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THEME: THE ENABLING STATE AND THE ROLE OF THE  
PUBLIC SERVICE IN WEALTH CREATION: PROBLEMS AND  
STRATEGIES FOR DEVELOPMENT IN AFRICA



TOPIC: WEALTH CREATION VERSUS POVERTY  
ALLEVIATION:  
A DEFINITIVE CRISIS?

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## SECTION ONE: BACKGROUND

Despite efforts over the last two to three decades by successive government in the Africa Region to tackle headlong the issue of poverty through various wealth creation and poverty alleviation programme, not much seems to have been achieved. This is evident by the growing poverty incidence of the region. A recent World Bank survey indicated that of the about 1.5 billion people living in abject poverty all over the world. About 250 million are found in the sub-Saharan Africa. This certainly is a paradox, given the abundant human and natural resource endowment of the continent. One can posit therefore that the issue of poverty and its eliminating strategies is one of the toughest development challenges facing the continent today.

At the global level, the comprehensive Development framework, the UN Millennium Declaration, the HIPC – Debt Relief Initiative among others demonstrate global consensus for poverty eradication. At the regional level, the NEPAD initiative gives credence to the ‘war’ against poverty. This is in addition to various country-specific programmes. Poverty eradication has therefore become a priority pursuit in development policy worldwide.

The global hope of achieving drastic poverty reduction is hinged on the Millennium Development Goals (MDGs). These goals were set and agreed to by the international community in 2001, to establish objectives for the period to 2015 during which time significant improvements would be achieved in eight broad areas -- poverty, education, gender equality, child

mortality, maternal health, HIV/AIDS and other diseases, environmental sustainability, and global Partnerships for development.

There seems to be a convergence of opinion among scholars that with what has been achieved so far, and what is required to meet set targets, the hope of attaining the MDGs is quite remote.

## SECTION TWO: CONCEPTUAL FRAMEWORK

### 2.1 CONCEPT OF WEALTH

The concept of 'wealth' varies among societies. Therefore, the word wealth means different things to different people. In its most narrow sense, wealth refers to abundance of anything. But generally, wealth refers to abundance possession of object(s) of value (e.g. gold, clay, water, property, certain skills etc.) and the state of having accumulated these objects.

The Webster Dictionary of English sees wealth among others as: natural resources of a country, whether or not exploited; the product of the economic activity of a nation; anything which can be exchanged for money or barter.

Just as the word wealth is relative, the state of being wealthy is also relative. A person that is wealthy is someone that has accumulated substantial wealth relative to others in a given society of reference group.

For the purpose of our discussion the five basic concepts of wealth as enunciated in the WIKIPEDIA-free encyclopedia will be discussed.

#### (1) The **anthropological view of wealth**

**Anthropology** characterizes societies, in part, based on a society's concept of wealth, and the institutional structures and **power** used to

protect this wealth. Several types are defined below. They can be viewed as an evolutionary progression.

**(a) A rudimentary notion of wealth**

**Great Apes** seem to have notions of "turf" and control of **food-gathering** ranges, but it is questionable whether they understand this as a form of wealth. They acquire and use limited tools but these objects typically do not change, are simple to re-create, and therefore are unlikely to be seen as objects of wealth.

**(b) The interpersonal concept of wealth**

Early **hominids** seem to have started with incipient ideas of wealth, similar to that of the **great apes**. But as tools, **clothing**, and other mobile **infrastructural capital** became important to survival (especially in hostile **biomes**), ideas such as the **inheritance** of wealth, **political positions**, **leadership**, and ability to control group movements (to perhaps reinforce such power) emerged.

**(c) Wealth as the accumulation of non-necessities**

**Humans** back to and including the **Cro-Magnons** seem to have had clearly defined rulers and status hierarchies. **Digs** in **Russia** have revealed elaborate **funeral clothing** on a pair of children buried there over 35,000 years ago. This indicates a considerable accumulation of wealth by some individuals or families. The high **artisan** skill also suggest the capacity to direct **specialized labor** to tasks that are not of any utility to the group's survival.

