

## 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.

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).

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

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



much broader set of considerations. Psychological insights must be folded into the real-world contexts of policy debates, intergroup confrontations, skepticism, effectiveness of government initiatives, and so on. Yet, these contexts are not engaged in the experiments that underlie much of social psychology. Our analysis, therefore, must incorporate assessments of how people understand and react to the socioeconomic and political circumstances of their countries.

#### HOW PEOPLE SHAPE POVERTY ALLEVIATION POLICIES

People influence the degree to which government policies address poverty alleviation in more ways than most people realize. Policymakers may have their own predispositions to assist the poor, from pro-social sentiments, from emotional or strategic linkages with the poor, from the motive to preempt disruption, or from a farsighted effort to improve overall productivity. Or it may come from pro-social predispositions held by a large enough segment of politically powerful actors to make the enactment of pro-social policies a political advantage. However, pro-poor commitment of government leaders by itself is rarely enough. Such policies require the forbearance of some of the non-poor. Even authoritarian leaders cannot enact policies without some fraction of the non-poor in favor of such policies: the groups on which authoritarian leaders depend politically, the bureaucracy, and other non-poor elements of the state.

Many actions by citizens can contribute to poverty alleviation:

- Supporting pro-poor political parties, movements, or factions, as long as they are not so extreme as to provoke growth-crushing destructive conflict and disinvestment.
- Supporting nongovernmental organizations or other movements that contribute directly to poverty alleviation or pressure government to adopt moderately progressive poverty alleviation measures.
- Supporting, or at least acquiescing to, policies that:
  - increase taxation to fund government expenditures targeting the poor
  - penalize discrimination against groups that have many poor members
  - direct government expenditures and favorable economic conditions to the areas with the greatest poverty
  - eliminate regulations that benefit others at the expense of the poor

- address environmental conditions that, if left unchecked, compel the poor to migrate in a manner that increases their vulnerability
- reduce government provocations that could lead to destructive conflict
- reform initially pro-poor programs that have been distorted through efforts of wealthier groups to capture benefits targeted to the poor
- Increasing some charitable contributions.
- Cooperating with people of other groups to reduce the potential for growth-crushing conflict.

The effectiveness of these actions may be limited by uncertainty of the impacts of institutions and policies. No one is in a position to master and react to the full set of existing policies and pending initiatives that will shape the benefits of the poor. Some new initiatives will be explicitly identified as pro-poor (e.g., cash transfer programs), yet one of the biggest challenges for people predisposed to make sacrifices for the poor is the difficulty of judging the genuineness of policy initiatives *claimed* to be pro-poor. The genuinely promising initiatives may be difficult to distinguish from insincere or infeasible initiatives. Motivation to make sacrifices weakens when the effectiveness of an initiative is in doubt; the line between healthy skepticism and cynicism is often fuzzy.

#### WHAT PRO-POOR POLICIES REQUIRE

Of course, awareness of widespread poverty is essential. So, too, is the assessment that some sacrifice of income, social status, and/or loss of current benefits could be tolerated. The next hurdle is whether the individual believes that the poor *deserve* more benefits through government policies. Beyond that is the assessment of whether such initiatives could be successful *if* implemented and are politically viable.

While thus far our focus has been on the actions of the relatively prosperous, sustainable pro-poor policies also require particular commitments by policymakers and the potential recipients of pro-poor benefits. To gain favor with poorer constituents, policymakers may press for economically unsustainable policies. They may go beyond the tolerance of other groups that could oust the government or otherwise undermine the pro-poor policy. Both patterns can be seen in the cases examined in some depth in this book. In Argentina and Brazil, excessive populist measures undermined the prospects for growth, leading to economic collapse and the electoral defeat of the populist parties, leading to a higher

priority on economic stability than poverty alleviation. As with the Thai military overthrow of a populist regime mentioned earlier, the populist “red shirt” movement engaged in considerable violence. Some degree of restraint is required to avoid jeopardizing economic growth directly, or generating destructive conflict that has the same effect.

