

**FROM POVERTY -
TO PERSONAL GROWTH
AND HEALTHY DEVELOPMENT**

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ABSTRACT: The article discusses both personal and social aspects of poverty, together with means to change the status of poor which consist of charity, skills training and entrepreneurship as well as social security benefits. Healthy development is provided in this case by through health insurance systems.

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I. Introduction. When a person grows up and enters adult life than there come two options: to be poor and unhappy, or to become solvent and stay comfortable with challenges of the surrounding world. Happiness in this regard may be defined as a realization of a man's wishes in practice. The life itself seems to be as almost never-ending chain of events from poor through live development to rich; for some it is successful, for a few – it is not.

Person's wealth and ability to address his main needs depends on his personal striving to financial success as well as participation of government assisting members of society to have means of social security as well as possibly equal chances to prosper in business. It also depends on healthiness of adult persons which assumes their ability to accept and process information as well as to obtain funds and food to feed themselves and their successors. When any of these mighties are lost, a person becomes incapable of doing things and starts needing assistance: social, mercy or charity ones.

By definition, none of governments claim poverty as a main purpose; quite oppositely, people's welfare, increase of welfare and growth are staying among fundamental tasks of the modern societies. Nevertheless, we may witness in many parts of the world as well as sometimes in our neighborhood signs of poverty.

So the world and people living in it will always, now and in the future, confront a puzzle: how, having little resources, to provide everyone a wealth, enough to overcome poverty, or better to stay solvent. The article is an overview of methods and ways to do it.

II. Poverty: main features. Poverty is a comparative phenomenon since usually, if we can't afford to have something, and someone can, we tend to think that we are less solvent or even poor, while forgetting that we may own a house, car and many other things we became already accustomed with and don't notice them anymore. But actually, poverty is a state when a man has only means to stay alive, and to reach those means he has to either earn a living by work or receive a charity. Since poor man cannot buy things which would otherwise change his life to better, poverty is considered by most people as humiliating state of existence, with no or a few means to change the status-quo.

Poverty with no outside assistance can expand itself, and it does not make anything good for society. Indeed, when you look to filled-in shelves of supermarkets, and ask manufacturers: "Do they want their goods purchased?" - you are going to get quite certain positive answer. And the cycle of producing something for the others to consume requires people to have financial means to do it, and does not want in principle anyone to be poor.

When we purchase goods, we are financing production plants, providing salary and wages to employees at the same time, dividends to stocks and bonds etc. Consumers also enable plants pay back interest and loans thus providing financial system to work as clocks, as well as giving options for modernizing factories' technological capacities. Imagine what would happen with all of these things if there would be a society consisting mainly of poor people. It is why poverty and economic development of societies contradict each other, although a fear of becoming a poor is among basic reasons of personal economic development.

Poverty is something which is annually met by hundred of millions of people: it is youth after finishing high school or universities. Each of them proceeds according to their skills and education to find a job, then to settle issue of "no poverty", and then to start a new independent life. And since this process is essential as life, together with the means to go about poverty repeated every year by millions of the people, then we

may discuss some recipes how to do it, with an aim to follow best accumulated experience.

Poverty is a state of human's life quite hard to leave, making people usually weak and irresistible to external influence. Financial abyss is probably the deepest among those which humans meet in this world. It is due to the point that whenever one wants to leave it, there needed incredible efforts, and often simple luck. At some point when poor people are absorbing revolutionary ideas, foundation of societies easily quakes to become the society of equals – poor workers, and history has seen many of such examples in the past led by recent unsuccessful Soviet experience.

People who are in poverty belong to following several types:

1. they are permanently ill handicapped persons;
2. they are healthy, but do not have financial means at this current phase of their life; or
3. they are healthy, but not well educated or treated persons.

Poor live in their niche of the society and either don't know how to work, what to do to earn a living, or they just don't want to do it since social security system in many developed countries is good enough to provide feasible financial aid in this case. Handicapped people need a charity by any and all means, along with a medical treatment of them if their society makes it possible.

Persons of the second group spend sometimes all their life to become solvent. For instance, parents, who are going to educate their children, start it actually before the wedding when a groom waits when his wage would become sufficient to pay for mortgage and other expenses necessary to have a happy family.

There are a few **ways to manage poverty** depending on how crucial are going to be changes we want.

1. First is usually assistance to those who are in class of the society who work for rich. In this case we cannot change their status, and being realistic, we don't want to do it. One of the reasons for that is a clear understanding that everyone cannot be

rich, and someone has to work in factories anyway; in other words, always there should be someone who has to work for someone, and we can't change this.

