



Economic and Psychological Aspects of Poverty

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ABSTRACT

The paper identifies and describes two conceptual approaches to defining the phenomenon of poverty - absolute and relative. Some historical stages in the study of poverty, as well as psychological and value foundations of the subculture of the poor are considered. The experience of recent research in this field and new approaches to poverty alleviation are analysed.

Keywords:

The problem of poverty. Absolute poverty. Deprivation. Culture of poverty. Psychology of poverty. Stress. Neuroplasticity. Unconditional basic income. Coaching.

Poverty is a character flaw.
Margaret Thatcher

Poverty is not spinelessness, but lack of money.
Rutger Bregman

Ending poverty everywhere in all its forms is the first of the 17 global Sustainable Development Goals (SDGs) adopted by 193 countries at the UN General Assembly on 25 September 2015. Measures to eradicate poverty must go hand in hand with efforts to boost economic growth and address issues in the areas of education, health, social protection and employment. It is planned to end poverty by 2030 [1]. Figuratively speaking, the eradication of poverty should be a matter of honor for each state individually and for all mankind as a whole.

In the study of the world around us, the transition from the analysis of individual phenomena to the synthesis of the data obtained on the basis of a systematic approach is becoming more and more obvious, and the emphasis of scientific interests is increasingly shifting from technocratic problems to humanistic problems. The problem of poverty is

not new. Poverty, being inherent in any society, has always been of scientific and practical interest to researchers of various countries and fields of science. Poverty is one of the most acute problems for all types of societies, regardless of the nature of the development of the economic system. However, all attempts to find a universal way to resolve it have so far remained unsuccessful. Not only economists, but also philosophers, sociologists, psychologists, teachers, political scientists, and neuroscientists are looking for keys to understanding the problem. In this regard, there is a steady increase in scientific and public interest in the problem of poverty as a complex problem that requires taking into account many factors based on a *polydiscursive* methodology.

In the post-Soviet space, scientific circles began to seriously think about this in the 90s of the last century, when society began to stratify according to the level of income. In former

times, the difference in income was insignificant, while the state provided acceptable living conditions for all citizens of the USSR. Education and medicine, libraries, hobby groups and sports sections were free; cultural events, Museums, recreation and all types of transport throughout the vast territory are accessible. Accordingly, the level of *deprivation*, i.e. reduction or complete deprivation of the opportunity to satisfy basic needs, in society was minimal. But the spontaneous transition to the market showed the unpreparedness of most people for new economic relations. There was a comprehensive revolution of public consciousness: value orientations changed, an ideological vacuum arose, feelings of confusion and uncertainty about the future prevailed. The growth of individualism in all its manifestations have become predominant. Against this background, wealth inequality grew rapidly. Society was going through a very painful period. Only decades later, society was able to more or less adapt to market realities. But he faced new problems that had hitherto been outside the circle of public attention. One of them is the problem of poverty.

There are different approaches to the interpretation of this concept. The simplest of these is linked to *absolute poverty*, which is characterized by the minimum amount of money necessary for the survival of the individual. Absolute poverty is linked to the concept of *the poverty line*. *The poverty line* is the level of disposable income or consumption below which poverty occurs. To date, the World Bank has designated \$1.90 per day as such a threshold. This is very conditional. A figure that gives only a rough quantitative description of poverty and misery in the world. It is not clear, for example, to which category those who survive on 2.0-2.5 dollars a day should be assigned. Of course, they cannot be called rich, but they do not reach the average level. Take, for example, Russia. "Considering the indicator of the subsistence minimum in Russia in 2016, which includes the funds necessary for living in the amount of 9828 rubles (about 140 dollars, *G.F.*), it can be argued that in fact this indicator corresponds not to the poor class, but to the

class of beggars. Such income is hardly sufficient for normal living and corresponds to extreme, physiological poverty" [2, p.8].

