

REDUCING POVERTY VIA WEALTH CREATION: A BUSINESS ETHICS APPROACH

'Virginia U. Agim (Mrs)

Abstract

Several questions are being asked about reducing poverty by wealth creation. Some of which include: Can wealth reduce poverty? If so, how? These questions are not unexpected if the fight against poverty must be won. Poverty remains a battle that no society can ignore or underrate. Therefore, even if poverty is viewed simply as an issue of material wealth, it will be naive to think that wealth's contribution to reducing poverty is restricted to creating more of it. It is imperative to create more wealth and fastly because in most African countries it grows at a lower rate than their populations. The question here again is; how is it done and under what conditions? This paper adopts a business ethics approach to examine the topic of wealth creation. It attempts to argue that the creation of sustainable wealth cannot be achieved without paying attention to the design of acceptable policies that redistribute existing assets and create new ones. It also has the view that successful poverty reduction requires sustained wealth creation with a level of motivation.

Introduction

Poverty has become an issue difficult to overlook in Africa today. In fact, to eliminate poverty and achieve a moderately higher living standard for its inhabitants is a generation's old dream of the African nations. However, despite various global initiatives of addressing developmental problems which have focused on poverty reduction, there is an insignificant achievement. Poverty still remains one of the greatest problems facing the world today, particularly in Africa. It remains an adversary that no one could afford to ignore or underrate Balogun, (2004). It is absolutely important to tackle poverty reduction more seriously. The success of this struggle argued in this paper depends on taking a business approach to poverty reduction Via Wealth Creation.

The paper begins by examining the directions government has taken in an attempt to create wealth from the post- independence to the present period. It also provides the definition and meaning of wealth creation and x-rays the relevance of business ethics for poverty reduction via wealth creation strategies. It also outlines how ethical economies can be encouraged to reduce poverty via wealth creation techniques and finally, a conclusion is drawn on the above issue.

Wealth Creation: Meaning, Trends and Tendencies

What is the creation of wealth? Wealth can be defined in several ways. But for the purpose of this paper, wealth of the nation may be defined as the total amount of economically relevant private and public assets including physical, financial, human, and "social" capital. Consequently, the creation of wealth includes the production of public as well as private asserts. Wealth is primarily a stock and flow of assets.

Therefore, the "wealth of a nation" encompasses both private and public goods or assets, that is endowments that can be attributed to and controlled by individual actors, be they persons, groups or organizations, and endowments from which no actor-inside the nation can be excluded. In economic terms, public goods are defined by the characteristics of non-rivalry and non-exclusive consumption Enderle, (2000). However, experience shows that public goods have severe limitations in doing what many consider to be its first duty, eliminating poverty. The sharp rise in poverty despite the wealth that the world is boasting of makes people to ask whether wealth creation reduces poverty, if so, how?

What do we mean by 'creation of wealth'? Wealth creation is just more than possessing wealth. It has a lot to do with technological innovation, but is more than that as well. Aiming at material improvement for the benefit of human lives, wealth creation includes both a material and a spiritual side, and goes beyond the mere acquisition of wealth. It is a qualitative transformation of wealth.

Creating wealth is a national objective that mobilizes many forces for a new and better future. Without doubt, the material side of wealth creation is essential, but the spiritual side is as well indispensable. It is clear, therefore, that both (he material and spiritual commitments are necessary

ingredients for public wealth creation in any given situation. Wealth creation can have both intrinsic value and instrumental value as well. As a result, the road to poverty reduction via wealth creation must entail the constitutionality and instrumentality of wealth. This will go a long way to including the concept of sustainability in our notion of wealth. Wealth creation must be 'sustainable.' That means to fulfill the demand to meet (the needs of the present generation without compromising the ability of future generations to meet their own needs WCED (1987).