It also must be recognized that a key challenge to channeling pro-poor predispositions into support for pro-poor policies is the alternative appeal of private philanthropy. First, private philanthropy is generally at individual discretion, although social pressures sometimes make this less discretionary. Second, private philanthropy can be a temporary and discretionary commitment, in comparison to government programs with long-term budgetary commitments. Third, while uncertainty exists as to whether charitable contributions will go to good purposes, this uncertainty is often much higher for the impacts of government initiatives. Fourth, private philanthropy can earn esteem directly. Finally, most pro-poor government policies do not provide the opportunity for prosperous individuals to select beneficiaries.

#### POVERTY ALLEVIATION POLICIES AND PROGRAMS

Because overall economic growth typically reduces poverty, there is no end to the policies that have some potential for poverty alleviation, ranging from strengthening the banking system to breaking up monopolies. Yet to explore pro-poor predispositions, it is more enlightening to examine reactions to initiatives that are explicitly associated with poverty alleviation. Five approaches put forth to address poverty alleviation have been prominent:

- (1) increasing general social services favoring the poor,
- (2) subsidizing goods and services for the poor,
- (3) cash transfers to poor families,
- (4) affirmative action programs for disadvantaged groups, and
- (5) favoring poorer regions for regional development.

These approaches overlap to a certain extent, and yet the appeals, politics, and psychology are distinctive enough to warrant separate examination.

#### WHERE DOES INCOME DISTRIBUTION COME IN?

So much of the economic discourse on development fastens on income inequality, and the risk of destructive conflict clearly brings income

distribution into the picture, even if not as a predominant concern. It may seem intuitive that progress toward a more equitable income distribution means higher income growth for the poor. However, as Beteille (2003) cogently points out, poverty and inequality are quite distinct concepts, and in many cases do not go hand-in-hand. The connection between the income distribution and conflict is not direct. It is mediated by the perception of income distribution, and the salience of different dimensions of the distribution. These dimensions include perceptions of national income inequality, regional inequality, inequality across ethnicity, and so on.

Four points must be understood regarding how poverty alleviation, conflict sensitivity, and income inequality are interwoven through psychological dynamics.

First, while a highly unequal income distribution certainly can reflect both the degree of poverty and, often, regressive policies, this book is not a lamentation about unequal income distribution. For readers who doubt the plausibility of rapid growth for both the poor and the wealthy, it is important to restate that the typical relationship between the poor's economic improvement and the overall growth of the economy is very tight (a point elaborated further in Chapter 2 of this book).

This may seem counterintuitive because the incomes of the poor are often cast in terms of their relation to the overall income distribution, with the implication that an unequal income distribution is the root of poverty. In some cases, it may have been, but in some countries overall economic growth and welfare improvements for the entire society have occurred alongside increasing income inequality. While an unequal distribution may be regrettable, and while overall economic growth with a larger share going to the poor would be preferred,<sup>3</sup> the normative position taken in this book is that even an increasingly unequal distribution is of secondary importance as long as the poor are advancing as rapidly as possible. If the strongest economic improvement for the poor comes from policies and circumstances that permit wealthier people to earn more at a faster rate, this outcome is preferable to lower economic advance of the poor

<sup>3</sup> It is conceivable that both maximum economic growth and maximum reduction of inequality could be achieved through the same set of policies. Dollar, Kleineberg, and Kraay (2016, 69) state that "if one combination of macroeconomic policies and institutions that supports a given aggregate growth rate also leads to an increase in the share of incomes accruing to the poorest quintiles, while another combination did the opposite, then the former would be preferable from the standpoint of promoting shared prosperity." The challenge, of course, is whether the aggregate growth rate target would be reached.

and greater income equality. This has been the case in China over the past two decades. Of course, policymakers and other citizens still have to be alert that policies responsible for enriching the wealthy do not beggar the poor.

