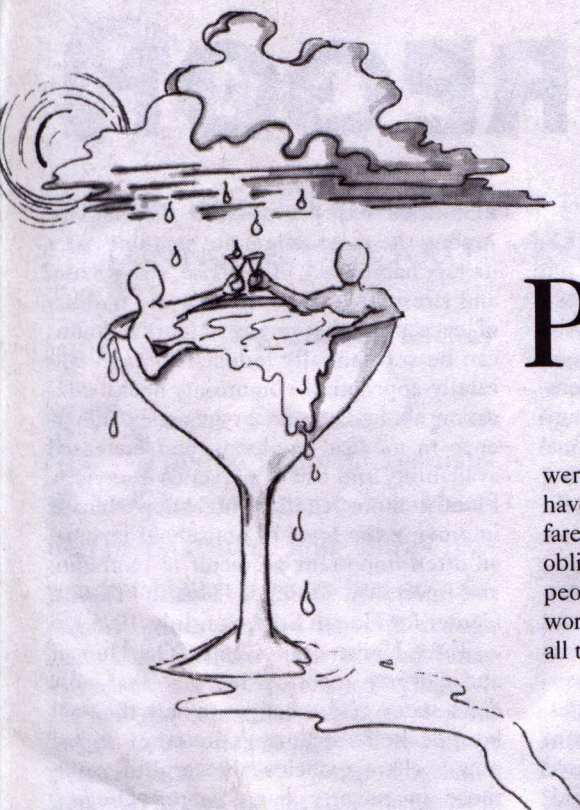


It Never Rains on Pareto's Parade

by Chuck Doud



We generally define poverty as the state of having little or no money and few material possessions. Avoidance of poverty takes up most of our lives. We labor, we scheme, all to keep poverty at bay or to rise out of it, depending on where we find ourselves in the economic pecking order. Hard work, thrift, and common sense will keep us out of poverty, we are led to believe. Yet, we all know people who work hard and save their money who, nevertheless, are poor.

A friend of mine, Father Mel, tends his Catholic flock down the street from where I live. He is on call night and day and ministers to all without thought to his own weariness or his own needs. He spends little on himself and has less money than many of his parishioners who clean hotel rooms for a living. Father Mel will eventually have a small retirement, but will be expected, even then, to continue to work part time.

On the other hand, I have another friend, Wanda, who inherited half of some \$50 million, less taxes, from her father. The hardest work she does, by her own admission, is taking her dog to the groomer. She contributes little to charity. She spends much on travel and on luxuries for herself, her husband, and her two grown children. All her money comes from clever investments—which she is not empowered to touch—that

were made by her father before his death. I have heard Wanda say how sick she is of welfare recipients assuming that the state has an obligation to pay for abortions. "If these people would just get off their butts and work a little," she said, "they wouldn't have all these problems."

Barry Goldwater once suggested, wryly, that the way to avoid poverty was "to go out and inherit a department store."

Luck helps—the luck of birth, luck at the gaming tables, the luck of being in the right place at the right time, the luck of being good looking or talented, the luck of being intelligent. One is less likely to find oneself in poverty if born a Dane, as opposed to, say, an East Indian. A friend just came back from a trip to Bangladesh, which, he says, makes India look like Denmark. In Bangladesh, vast numbers count themselves lucky to own the garments on their bodies and the food in their digestive tracts. This friend is an agricultural-research consultant, one who helps guide food self-sufficiency projects for the World Bank. He says that he met his match in Bangladesh.

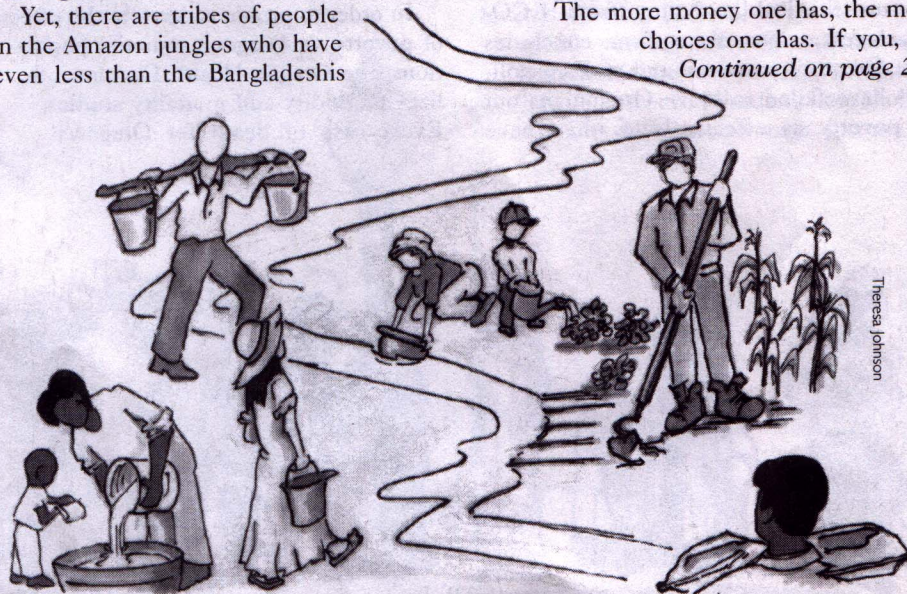
Yet, there are tribes of people in the Amazon jungles who have even less than the Bangladeshis