Unless a person is poor and healthy, he is only under the moral stress of his own financial inconsistency. But if he is also sick or ill, no one can help him much. Here comes the time for charity, which mainly aims helping people not to die. Charity, in respect of poor, supposes satisfaction of their main needs generally balancing those who are trying to survive, and thus is an aid of the first order for those who can't for some reason help themselves.

Charity is also provided for those who do not have enough financial means but ready to have personal development and further to work. If society's level of welfare is high enough, volume on charity spending is large enough. Means to provide charity are different types of foundations, promoted by support of governments establishing specific tax shelters.

Charity stops when there comes ability of a person to work and help himself/herself. When I lived in the US back in 1990 staying in gorgeous Seattle as a student for almost a year I noticed that US citizens help foreigners to quickly get accustomed to their habits, language, city etc. As long as I stated that I just came into the city and ask for directions, many were eager to help me. But as soon as I was ready to compete with other members of the society, say, for jobs or best wages, doors open to me, were getting closed. I became equal, and no more charity seemed fair enough for local people. The same thing is with poverty evolution.

It is usually a mistake to assume that charity can change the status of poverty. Charity can hardly do this, so compassion is to have a limit, as well as any other emotion humans feel towards each other. Person must have a chance to change his/her own life himself. This is his/her freedom of choice, action and true happiness to create himself/herself everyone is born with. It is important to note that it is not a feature of only entrepreneurs to create things and their own. If someone wants to

become, for instance, a doctor and becomes it, than a man thoroughly approaches his purpose, developing his self inner ego. And that is what life is all about.

There is no doubt that in personal development as in anything else there is the presence of Providence' hand which pushes each of us ahead during our lifetime. But to think that all positive, what a human is up to in life, will appear by itself, is also wrong. Money, happiness, success come through real hard working, education and striving to different aims – all quite similar to process when a new baby is born.

Once before when I was in business during 1991-2000, I noticed an old lady staying on the street near the door of our firm. Her hand was begging for some, and she was wearing wide thick glasses. I thought this was just a poor lady, but wanted to keep a style of a firm and somehow try to help. We invited her to office, asked for proof if she was ill: indeed, she was incapable of working, 70 years old, and needed around US\$ 300 a month for medicine.

We did not bargain and proposed her a deal now one may say as too optimistic or idealistic: she doesn't beg, especially near our office, and gets those 300 dollars by visiting our office twice a month. She agreed, and this continued only 2 months. Our staff pointed out once that she was begging again, on our street, quite close to us. Why? There was no point for begging, money was more than enough for medicine. In many years later I realized that was her personal karma which did not allow an old lady to stop doing this.

2. The other option is if you want poor people to “exit” their current phase of life and change it radically. Ways are a few, and one can implement them in case there is an effort on both the side of poor applicants, capable and willing to change their existing status and on the side of sponsors who are taking the risk of spending the time, funds and efforts, with no guarantee for success in the end. One has to provide **skills training** depending specifically on a person's abilities; then newly skilled labor has to get employment whose monthly salary shall be higher than an aid for unemployed.

More sophisticated mean to help poor in this case is to provide them ability to succeed in business. Certainly, not everyone is born for business while many want to be rich. It is probably right to mark here that being rich is not always something greedy. Being rich as rich men say is being free, not only from a pain of poverty, but freedom to create, to live in happiness.

Each of us attempts to improve our own life; this is built into us from our birth and is an instinct of survival. Thus, personal striving to become rich, natural in its essence, shall not be suppressed if to look at it from a view point to provide healthy and happy style of life and welfare in a family. At the same time, most people barely thought of the fact that religions were never reluctant to this very basics – personal striving to welfare. There is no such thing in Writings, but it is naturally essential and was meant at its foundation. Religion has only requested that personal issues were not to be over Divine, and that is why preference was for altruistic approach – enforced by overwhelming presence of greediness of a profit-oriented people.

Entrepreneurial approach is available to those who feel they have strength to start a new business and who would risk their existing assets, if any, for unwarranted reward somewhere in the future.

Business basically is a thing which does need assets. They can be used as collateral to obtain a loan, then to conduct a business and to obtain a profit, and finally to have more assets. Assets in collateral insure the risk of not paying back, and that is one of the main principles of capitalistic society. So in this case one may see that there is a cycle when rich are going to become richer, with no chances for poor to change their style of living.

The thing with the poor is that one doesn't have assets and wants to make business at the same time; we expect that a man seeking a loan would be having skills and idea necessary for specific business and now consider only financial aspect of it. Solution is to find means when some other people or entities would be willing to provide that required asset.

To be true, there are not too many options in this respect one can look for in the neighborhood! People: wealthier relatives, close friends may be willing to share your risk, but in case of business failure you risk to lose all of them together. Is it worth – is up to you. Venture capitalists would be willing to participate in business, but they have so many proposals that very few get lucky to start business with them, especially if you have nothing to invest except your own idea.