**(d) Wealth as control of arable land**

**Irrigation** and **urbanization**, especially in ancient **Sumer** and later **Egypt**, are thought to have triggered a shift that unified the ideas of wealth and control

of **land** and **agriculture**. To feed a large stable population, it was possible and necessary to achieve universal **cultivation** and **city-state** protection. The notion of the **state** and the notion of **war** are said to have emerged at this time. Tribal cultures were formalized into what we would call **feudal** systems, and many rights and obligations were assumed by the **monarchy** and related **aristocracy**. Protection of **infrastructural capital** built up over generations became critical: **city walls**, **irrigation systems**, **sewage systems**, **aqueducts**, **buildings**, all impossible to replace within a single generation, and thus a matter of social survival to maintain. The **social capital** of entire societies was often defined in terms of its relation to **infrastructural capital** (e.g. **castles** or **forts** or an allied **monastery**, **cathedral** or **temple**), and **natural capital**, (i.e. the **land** that supplied **locally grown food**).

### **(e) The capitalist notion of wealth**

**Industrialization** emphasized the role of technology. Many jobs were automated. Machines replaced some workers while other workers became more specialized. **Labour specialization** became critical to **economic success**. However, **physical capital**, as it came to be known, consisting of both the **natural capital** (raw materials from nature) and the **infrastructural capital** (facilitating technology), became the focus of the **analysis of wealth**. **Adam Smith** saw wealth creation as the combination of materials, labour, land, and technology in such a way as to capture a profit.

### **(2) Global wealth**

**Michel Foucault** commented that the concept of **Man** as an aggregate did not exist before the 18th century. The shift from the analysis of an individual's wealth to the concept of an aggregation of all men is implied in the concepts of **political economy** and then **economics**. This transition took

place as a result of a **cultural bias** inherent in **the Enlightenment**. Wealth was seen as an objective fact of living as a human being in a society.

### **(3) Zero-sum game**

Regardless of whether you define wealth as the sum total of all currency, the M1 **money supply**, or a broader measure which includes money, securities, and property, the supply of wealth, while limited, is not fixed. Thus, there is room for people to gain wealth without taking from others, and wealth is not a **zero-sum** game in the long term. Many things can affect the creation and destruction of wealth including size of the work force, production efficiency, available resource endowments, and availability of capital.

However, at any given point in time, there is a limited amount of wealth which exists. That is to say, it is fixed in the short term. People who study short term issues see wealth as a zero sum game and concentrate on the **distribution of wealth**, whereas people who study long term issues see wealth as a non-zero sum game and concentrate on **wealth creation**. Other people put equal emphasis on both the creation and the distribution of wealth.

### **(4) The non-normative concept of wealth**

**Neoclassical economics** tries to be non-normative for the most part, to be objective and free of value statements. If it is successful, then wealth would be defined in such a way that it would not be preconceived to be either positive or negative. This objective has not always been the case. In prior eras wealth was assumed to be a set of **means of persuasion**.

It was often seen as self-interested arguments by the powerful explaining why they should remain in power. [Jane Jacobs](#) in the 1960s and 70s offered the observation that there were two different [moral syndromes](#) that were common attitudes to wealth and power, and that the one more associated with [guardianship](#) did in fact require a degree of ostentatious [conspicuous consumption](#) if only to impress others.

This logic is almost entirely absent from [neoclassical economics](#), which in its extreme form argues for the abolition of any [political economy](#) apart from the [service markets](#) wherein favours may be bought and sold at will, including political ones - the so-called [political choice theory](#) popular in the [U.S.A.](#). While it is entirely likely that such assumptions apply in the subcultures that dominate modern [discourse](#) on [technical economics](#) and especially [macroeconomics](#), the less technical notions of wealth and power that are implied in the older theories of economics and ideas of wealth, still continue as daily facts of life.

#### **(5) Non financial wealth**

The [21st century](#) view is that many definitions of wealth can exist and continue to co-exist. Some people talk about measuring the more general concept of [well-being](#). This is a difficult process but many believe it possible - [human development theory](#) being devoted to this. Although these alternative measures of wealth exist, they tend to be overshadowed and influenced by the dominant [money supply](#) and [banking](#) system.