Second, stark “us versus them” identifications may be too polarizing to maintain adequately peaceful interactions across segments of the poor and the non-poor. Common identity across income levels may be the most fruitful way to mobilize support for pro-poor policies.

Third, it is the *perception* of income distribution, rather than the technical estimates of income distribution, that drives reactions to distributive prospects and outcomes, and often the levels of conflict-provoking animosity. Thus, conflicts generated by perceptions of skewed income distribution or perceived threats of damaging redistribution undermine poverty alleviation. Strong evidence demonstrates that perceptions of the income distribution are typically heavily distorted, in the perceptions of the poor and the non-poor. In many nations, there is a low level of people’s awareness of where they stand in the income distribution, the shape of the distribution, and its trends (Gimpelson and Treisman 2018). Some reluctance to support pro-poor initiatives, and some destructive conflicts, can be attributed to misperceptions of income distribution. It is important to ask, then, what determines the salience of alternative dimensions of income distribution. It also is important to ask what roles do (or can) governments play in determining the salience of these dimensions. Finally, what correctives to perceptions of income distribution and income levels could enhance poverty alleviation?

People can recognize abject poverty if they experience it directly, but prosperous people often know of less prosperous members of the groups with which they identify. Therefore, the more prosperous can discharge their altruistic impulse, even if the targets of their support are not very poor compared to many others. This could be because of lack of knowledge of poorer people, compelling reasons to help people within the identification group, or the desire to strengthen the identification group as a whole. The impulse to help one’s own group, and resentment over people of similar income levels getting better treatment (“horizontal inequality”<sup>4</sup>) may propel an ingroup’s relatively prosperous members to demand favorable treatment for their group rather than the poorest. It is reasonable to presume that very few relatively prosperous ascriptive

<sup>4</sup> Stewart (2002) has led a major research program on “horizontal inequality.”

groups have no members living in poverty. Group solidarity often is a compelling rationale for defending the economic rights of the group as a whole, which may entail a generally anti-poor policy stance. Vigilance regarding fraternal deprivation (concern for people within the ingroup) may be seen to legitimize actions that would be considered inappropriate for an individual's sake (Gino, Ayal, and Ariely 2013).

Fourth, contention over income distribution may actually draw wealth away from the poor. Some relatively well-to-do groups, viewing others as undeservingly wealthier, may press for benefits that divert resources away from alleviating poverty. Government officials concerned with placating a prosperous group that challenges the wealth of other groups may indulge the former by allocating resources that otherwise would be destined for poverty alleviation.

Finally, despite the concerns raised by Palma (2011) that growing shares of the rich are coming at the expense of the poor, this is not a general pattern in key “middle-income”<sup>5</sup> developing country regions.<sup>6</sup> Lustig, Lopez-Calva, and Ortiz Juarez (2014, 129) report that in the first decade of this millennium, income inequality declined in 13 of 17 Latin American countries. The most recent comprehensive inequality data base (Solt 2019) reports declining inequality in Cambodia, Malaysia, the Philippines, and Thailand. In contrast, Indonesia, Laos, and Myanmar exhibit increasing inequality. For the eight countries featured in this book, Table 1.1 demonstrates that for roughly the past two decades, the income shares of bottom 20 percent and bottom 40 percent of the populations rose in Argentina, Brazil, Colombia, Malaysia, Mexico, and Thailand. No discernable trend appears in Sri Lanka, and data are lacking for India.

#### POVERTY ALLEVIATION INITIATIVES AND THE IMPLICATIONS FOR DESTRUCTIVE CONFLICT

Avoiding high levels of conflict, especially open violence, is a crucial end in itself. Not only do the poor often directly bear the brunt of violence,

<sup>5</sup> This term is used to denote the countries that have not reached the level of “First World” countries: Western Europe, United States, Canada, Japan, Australia, and New Zealand. The World Bank, needing to classify countries in order to establish lending, granting, and other designations, has a different set of categories, in some cases classifying middle-income countries as “upper-income.”