In addition, wealth creation involves both productive and distributive dimensions. The productive and the distributive dimensions of wealth creation are intrinsically interrelated. It is therefore, imperative that poverty reduction via wealth creation should take cognizance of this aspect. However, despite varying motivation of the concept of wealth creation, it becomes clear that wealth creation is a noble activity. It includes both material and spiritual aspects, driven by a mix of motivation that is self-and-other regarding. For example, the entrepreneurial spirit must be accompanied-by-the service to others. It is through the above, that wealth creation can no longer be ignored, disregarded or even be treated with contempt. But it will be seen as good and necessary making up an essential prerequisite for thriving poverty reduction through wealth creation strategy.

Governments Attempts for Creating Wealth

Many African countries experienced economic recovery in the 1990s World Bank(2004). To be candid, these recoveries have not meant an end to poverty for all. The recovery has been accompanied by greater income inequality, so the poor remain numerous and increasingly alienated from the society. Yet an objective evaluation suggests that attempts to eradicate poverty by the government did one way or another contribute to the economic recovery of the 1990s. As a result, the role played by governments in the attack of poverty cannot be underrated. Therefore, the attention of the central planning agencies with a focus on helping the poor to alleviate their conditions cannot be down played. The development initiatives led by government agencies were part of wealth creation strategies directed towards poverty reduction. Balogun (2004), argues that the Five - year Development Plans implemented in the 1960s up to the 1980s were meant to stimulate economic growth and by so doing banish poverty and improve overall living standards.

Such developments included:-

- Rapid industrialization and infrastructural development;
- The improvement of access to wealth, education and other basic needs;
- The reform of fiscal and macro-economic management mechanisms;
- Institutional and governance reforms, and
- The implementation of structural adjustment programmes from the mid 1980s and part of 1990s.

Nevertheless, it is a common knowledge that despite such development plans, poverty continued to be experienced. In fact, poverty has not only continued but has deepened overtime in the post-independence period. The main reasons for the persistent and deepened poverty can be classified into three major groups:-international, cultural, policy - related and historical.

Cultural rigidities have had negative effects on poverty alleviation. These are manifested in the defiance to change in consumption patterns and unequal distribution of wealth. For instance, the government can provide free education or health service but the people around cannot utilize these, basically on account of cultural beliefs. Lack of awareness to accumulate is also anchored on cultural rigidities, as households attach more importance to generosity and festivities than saving. A working culture is also deficient in some parts of the country.

Since after the independence period, the country has experienced the design and implementation of faulty political and development policies and strategies. It has not persistently owned its development agenda and priorities. Consequently, there is a pronounced functional facilities like roads, education, health, etc, unchanged production structure, lack of technological change, brain drain and persistent internal conflicts, which separate expenditure from development activities.

Historical factors have negatively influenced the development process and anti-poverty evolution. Besides plundering the resources, colonialists infused wrong tricks through elite rulers in the post-independence period.

In addition, the persistence and deepening of poverty is attributed to the existing poverty alleviation mindset, which is externally sponsored. As Balogun (2002), notes, poverty would neither be eradicated nor alleviated so long as responsibility for responding to this momentous challenge lie elsewhere rather than with the governments and the peoples. The way forward in this regard, Balogun (2004), contends, is for the governments to provide unequivocal leadership in replacing the poverty-preoccupation with the wealth creation psyche. Equally, government should imbue the poor

with the sense of purpose as well as confidence needed to create wealth and banish poverty. The elements of this wealth creation strategy include:

- National leadership in wealth creation
- Entrenchment of good governance values and practices
- Providing legal and institutional safeguard against predatory tendencies
- Energizing and fully engaging the productive forces
- Repositioning and reorienting the civil service bureaucracy
- Creating and strengthening the supporting institutions (Balogun, 2004:24),

Indeed, government can help both the creation of wealth and the reduction of poverty. It can provide basic infrastructure required for reducing poverty via wealth creation. Government can equally be a positive force in economic development and poverty reduction. Having said all these, there is however, a strong evidence that much of government public policy to enhance wealth and eradicate poverty has been self-defending.

