

## How to Generate Poverty Without Really Trying

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As governments have taken over the Christian churches' traditional role of caring for the poor, the churches have redirected their attention to the nature and causes of poverty. They have conducted several inquiries, in many countries and, these days, many clergy speak and write more dogmatically about material than spiritual welfare. But, less expert in economics than they are theology, they run the risk causing the problem they wish to cure.

The Reverend Dr John Williams, a minister of the Uniting Church is an exception. Recently, he suggested that to look for the causes of poverty might be to ask the wrong question. After all, he pointed out, Adam Smith had not studied poverty--poverty was too commonplace. Instead, his great work, "An Inquiry in the Nature and Causes of the Wealth of Nations", tried to establish the circumstance that produced the exception, wealth. Wealth is still exceptional.

The churches tend to say that poverty should be cured by redistributing existing wealth. Assuming that redistribution is possible: if the really poor in Third World and Communist countries were to receive approximately equal shares of Western-world wealth, Western-world living-standards would be reduced to Third-world levels.

The case for large-scale redistribution is, moreover, badly flawed. People, families and nations do not normally become rich by taking from a pool of wealth that other people can share. They become rich by producing things that other people value. That is not to deny the possibility of theft and charity, but such zero-sum transfers do not explain the phenomenon of wealth and they discourage its generation.

Australia is now a wealthy country. What is more, in spite of slipping backwards relative to other countries, our living standards are still rising. Our really spectacular progress was, however, in the last century. At first, the colonies nearly starved but, by Federation, Australian's had achieved the highest living standards in the world.

To explain away rising living standards some Marxists explain the economic growth of Europe in terms of the

exploitation of Europe's colonies---a transfer that made the colonies poorer. That Australia should have grown rich by exploiting Papua New Guinea, however, is an even less credible story.

Wealth is made by working, it is enhanced by exchange and it is accumulated by saving. If the clergy manage to prevent or to slow down any of these processes, their good intentions will not have prevented them from creating poverty.

To repeat the conventional: Goods and services are produced only by hard work. Voluntary exchange of goods and services makes both parties richer by enabling people to produce the things they are good at producing while consuming the things they want. And thus, by producing the things that make themselves rich, people also make other people rich.

By saving, people accumulate wealth---capital. Capital allows them to be more productive, which, in turn, gives them more to exchange and more to divide between consumption and saving. This is the process by which wealth begets wealth. Basically, it is by voluntary exchange and wise investment that the poor nations---say, Korea in 1950---have raised their productivity and become rich.

During the last half of the nineteenth century, by hard work, by exchange in relatively free markets, and by saving, hundreds of thousands of Australian families escaped poverty. The Australian colonies really were lands of opportunity and, at the time, the churches were part of the wealth-generating environment. In those days churches preached personal charity and personal responsibility---in short, avarice, sloth and profligacy were still sins. Since most people went to church, we can but suppose the churches were influential.

As late as the 1940s, "The Little Red Hen" and "The Ant and the Grasshopper" were Sunday school staples, but nobody said that the farm animals who would not accept the hen's job offers and the profligate grasshopper were victims of society. And it was understood that the hen and the ant had created new wealth---there was, thus, no question of them depriving the other creatures.

Large parts of modern churches, see things differently. For instance, the Australian Catholic Church's document, "Changing Australia", and the Australian Uniting Church's paper, "Economic Justice: The Equitable Distribution of Wealth", both call for poverty alleviation primarily by redistribution. How serious they are is another question: the mainstream churches, which own more capital than big multinational companies, have yet to redistribute their own wealth.

Nevertheless, to the extent that the churches directly or indirectly influence governments, the pool-of-wealth approach to economics has a potential to stop poor people becoming rich. If the Little Red Hens have their wealth 'redistributed' they will stop working. If the other animals receive bread

without working, they will never work. If industrial awards, licences and tariffs prevent the other animals contributing to the hens' bread production reasonably efficiently, it may not be worth their while to do so, and, even if it is, they might not produce much bread. If the grasshoppers get the same pensions as the ants, then the ants will not save.

The churches task has, no doubt, been made more difficult when Hellfire and Damnation became unfashionable. It is, nevertheless, unfortunate that they seem to have largely given up trying to persuade people to, on the one hand, behave more generously, and, on the other, behave more responsibly. For prudential as well as charitable reasons, most of us want to live in a society which has "a safety net" to catch the poor. Private charity is better able to identify the deserving poor, and a return to nineteenth century attitudes to work and saving would allow the net to be adjusted higher for any given amount of damage to the productive processes.

Necessarily, most of the poor will become rich only through their own work, exchange and saving. They should be given every opportunity to do so.

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