<sup>6</sup> Palma's conclusion that the income gains are greatest for the wealthy is due to aggregating across low-, middle-, and high-income countries. Many low-income and “First World” high-income countries do follow this pattern.

TABLE 1.1 *Share of national income of the bottom 20 percent and bottom 40 percent of the population, key cases, circa 1995–2015*

		1995	2000	2005	2010	2015
Argentina	Bottom 20%	3.8	3.2	3.6	4.6	5.0 <sup>i</sup>
	Bottom 40%	12.2	10.8	12.0	14.1	15.1 <sup>i</sup>
Brazil	Bottom 20%	2.4 <sup>b</sup>	2.5 <sup>c</sup>	2.9	3.3 <sup>h</sup>	3.6
	Bottom 40%	8.2 <sup>b</sup>	8.5 <sup>c</sup>	9.4	10.8 <sup>h</sup>	11.5
Colombia	Bottom 20%	2.4 <sup>b</sup>	1.9	3.6	3.3	3.8
	Bottom 40%	9.4 <sup>b</sup>	8.6	11.0	10.3	11.7
India	Bottom 20%	–	–	–	8.3 <sup>h</sup>	–
	Bottom 40%	–	–	–	20.2 <sup>h</sup>	–
Malaysia	Bottom 20%	4.5	–	4.7 <sup>e</sup>	5.2 <sup>h</sup>	5.8
	Bottom 40%	12.8	–	13.5	14.5 <sup>h</sup>	15.9
Mexico	Bottom 20%	4.4 <sup>a</sup>	3.9	4.4	5.1	5.7
	Bottom 40%	12.6 <sup>a</sup>	11.8	13.0	14.5	15.5 <sup>i</sup>
Sri Lanka	Bottom 20%	8.0	6.8 <sup>d</sup>	6.9 <sup>f</sup>	7.7 <sup>g</sup>	7.0 <sup>i</sup>
	Bottom 40%	19.7	17.0 <sup>d</sup>	17.4 <sup>f</sup>	19.2 <sup>g</sup>	17.7 <sup>i</sup>
Thailand	Bottom 20%	6.2 <sup>b</sup>	6.2	6.0 <sup>f</sup>	6.6	7.5
	Bottom 40%	16 <sup>b</sup>	15.8	15.9 <sup>f</sup>	17.0 <sup>h</sup>	18.8

<sup>a</sup> Interpolated 1994 and 1996; <sup>b</sup> 1996; <sup>c</sup> 2001; <sup>d</sup> 2002; <sup>e</sup> 2004; <sup>f</sup> 2006; <sup>g</sup> 2009; <sup>h</sup> 2011; <sup>i</sup> 2016.  
Source: World Bank database updated November 18, 2018

but widespread violence also undermines the overall economic growth that typically contributes strongly to the incomes of the poor. The likelihood of highly destructive violence depends on the degree of antagonisms across groups formed by ingroup identifications and negative outgroup stereotypes. Thus, while some occasions justify taking up arms against oppressors, aggressive redistributive efforts in favor of the poor often run a serious risk of highly destructive backlash. Frequently, the less dramatic factors that drive defensive shifts in domestic economic activities and policy paralysis also reflect psychological dynamics. Because some degree of contention that individuals feel toward others is essential for conflict, psychological explanations may not always seem relevant. Yet often they are useful for accounting for the origin of contention, as well as to account for the magnitude of animosity and hence the degree of conflict. In light of the fact that destructive conflict has three distinctive forms – physical destruction, policy stalemate, and economic withdrawal – it is useful to consider separately the dynamics associated with each.