## 2.2 WEALTH CREATION CONCEPT

### 2.2.1. Wealth Creation Defined

The IMF(2003) assert that wealth creation can be narrowly defined in terms of income generation or more broadly as the creation of assets, both in terms of physical and human capital. Chukwuunonyelum (2004) state that wealth creation in simple terms, refers to economic growth and better standard of living for the individual, family or states. Using the Parrew model, he explained that the Parrew wealth creation refers to two concepts – coping strategies and empowerment.

#### **Coping Strategies**

These are ways and means used by individuals and families, dwelling in a harsh economic reform environment, respond to socio-economic challenges such as illness, unemployment etc. It includes the twin ideas of relief and alleviation of pain, disasters and stress brought about by poverty.

#### **Empowerment**

A process and dynamic definition, which gives people, power over the different social, economic, cultural and political forces, which govern their lives. When people gain power and control over these factors they achieve social and economic progress. The aim of empowerment is to create true wealth and involve the people in all aspects of governance.

Any wealth creation initiative therefore must increase the productivity of the individual and family. It must boost the human capital elements such as knowledge, skills and health, which increase the total productivity of the individual and the human development index of the society.

## 2.3 POVERTY CONCEPT

### 2.3.1 Poverty

**Poverty** describes a wide range of circumstances associated with need, hardship and lack of resources. For some, poverty is a subjective and comparative term; for others, it is moral and evaluative; and for others, scientifically established. The principal uses of the term include:

- Descriptions of material need, including deprivation of essential goods and services, multiple deprivation, and patterns of deprivation over time.
- Economic circumstances, describing a lack of **wealth** (usually understood as **capital**, **money**, material goods, or **resources** especially **natural resources**). The meaning of "*sufficient*" varies widely across the different **political** and **economic** areas of the world. In the European Union, poverty is also described in terms of "economic distance", or inequality.
- Social relationships, including social exclusion, dependency, and the ability to live what is understood in a **society** as a "normal" life: for instance, to be capable of raising a healthy family, and especially educating children and participating in **society**.

Poverty can also be defined to include the inability of the state and its agents to redistribute resources and wealth to that group of the society that has limited access to basic needs.

## **World poverty**

The Copenhagen Declaration describes absolute poverty as "a condition characterised by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information." The World Bank identifies "extreme poverty" as being people who live on less than \$1 a day, and "poverty" as less than \$2 a day. On that standard, 21% of the world's population was in extreme poverty, and more than half the world's population were poor in 2001.

A person living in the condition of poverty is said to be **poor**. Poverty may be seen as the collective condition of poor people, or of poor groups, and in this sense entire [nation-states](#) are sometimes regarded as poor.

There is evidence of poverty in every region of the world. In developed countries, this condition results in wandering [homeless](#) people and poor suburbs (with so-called [bidonvilles](#) or [favelas](#)) in which poor people are - more or less - restricted to a [ghetto](#).

## **Causes of Poverty**

Poverty has been attributed to

- individual, or "pathological" causes, which see poverty as the result of the behaviour, choices or abilities of the poor;
- familial causes, which attribute poverty to upbringing;
- subcultural causes, which attribute poverty to common patterns of life, learned or shared within a community;
- agency causes, which see poverty as the result of the actions of others, including government and the economy; and
- structural causes, which argue that poverty is the result of the social structure.

### 2.3.2 Poverty Alleviation

Repnik (1994) in defining poverty in terms that will provide a means for defining poverty alleviation stated that poverty could be expressed, as firstly, the inability to satisfy basic needs of human life due to the lack of income or property. Second, a lack of opportunity to generate income or property; and third, a lack of means to change the situation.

In this context, poverty alleviation means the creation of general conditions, which allows living in dignity, where people are free to take their own decisions in life and where the poor participate in social, political and economic decision-making.

Simply put, poverty alleviation refers to the lifting of the poor out of poverty (survival) either through reliance on direct (REDISTRIBUTION) or indirect measure (ECONOMIC GROWTH).