Relevance of Business Ethics for Reducing Poverty Via Wealth Creation

Authentic human development can never be achieved when the ultimate is the amassing of wealth and material goods, creating an unquenchable thirst for more power, profits and possessions. The crucial challenge is to understand wealth creation and development primarily as economic growth. Wealth for whom? At what price? Thus, ethicists, reject models of financing for development that supply monetary wealth without eradicating poverty, and have no regard for how that wealth is generated or distributed. Without adequate ethical underpinning, creating more wealth can entail the destruction of much wealth as recent debacles of Enron and the like have demonstrated Tonge et al (2003). Evidence is also moderately strong that, both the modern interventionist welfare state and private market economy are powerful instruments to create private wealth, but they fail in creating public wealth. This involves far-reaching implications for business ethics. Business ethics should provide confidence to reducing poverty via wealth creation. It is in this context that the creation of wealth and the redistribution can be treated in a proper and comprehensive manner.

How can ethical economies be encouraged to reduce poverty? The success of reducing poverty via wealth creation strategy depends on both market and government morality. It is only in this context that reducing poverty via wealth creation can be managed in a proper and comprehensive manner. The context will provide a design of acceptable policies that redistribute existing wealth and create new ones. It will further provide for sustained wealth creation with a mix of motivations. In addition, it will create a new approach on how to reduce poverty via wealth. This new view of evolution will include new definitions of wealth: increase local participation in development decisions and give more attention to solving problems locally, with local strategies, tactics, and resources, rather than just seeing wealth creation as the solution to problems. Below are the actions that have been suggested/ recommended to address ethical reduction of poverty via wealth creation:-<*

- <* Replace welfare attitude with entrepreneurial spirit;
- <* Scrutinize and encourage improvement of ethical standards in business by facilitating global dialogues, creating incentives for private sector investment into common good (environmental protection, education, etc) and conducting studies on ethics including the ethical implications of unbridled capitalism;
- <* NGOs with government support should extend micro - credit mechanisms with the banks, other NGOs, and international finance institutions to speed up development of small scale businesses, technology and training with particular emphasis on women;
- *t* Government should include entrepreneurial skills and business mathematics in her public education curricula with support from NGO's and other international organizations;
- ** Government and development organizations should establish toll-free numbers and computer networks for inhabitants who now live in high-income countries to out of free will participate in the development of their original countries via telecommunications;
- <* Government should establish and implement global partnership for development as a new kind of global plan with collaboration between high income countries and those with less industrial and entrepreneurial cultures;
- <* Encourage employee ownership, e.g. Employee Stock Ownership Plan (ESOP) that makes corporate shares available to employees;
- I* Allow employee access their own company's internet to see elements of the planning system,

work flow, production indicators, etc, so that they can actively participate in the business;
t Observe standard Central Bank rules on the issuance of currency to avoid inflation.

These ethical poverty reduction strategies via wealth creation can be extended nationally to ensure the successful fight against poverty even in Africa as a whole.

Conclusion

The central point of this paper is the much emphasis on reducing poverty via wealth creation. It acknowledges the direct link between poverty reduction and wealth creation. It also notes that limiting most government sanctions and stabilizing prices enhance poverty reduction via wealth creation. This will only succeed with a thorough understanding that reducing poverty via wealth creation is a noble course which is guided by a mix of motivations that are self-and other-regarding. The understanding enables us to bring to mind the power of business ethic where it matters most. After all, business is all about creating wealth, and ethics has to make sure that it is properly done.

A large ethical wealth creation direction can cause the economy to move beyond the short term and definitely adapt a long term direction as well, in which sustainability is the key.

Ethical wealth creation is essentially needed even from the direction of selfishness of the rich. This is so because the creation of sustainable wealth for reducing poverty cannot be obtained without paying serious attention to the design of acceptable policies that redistribute existing wealth and create new ones. By so doing, passing an 'ethics screening' should be a yardstick for participation in the business of reducing poverty via wealth creation by all wealth creating agents.

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