The framing of pro-poor initiatives often shapes the income-relevant aspects of identity that increase divisiveness. Obviously, many political identifications, such as party affiliation, have strong commitments for or

against significant redistribution, and the strength of these identifications often primes members to act aggressively. Insofar as mobilizing the poor depends on invoking negative attributions of the prosperous, the provocateur's tactic of denigrating opponents encourages aggressive stances. The same holds for leaders of prosperous groups vis-à-vis the poor. In addition, models explored below suggest that the animus over economic demands may be strengthened by exaggerated attributions of intentionality when the actions of others harm the ingroup, and an attribution of malice to those with opposing positions. Because it is common that most of the poor and most of the prosperous are of different ethnic or religious groups, the resentment over perceived economic injustice may exacerbate the animus among groups. These circumstances are ripe for "vicarious retribution" that targets the innocent.

The conflicts over a pro-poor initiative or its consequences may be provoked by psychological dynamics that reduce the assessment of deservingness. The belief that undeserving people are accepting benefits can heighten the moral indignation against them, whether by more prosperous people or by other poor people excluded from the benefit. Moreover, if a group is believed to benefit from government policies, those who do not benefit may conclude that the favored group is in league with the government. Therefore, if members of a group have negative views of the government, they are more likely to have negative views toward the groups believed to be associated with the government. If the transfers are seen as unfair, the stereotypes are likely to be negative, and more acute as they become more salient. If the groups are not believed to be sufficiently deserving, others – whether poor or prosperous – may become morally indignant.

Extreme demands made by ingroup leaders in policy debates with major distributive implications may induce their followers to believe that these demands are not negotiable, even if the leaders posed them as negotiating stances. Insofar as these demands become important for ingroup solidarity, the leaders may not be able to back off of them.

The belief that one or more groups are to be targeted for benefits, or already receive benefits, is likely to focus more attention on these groups and exaggerate the attitudes, positive or negative, toward these groups. Several models of rising mutual antagonism rest on the premise that provocative intergroup interactions increase mutual disrespect. Aggressive action against an outgroup is, of course, more likely if ingroup members believe that outgroup members dislike them. The Thai case study in Chapter 8 dramatically illustrates this pattern.



Also, the arguments invoked to press for redistributive demands may provoke destructive conflict. Claims of being original inhabitants (“indigeneity” – “sons of the soil”), often based on disputable historical understandings, can create rancor among competing groups whose very presence is under question, as they are denigrated as interlopers or even invaders.

### Physical Destruction/Violence

Confrontations that begin peacefully frequently result in violence. Mass rallies to press for redistribution may result in aggressive actions beyond what individuals would do in isolation. Weakened inhibitions may be explained by reduced standards in witnessing the behavior of others, reduced fear of negative consequences, group cohesiveness, or emotional arousal.<sup>7</sup>

In addition to the social psychology that began to flourish in the 1980s, the earlier psychodynamic theories of Freud and other psychoanalytic theorists offer models of the impacts of raw impulses to understand destructive behaviors. While some of these impulses can be helpful in appeals to the prosperous, impulses such as dominance, aggression, and punitiveness also can account for escalations of conflict. In particular, the demand for dominance can provoke extreme measures to control others, with possibly equally extreme measures to fend off these efforts. Punitiveness can support vicarious retribution; and submissiveness can expose ingroup members to provocateurs’ appeals to engage in destructive actions.

<sup>7</sup> Prentice-Dunn and Rogers (1989/2015, 94) argue that:

anonymity and diffused responsibility reduce individual accountability for acts by making the individual less aware of the public aspects of himself. That is, he is less concerned with others’ evaluation of him and has decreased expectations of reprisals, censure, or embarrassment for any actions. The resultant behavior may be explained in terms of expectancy-value theory: The individual is quite aware of what he is doing, he simply does not expect to suffer negative consequences for his conduct. Second, physiological arousal and group cohesiveness (i.e., perceptual immersion in the group) decrease awareness of private aspects of the self. The individual experiences an internal deindividuated state characterized by lowered private self-awareness, with concomitant altered thinking and altered emotional patterns. With a hampered capacity for self-regulation, the individual becomes more responsive to environmental cues for behavioral direction than to internal standards of appropriate conduct.