Finally, in case there is promising worked-out business plan, and if you are in the United States, one can look for loans from Small Business Administration which can back up a business idea when getting a loan. But this is too has done in exceptional cases, because usually one cannot approach SBA directly since it is served by US banks taking care of end customers. And banks, when you request an SBA's financing, require regular banking procedures including collateral. It may sound ironic but anyone who wants to earn a fortune really needs to be fortunate for these very reasons. I can remind you a tough Turkish saying: "If you don't have, than no one has". That is about situation that it is quite difficult to obtain a loan if you don't possess anything.

With all difficulties existing in business for start-ups, it is commonly known that annually around 80% of new companies starting a new business will fail. And after that takes place, there has to be something which will preserve people from falling down to poverty in such a case.

3. This is public and private social security programs. With comprehension that it is unrealistic to change life for huge masses of poor population, the task of managing poor goes to the point where powers of societies try to establish such rules that wealth is distributed in a way to provide most of its members the means available to flourish rather than no option but to be poor. That kind of strong thoughts created back in early decades of the 20th century pensions schemes both funded by governments (PAYG systems) and funded by the people themselves (fully funded

schemes). Taken together with the stock markets, this type of financial structure created flourishing capitalistic society since 1930s up to now.

PAYG (Pay-As-You-Go) system of pension benefits is set up under the principle when pensions of retired people are funded by working population. There are different standards of the benefits depending on average salary earned during the last 40 working years; it covers sometimes 10 or 20 years period. International Labor Organization requires to have at least 40% average salary to be replaced in pension benefits. The EU has set probably the highest requirement of this kind – 65% replacement ratio.

During 1930-s when the US social security system was setting up, relation of workers to retired pensioners was 40 to 1. That means that the share of salaries workers would pay for the pensions schemes was not much. Currently there are nearly 3 workers for one pensioner, with the ratio further falling down in the near future. That creates a problem, since workers cannot give substantial part of their salary to fund pensions provided by governments within social security programs. In general, social security programs of PAYG systems look like a “basin” where one can never fill it out: whatever we pour into the system, is redistributed as pension benefits in just a few days.

This issue of decreasing dependency ratio (relation of workers towards pensioners, see Table 1) has forced the UN back in 2002 to announce the 21st century as a century of the so called “ageing” problem. Means to do it are through change to fully or partially **funded schemes**, both in public and private sector. That means that a worker will start saving for himself funds to be consumed after retiring by paying a little of his wage to special accounts – what was previously spent in PAYG systems.

Such mandatory obligation is done within stately regulated pension systems under so-called second pillar of state pension systems. while “**quasi-mandatory**” system is applied as concession of corporations with trade unions to do it on behalf of companies-employers.

No-one knows yet how the pension reform is going to develop in up-coming 5 to 45 years. Sure thing is that industrial countries - members of OECD will have this issue on their agenda very soon – since 2012, when pension schemes are projected to have negative balance. In PRC and many other rapidly developing Asian states the crisis is projected for period of 2040-2050. In due course OECD member states quite soon will be forced to open doors for immigrants and foreigners to enter their labor markets, while many of Asian states still have time to make major changes and move to funded schemes.

Table 1

Dependency ratio in OECD member states in 1960-2030

Country	1960	1990	2000	2010	2020	2030
G7						
Canada	13.0	16.7	18.2	20.4	28.4	39.1
France	18.8	20.8	23.6	24.6	32.3	39.1
Germany	16.0	21.7	23.8	30.3	35.4	49.2
Japan	9.5	17.1	24.3	33.0	43.0	44.5
Italy	13.3	21.6	26.5	31.2	37.5	48.3
UK	17.9	24.0	24.4	25.8	31.2	38.7
USA	15.4	19.1	19.0	20.4	27.6	36.8
The rest of the countries						
Australia	13.9	16.0	16.7	18.6	25.1	33.0
Austria	18.6	22.4	23.3	27.7	32.6	44.0
Belgium	18.5	22.4	25.1	25.6	31.9	41.1
Greece	12.3	21.2	25.5	28.8	33.3	40.9
Denmark	16.5	22.7	21.6	24.9	31.7	37.7
Finland	11.7	19.7	21.5	24.3	34.7	41.1
Ireland	18.6	187.4	16.7	18.0	21.7	25.3
Island	14.1	16.6	17.3	18.1	24.1	32.1
Luxembourg	15.9	19.9	21.9	25.9	33.2	44.2
Mexico	-	6.4	7.0	8.0	10.4	14.8
Netherlands	14.7	19.1	20.8	24.2	33.9	45.1
New Zealand	-	16.7	17.1	18.9	24.6	30.5
Norway	17.3	25.2	23.9	24.0	31.2	38.7
Portugal	12.7	19.5	20.9	22.0	25.3	33.5
Singapore		-	10	-		30
Spain	12.7	19.8	23.5	25.9	30.7	41.0
Sweden	17.8	27.6	26.9	29.1	35.6	39.4
Switzerland	15.5	22.0	23.6	29.4	37.8	48.6
Turkey	6.7	7.1	8.9	9.4	11.7	16.2

