge and ideas leads to greater innovation and progress. Once again, this clashes with Gandhi’s belief that the imposition of Western values is a form of cultural imperialism and that it has a devastating effect on traditional societies like India. Given that, Smith’s emphasis on the pursuit of individual self-interest might seem the perfect antithesis to Gandhi. However, Smith actually acknowledges the important role of the supplier of natural resources. When discussing the “country” and “city”, he considers them of similar importance, giving more value to the trade itself. He says, “The inhabitants of the town and those of the country are mutually the servants of one another.”<sup>15</sup> Here, the relationship between country and town can be interpreted as the relationship between the developed and less developed nations. Unfortunately, in practice, this ideal model of trade is not observed, and exploration relationships take over. That is the mechanism through which the rich get richer in imperialism: a friendly attitude that quickly transforms into authoritarian.<sup>16</sup> In this strict sense, Gandhi would say that Smith failed to analyze the real effects of trade between nations at distinct stages of development. Perhaps, having lived on a later time period would have allowed him access to more empirical observations, such as the ones Gandhi has experienced.

## 2.5 Conclusion

In summary, the works of Adam Smith, Kwame Nkrumah, and Mahatma Gandhi shed light on the persistent issue of inequality in human societies. The authors’ ideas and perspectives differ significantly, but they all recognize imperialism and exploitation as major contributors to the problem. Nkrumah and Smith both highlight the risks and challenges of engaging in international trade for developing economies. At the same time, Smith still believes in the free market as a way to achieve prosperity, and Nkrumah sees it as a tool for perpetuating neo-colonialism. Nkrumah also offers contrasting views to Gandhi regarding how to approach the issue. Gandhi advocates for spiritual and moral development, and a return to traditional societies that Nkrumah believes can actually be fixed. Despite the differences in their approaches, all three authors share a common goal of reducing inequality and promoting social justice. However, achieving this goal will require continued critical analysis and exploration of alternative paradigms for development, inequality, and poverty.

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14. Gandhi, *Hind Swaraj*, 114.

15. Smith, *Wealth of Nations*, 11.

16. Gandhi, *Hind Swaraj*.

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