## SECTION THREE: WEALTH CREATION: A MYTH OR A REALITY?

There has been intense debate among scholars on wealth creation. While some posit that wealth, like energy cannot be created or destroyed (Static or Fixed Wealth school of thought). Others argue that indeed wealth can be created (Dynamic or Creative Wealth school of thought). Some of the argument of the two school schools of thought can be summarized as follows:

## (1) **The Static school of thought:**

“ Wealth, like energy, cannot be created or destroyed, but merely transformed from one form to another. The Gross Domestic Product of the world must remain at an exact level, and as people get richer, there must be others getting equally poorer in order that the level of wealth in the economy stays the same. In other words, there is a fixed quantity of wealth in the world, and that if I get richer, I am stealing from others.”

“The world GDP always remains the same in essence! If a capitalist mines some gold then he becomes richer but mother earth as an absolute becomes poorer. Nothing new has entered the system.”

“... there must be a certain amount of money, in the world. Assuming that every country in the world became richer in money terms, where does the extra money come from it therefore assumes that we must be printing money. Nothing new enters the system. Money like energy can neither be created nor destroyed, just redistributed in another form. Can every country grow in money terms at the same time?”

“You can redistribute wealth from the ground to humans, and therefore sometimes put it to better use in the case of building a well or a hospital or school, but you're not creating wealth. How does moving something around mean that you're creating wealth?”

This school of thought believes that money is equal to wealth and also holds the zero-sum view of wealth.

## (2) **The Dynamic school of thought:**

This school of thought debunks the zero-sum theory by stating that wealth has and is still being created. They posited that once there is “value added” to an object or when an opportunity is taking advantage of to serve some identified direct/indirect goals, by extension wealth has been created - The fallacy of the zero-sum game.

“...the absolute amount of gold and copper the earth is holding is not relevant. Thanks to improvements in technology, efficiency and overall productivity, as well as the invention of effective substitutes”.

“A capitalist digs up some gold. He has done some work in the digging. This has added value to the gold. It is worth more out of the ground because some one else doesn't need to dig it up. Then lets say some capitalist jeweler buys the gold and turns it into a beautiful watch. They have in turn added some value to this item that was worth allot less, because it had had no work done to it, when it was still underground”.

“Wealth is described in the dictionary as "An abundance of valuable material possessions or resources. However the value of any item changes dependant on human emotion, not on a particular material structure having a fixed value. If this were the case, an intricate gold ring would have the same value as that of the lump of gold it was created from. A lotto ticket the day after the draw would still be worth the same amount as the day before.”

“Why not at least accept that just as war, say, is very destructive, so too creative processes (like rebuilding houses destroyed in a war) are indeed creative? Of wealth.”

“The way to understand wealth creation is to get over the illusion that wealth = money. Wealth is opportunity. Money is merely a counter for exchange. A thing is valuable if it is valued, that is, it serves a person's goals. Many valuable things, many goals served. Some of those goals are not wanted for themselves, but as steps towards other goals. Valuable things, which serve those indirect goals, increase opportunity; the person can achieve what they previously could not. Thus they constitute wealth.”

“Don't confuse money with wealth. Money is an arbitrary medium of exchange, and we can create as much as we like--without making us any wealthier. Wealth CAN increase everywhere at once. Wealth is something we do create out of thin air. If we build a car, the raw materials used, such as iron ore, are worth only a few dollars. Labor and capital cost more, but at the end we have a car worth considerably more than what went into it. That's value that didn't exist before. "Out of thin air."

“If you have in your hands a chunk of stone which no-one wants, you have no wealth. If you carve it into a candleholder which someone \*does\* want, you \*do\* have wealth because you can exchange your candleholder for money or petrol or a tin of Spam. That wealth has been created by your labour.”

“Everyone (sensible) knows that wealth can both be created and destroyed. The question is whether this can be done without destroying the environment.”

“The creating wealth thing is pretty simple. We do it via knowledge and the creation of technology.”

### 3.1 THE CREATION OF WEALTH

Wealth can and is still being created through several means.

- Natural resources can be harvested and sold to those who want them.
- Material can be changed into something more valuable through proper application of labor and equipment.
- Better methods also create additional wealth by allowing faster creation of wealth.
- Ideas create additional wealth by allowing it to be created faster or with new methods.