Sources: **Retirement income systems: the reform process across OECD countries. David W. Kalisch and Tetsuya Aman**, Social Policy Division, OECD conference “Pension Systems in Crisis” held at Harvard Institute for International Development – World Bank Institute. June 14-25, 1999, Cambridge, Massachusetts, USA, p. 47, data on Singapore – according to annual report of Central Provident Fund Board Annual Report 2000 (Singapore), www.cpf.gov.sg

III. Health issues: Our discussion still misses quite important part of personal development, which is health and means to stay health. Healthy society in its true meaning has both physically healthy people able to work, educate, save and to take

care of their children and retired people. We are going to consider a care of physical health in the society.

Poverty usually accompanies handicapped persons, except in developed countries sufficiently spending to settle the issue, which was recognized both socially and on government's level. But states in many other parts of the world just cannot afford to do it on the same level.

As an obligation fixed in treaties of International Labor Organization, first medical aid is provided by governments free of charge, with its expenses paid by workers in the same way as PAYG system during the time when workers obtain their salaries. For example, in the US a spending on PAYG and first aid totals to 15.3% payroll where 12.4% are paid to PAYG system, and 2.9% for medical aid. While many of states may say that they have the same relative numbers in percents, their absolute numbers may be much less compared to the US.

Spending on health works well in case if there is systematic approach to the issue - through health insurance. The longer is a period of systematic change when such system is adopted by society, the higher are savings together with people's habit to save for health, and the better is a health system in the state. When health insurance savings of people do not match the needs of health industry, governments should assist it by pouring necessary funds into the system. And it also depends on capacities of national economies if they can do it.

Probably, among the best examples are health systems of Israel, US and member states in "older" part of the EU (which, obviously, excludes its new member states). Among major health system change one may recall a US experience during Clinton administration.

Health systems with no health insurance can either provide a little or no serious medical assistance to people when needed, and enforce patients to travel abroad to places where such sophisticated means exist. Unfortunately, very few can afford to pay right away for medical services in such cases since patients are treated

as foreigners and do not obtain the same privileges compared to locals who have a hold of health insurance policies and are not requested a lump sum for specific treatment. For instance, medical services are mainly free for citizens of Israel, where any foreigner pays just for medical treatment itself beginning from 15-20K US dollars.

Hence, poor countries with little values of GDP per capita and having no health insurance system, exclude substantial part of labor force from ability for recreation through medical treatment. In turn, this decreases number of a labor force, and in a longer term harms growth of national GDP.

Among states which started to move towards health insurance system are transition economies, where currently it is treated as quite expensive way of health spending compared to what was in these states before their economies became market oriented. Under planned economy, health spending was sufficient as long as state economy continued to prosper: health spending was a part of a state budget. In comparatively new market economies of these countries the health insurance savings are not substantial yet, as well as wages. So actually needed financial spending on health is either skipped, or barely funded by governments depending on indicators of country's national growth.

For example, Russia's experience which recently (2006-2007) announced national program to re-equip its state health system, is among few exceptions when a government tries to establish sound health system with quite large on-going "oil revenues" funding. But even after the end of this reform, hopefully successful, there should be a change towards market oriented health insurance system which establishes health branch as independent and self-motivated part of a market economy. It is important for the reason that in such a case the health system will not be jeopardized by economical downturns, and in 20 to 40 years will move step-by-step to private self-sustained health system.

Once again, we may see the kind of a closed cycle: healthy worker is needed to keep economy grow; in turn, economies with low GDP per capita cannot afford to have

sufficient spending on health. In order to exit from such dependency situation is to set up a health insurance system which usually requires several decades to become nationally efficient.

As for the poor people living in poor countries the only way to take care of their own and children is to be in business, or to start voluntary savings specified for healthcare.

IV. Conclusion. In the article we discussed main methods of dealing with poverty: They depend on ability and willingness of persons how radically they want to change their poor life. Methods are charity, skills training and entrepreneurship as well as benefits of social security systems. The problem has personal side of the issue as well as it depends on capabilities of the society and its main values which set up then how less harmful is a poverty in the society.

Health issues of poor people need to be settled by structural changes of governments to create health insurance, first as addition to state provided medical aid, then by state subsidies to health system of the state as well as creation of tax shelters and promotions to develop private health system.

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