### **Policy Conflict**

The policy impasses that are destructive of economic growth can be due to polarization over stances on distribution. This is especially polarizing when the salience of identifications is defined by perceptions of income disparities (as in the case of Argentina examined in Chapter 5). The attribution of malice that can precipitate violence also makes policy stalemate more likely. Skepticism that compromise can be reached with malicious adversaries is an obstacle to reaching effective agreements.

### **Economic Withdrawal**

The withdrawal of capital or labor by disaffected citizens may reflect the perceptions of threat to existing wealth, and low expectations of viable economic opportunities in the future. People may feel compelled to regard themselves as an ingroup if they believe that they are regarded as such by others who pose an economic threat. Therefore, actions to wrest wealth from some members of the ingroup may induce much broader defensive economic actions by ingroup members, such as capital flight.

## **FOCUSING ON POLICY ADOPTION AND DEFENSE OF EXISTING PRO-POOR POLICIES**

In examining concrete cases of pro-poor policies, it must be kept in mind that the receptivity to a pro-poor policy is by no means the same as its long-term consequences. Many policies that will be examined in Chapters 4–8 have a “shelf life” limited by efforts by the non-poor to capture some of the benefits initially more tightly targeted to the poor. Budget cutbacks and inflation that erodes fixed monetary transfers also erode benefits. Therefore, the factors explaining the commitment to defend the magnitudes and reasonable targeting of pro-poor programs also must be explored.

### **Cases**

The cases chosen for this analysis, from Latin America, South Asia, and Southeast Asia, reflect four needs. First, the cases must reflect diverse enough policy experiences to illustrate some of the patterns of each of the five pro-poor approaches: increased social services, subsidies, cash transfers, affirmative action, and targeted regional development. Second,

the cases must reflect how identifications and attributions shape judgments of deservingness; and some of them need to demonstrate how the formal identification of “poor” beneficiaries evolves and changes the effectiveness of pro-poor initiatives. This requires sufficient evidence to permit in-depth analyses that go beyond the facts of the policies and programs. Third, the set of cases ought to cover some countries that have experienced credible improvements in poverty reduction and income equity. Fourth, the cases should be clustered within only a few world regions, so that both intraregional and cross-regional insights can be gained.

Four Latin American cases are featured. Argentina, having experienced strongly pro-poor policies through targeting the poor with social benefits, suffered from the extreme nature of these populist efforts in the context of extreme polarization. Brazil is one of the world’s most prominent examples of cash transfers and affirmative action, as well as a commitment to earmarking budgetary resources to provide pro-poor services despite the enormous gaps in the availability of such services for the poor. Mexico’s cash transfer program makes for a highly insightful comparison with Brazil’s. Colombia is a highly distinctive case of subsidies targeted to the poor that largely avoid the leakage that plagues most subsidy programs, but at the cost of negative images of the poor.

For South Asia, India represents the longest standing affirmative action program, which reflects both the power of a well-defined set of criteria that can, however, be degraded in the struggle over defining eligibility. In contrast, Sri Lanka’s affirmative action, targeting the majority Sinhalese ethnic group, has been an element of the tragic imposition of majority power over a minority.

The Southeast Asian case of Malaysia offers another caution of the abuses of a majority-targeted affirmative action program that degenerated into growth-inhibiting conflict and cynicism. Analysis of Thailand’s subsidized health system helps to round out the breadth of price-subsidy variations. The Thai case is assessed in considerably more depth in exploring how regional development challenges can trigger physical violence fueled by mutually antagonistic attributions across regions.

### Preview of the Chapters

It is useful to begin with the rudimentary economic aspects at stake in poverty reduction. Chapter 2, *Political Economy Considerations*, examines how the incomes of the poor typically depend on overall economic

growth, and yet pro-poor policies can advance the incomes of the poor more rapidly than overall economic growth. It also presents the general patterns of how income distribution is shaped by development trends, and the linkages among economic growth, increased productivity of the poor, and inclusive participation.