#### 3.1.1 The limits to Wealth Creation

There is a debate in economic literature, usually referred to as **the limits to growth debate** in which the ecological impact of growth and wealth creation is considered. Many of the wealth creating activities mentioned above (cutting down trees, hunting, farming) have an impact on the environment around us. Sometimes the impact is positive (for example, hunting when herd populations are high) and sometimes the impact is negative (for example, hunting when herd populations are low).

Most researchers feel that sustained environmental impacts can have an effect on the whole ecosystem. They claim that the accumulated impacts on the ecosystem put a theoretical limit on the amount of wealth that can be created. They draw on archeology to cite examples of cultures that they claim have disappeared because they grew beyond the ability of their ecosystems to support them. Others are more optimistic. They claim that although localized environmental impacts may occur, large scale ecological effects are either minor (in terms of magnitude) or non-existent. They sometimes claim that if these global scale ecological effects exist, human ingenuity will always find ways of adapting to them. To them, there is no limit to the amount of growth or wealth that this planet will sustain.

The limited surface of Earth also restricts potential growth and the effects upon this planet.

## SECTION FOUR

### WEALTH CREATION VS POVERTY ALLEVIATION - DIFFERENT SIDE OF THE SAME COIN?

The concept of poverty alleviation and wealth creation cannot be separated. Indeed they are intertwined such that one is an extension of the other. Poverty alleviation is simply about “lifting” the poor out of poverty. This connotes survival- having to meet the basic survival needs of the individuals. This can be summarized to mean giving a man fish in-order for him to survive. This is because policy initiators viewed poverty simply as material deprivation. Thus attacking it, the attention of government had focused on helping the materially deprived (the poor) to alleviate his/her condition.

Wealth creation on the other hand is all encompassing. It entails the following:

- (a) Teaching the man how to fish (inculcating requisite income generating skills).
- (b) Showing the man the way to the river.
- (c) Making available the necessary tools required for fishing.
- (d) Ensuring that there is demand for his excess catch.
- (e) Provide other ancillary services that will be required by the man to ensure that he can maximize his “catching” potentials.

It is worth pointing out that (b-e) focuses on empowerment.

#### 4.1. POLICY IMPERATIVES

The IMF has come to term with the fact that wealth creation manifested by real economic in income and employment is the principal and most forceful engines by which poverty can be reduced.

The imperatives for policy makers therefore are as follows:

- (a) Africa poverty is a poverty of the wealth creation intellect – a deficit of growth generating instincts, knowledge and skills.
- (b) Time has come to reappraise preference for “prestige” and elite-targeted projects and “white elephant” project over community lifting, people-oriented, poverty alleviating, value-adding investments.
- (c) Elaboration of policy agenda, which not only seek to encourage wealth creation pursuits, but also thwart the dependant, the mendicant and the sponge instincts.
- (d) The small scale, informal sector problems: Finding simple solutions to the small producers problems-like advancing the road side mechanic on work layout, and on the application of time and motion techniques, or placing at the disposal of rural women advances in harvesting and storage technique.

The DFID thinks more in terms of “setting up participatory processes” which will include but not limited to “increasing the incomes and assets of the poor; interventions that aim to enhance confidence and self-respect; developing collective organization and decision- making and by reforming political institutions to make them more inclusive”. Making the government to be more inclusive frontally confronts the social causes and consequences of poverty. In this context, Nigeria’s present NEEDS, the

SEEDS of states and the FEEDS of Parrew are empowerment concepts and strategies aimed at lifting the poor above global and national poverty lines and creating the wealth for them.

## CONCLUSION

Of truth, wealth creation goes beyond pondering to the hedonistic tastes of urban dwellers, and entailed strengthening the linkages between the rural and urban economy, improving the rural infrastructure, encouraging the development of small and medium scale enterprises, facilitating the provision of micro-credits, enhancing local capacity and striving to achieve a more broad based economic growth. The place to start is with the government providing unequivocal leadership in replacing the poverty-preoccupation with the wealth creation psyche in Africa.

At the of the day, the success of government will be measured not by the number of offices that it establishes, but by the range of opportunities that the government provide for jobs to be created.