and who don't seem poor, at least not at first. In the relatively small universes in which they exist they have all they need and enough to lavish on guests, a loincloth, a spear, enough food for that day's meal and perhaps tomorrow's, some trinkets to wear, adequate shelter. That is all they need or want until they come in contact with "civilization." When they find out, for example, that there are such things as guns, transistor radios, televisions, and Nike sneakers, they soon convince themselves they are impoverished unless they have enough money to buy these things. They go from the stone-age equivalent of a comfortable middle class to poverty in less time than it takes an anthropologist to write a story about it for *National Geographic*.

If I want to join a country club in which the initiation fee is \$25,000, and I have only \$5,000 for such a luxury, I am poor in comparison to those who do have the money to join. Yet, I can still buy food, clothing, shelter and amusements, and am rather well off in comparison to those for whom membership in a country club would be on a par with a trip to the moon.

The more money one has, the more choices one has. If you, for

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example, have little money, it's unlikely you will vacation this spring on a Caribbean cruise or on a Hawaiian beach. Most likely, if you have a spring vacation, you will spend it home, perhaps doing chores around the house. If you have plenty of money for groceries, you can choose between steak and hamburger. If you have little money, hamburger is your limit.

Some people romanticize poverty, in country music songs, about poor-but-honest farmers, cowboys, coal miners and truck drivers, holding such people up as examples for the rest of us to follow. This is because poverty is not so much about values as it is about things. Wealth is measured in things. "He who dies with the most toys wins." To some degree, that is true; one's accumulation of things is in part a measure of the person by many. However, most of us will never be rich. We will remain relatively poor, as will our descendants.

From Moses to Jesus and beyond, we are counseled to help the poor in various ways, from outright gifts to providing them the means to lift themselves out of poverty. The Communists thought they could do away with poverty by doing away with wealth. Instead, the wealth was redistributed in the same proportion. Some reactionaries believe that by helping the wealthy become wealthier, more will trickle down to the poor. That has not proven true either in the American experiment, or in the British experiment.

Vilfredo Pareto's principle—that 20 percent of any population will control 80 percent of its wealth—seems to hold true. Mother Theresa made it her business to help "the poorest of the poor," people literally plucked from the gutters of Calcutta, where they had lain down to die. A bit of the wealth Mother Theresa had extracted from those willing to give it was redistributed to these poor in the form of food, clothing and medical care, making them not so poor as those still lying in the gutters.

Economists say that wealth is created by the addition of value to a thing or a service. A rough diamond when cut and polished increases its value by many times. Transporting a thing from the place where it is made to the place where it is consumed increases its value. If a population can be put on the path of wealth-building by the establishment of transport, or fabrication plants, or means of communication, an opportunity to create wealth is at least possible.

Within the population, however, Pareto's principle will continue to hold. When Lyndon Johnson launched the War on Poverty, many newspapers published an editorial cartoon by Bill Mauldin which showed two hillbillies with rifles hiding behind a hill. The caption read, "Johnson declares war on poverty." One hillbilly is saying to the other, "He'll know he's been in a helluva fight."

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wage, increased medical coverage for the working poor, safe and cost-sensitive child care and affordable housing initiatives are needed to give the poor a fair shake. Cutting military budgets and reducing corporate welfare may be essential to achieving these reforms.

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The savings bond, which has fallen into disuse, embodies the idea that small savers, by using hard work and frugality could also help fund development (and wartime efforts) for the good of the country and of themselves. With a small amount of money (twelve dollars or more), the saver could invest it and double that small savings amount within a specified number of years. Additional bonds could be purchased at anytime. The rates of return are modest, but unlike the lottery, a savings bond allows for a future amount that is guaranteed. Accounting for bearer bonds would be much simpler than accounting for thousands of tiny savings accounts, thus reducing the transaction costs that prevent banks from catering to these small savers. The final beauty of the whole system is that it would be voluntary, just as the present state lottery system.

To make the bonds even more attractive, one could combine a lottery feature into the savings program. Special numbers on the certificate could be "winners," thus encouraging savings by the poor and working class even more by adding an element of excitement or fantasy and increasing the net revenues to the state. This hybrid system would be a win-win situation for everyone. Such a savings bond plan would assure a low-cost provision of funds to finance state capital improvement and development projects. It would also provide a guarantee of some future income for those who save, primarily the poor and working class. It would not feed the gambling addictions of a few and would not further impoverish the poor and working class. It would not feed the creeping corruption that seems to follow gambling but could instill positive work values.

Furthermore, a portion of revenues derived from the poor and working class could be invested in the problems of poverty, drug and alcohol treatment, day-care, micro-loan programs, assistance services for intermediate and emergency needs, and, most especially, provision of health care. These sorts of human "development" projects are of far greater importance to the health of the state than an odd, little trade office in Shanghai.

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