The book then covers the bases of the psychology and the predispositions of the non-poor by mapping four interlinked sets of dynamics. Chapter 3, *Identity, Attributions, Deservingness Judgments, and Hostility*, establishes how people hold identifications, define themselves as members of “ingroups,” and regard others as constituting “outgroups.” It presents the psychology of how individuals develop their perceptions of both their ingroup(s) and others, which strongly shape the orientations toward poverty, the poor, and government overtures. The chapter then outlines the multiple bases of deservingness judgments, a subset of attributions, as to whether sacrifices for the poor are justified, and for which of the poor. It also links empathy and altruism to deservingness, and how theories of ingroup esteem and understandings of poverty may enhance or undermine pro-poor predispositions and provoke hostility.

Chapter 4, *Conditional Cash Transfers*, begins the exploration of direct pro-poor approaches by reviewing the logic of the rapidly growing number of government programs that require beneficiaries of direct government payments to comply with conditions. It then demonstrates through the Brazilian and Mexican programs how these programs may address the psychological needs of prosperous people, such as social-identity enhancement and the motivation to control.

Chapter 5, *Social-Sector Spending Targeting the Poor*, examines the motivations and political vicissitudes of redressing the imbalances and inadequacy of government spending on the poor through education, healthcare, and protection against unemployment. The populist experiences in Argentina and Brazil demonstrate the dynamics of intergroup polarization.

Chapter 6, *Pro-Poor Subsidies and the Problem of Leakage*, extends the analysis of pro-poor targeting through lower prices for goods and services. The chapter reviews strategies to reduce “leakages” – the results of efforts by relatively prosperous people to capture the benefits. It reports on the remarkable examples of leakage reduction in India’s food and fuel subsidies, including millions of relatively prosperous people voluntarily relinquishing their rights to avail themselves of the subsidies. The willingness to sacrifice wealth in order for poorer families to have lower financial burdens is also demonstrated in the case of differential utility rates in

Colombian cities, permitting wealthier residents to have higher status as a tacit exchange.

Chapter 7, *Affirmative Action*, begins with two cases – Brazil and India – for which special privileges were extended, at least initially, to deprived groups. Yet the ambiguity of identifications led to eligibility that eroded the targeting of benefits. The chapter then reviews the Malaysian and Sri Lankan cases, where leaders of the majority ethnicity instituted affirmative action privileges for their own, ultimately leading to disillusionment and withdrawal by Malaysian minorities and civil war in Sri Lanka. All of these cases demonstrate that the creation of ethnically based affirmative action has made the ethnic identification more entrenched, contrary to the expectations that interethnic unity would emerge.

Chapter 8, *Regional Development Targeting the Poorest Areas*, explores the complexity and uncertainty of the challenge of directing government investment to low-income regions. The resentment of activists in poor regions, exacerbated by the status differences between the wealthier and poorer regions, is exemplified by the case of Thailand's Northeast ("Isaan"). The case illuminates both the potential for destructive conflict that perceptions of regional inequality can provoke, but also the potential of demonstrations of disruptive capacity to strengthen the voices of the poor.

Chapter 9, *How the Wealthy React to Pro-Poor-Labeled Initiatives*, focuses on the factors that determine whether prosperous people predisposed to support poverty alleviation in principle will support particular policy initiatives. They may reject initiatives presented as pro-poor if these initiatives are suspected to be insincere, unwise, or excessively damaging to particular elements of the non-poor. The psychology of cynicism toward the poor, as well toward the integrity of the policy process, is explored. The chapter thus examines how malfunctions of the policy process pose obstacles to accepting these pro-poor initiatives.

Chapter 10, *Lessons and Conclusions*, integrates the psychological insights on support or resistance to pro-poor initiatives, through the lens of the policy sciences framework's distinctions among identifications, demands, expectations, and attributions. This organizing principle permits a systematic recounting of the wide variety of potentially effective strategies to promote pro-poor initiatives and to reduce destructive conflict. It also outlines what psychological insights imply for the suitability of different classes of policy instruments in different contexts.