In the 70s of the XX century, the concept of relative deprivation was formed. Great merit in its development belongs to P. Townsend, he outlined its foundations in the book "Poverty in Great Britain". The researcher argues that poverty can be objectively defined only from *the* standpoint of relative deprivation. This approach was called deprivation because a poor person is deprived, i.e. he does not have enough resources to provide, For example, different types of diet, the creation of normal living conditions, the arrangement of life and the use of amenities that are widely accepted in a given society. The resources of the poor are so small that they are virtually excluded from normal life patterns [3]. Thus, P. Townsend brought the concept of poverty to a fundamentally different level of its understanding and measurement. Not only the physiological needs of a person, but also social ones began to be taken into account. And poverty has become multidimensional and multidimensional. With this understanding of poverty, it is mainly not the income indicators of the population that are mainly considered, but consumption. Assessing poverty as a discrepancy between living conditions and the quality of consumption with generally accepted standards, one can come to an understanding of how it affects the psyche.

From this point of view, poverty in advanced economies will, of course, be different from emerging economies. In advanced countries in terms of income, for example, treatment in the best clinics, prestigious education, cultural development, and travel are not available to the poor. But at the same time, food and clothing are more or less available. In developing countries, the picture is different. Here, for the poor, in addition to full-fledged food, even normal drinking water may not be available, as, for example, in some African countries. But the main thing that defines and unites all people who are in the deprivation zone, in any society, any state, any economy is a feeling of some kind of inferiority, isolation from the rest of society. Their thoughts are forced and constantly focused on the basic necessities of

life. On what is not a matter of concern for wealthier people: on issues of food, buying the necessary shoes and clothes, medicines, paying for housing and education. At the same time, many of them have debts that need to be repaid. Therefore, poverty is, first of all, stress, constant and uncontrollable.

The background to Margaret Thatcher's famous epigraph statement dates back to 1959, when American anthropologist and ethnologist Oscar Lewis's book "Five Families: Studies in Selected Mexican Examples of the Culture of Poverty" was published. It concluded that the *values of* people experiencing poverty play a significant role in perpetuating their plight and maintaining the cycle of poverty between generations. The concept of "culture of poverty" introduced by the author into scientific circulation implied a way of collective life of the poor, who exist in their own environment, raise children in their own way, and each subsequent generation, as a rule, continues the same way of life, recreating the same culture. Within the framework of this concept, he tried to explain why poverty continues to exist despite all efforts to combat it. "The subculture of the poor develops mechanisms that tend to perpetuate it, especially because of what happens to the worldview, aspirations and character of the children who grow up in it" [4, p.199].

The works of O. Lewis caused a violent and controversial reaction, were widely discussed until the early 2000s. Within the framework of economic psychology, such a direction as the psychology of poverty began to be developed. In the 70s of the XX century, the popularizer of O. Lewis's theory in the UK was Sir Keith Joseph, Minister of Health and Social Welfare. In 1972, he proposed the idea of a cycle of deprivation, according to which poverty would beget poverty. In his opinion, parents who have not achieved significant success in life cannot instill in their children values and behaviors focused on success. Therefore, their children will not be able to financially support themselves and their children in the future. And so it is repeated from generation to generation. In other words, a person falls into a "poverty trap". A similar expression, the "development trap," has come to be applied to poor countries.

The concept of O. Lewis has long been subjected to fierce, often unfair criticism. However, recent discoveries in the field of the laws of the brain [5; 6; 7; 8] show that the concepts of "culture of poverty" and "psychology of poverty" have good grounds. In general terms, the essence of these discoveries is as follows. With prolonged or repeated stress, emotional arousal can stagnate, and the functioning of the body can decompose. Latest research leading neuroscientists in the United States, Singapore and the UK have shown that stress affects the limbic system, which triggers the release of special hormones, primarily cortisol, which is part of the glucocorticoid group. These hormones at the genetic level affect the development and functioning of the whole organism. Consequently, stress physically changes us, including our brains. Due to the stress response, several of its main areas are at risk. *This is, firstly, the hippocampus, which is responsible for cognitive functions and memory. Under the influence of stress, cells die in it, while the learning process, on the contrary, increases the hippocampus even in the elderly. Secondly, it is the median area of the prefrontal cortex, responsible for planning, cognition, control of actions and emotions. Under the influence of glucocorticoids, the number of neural connections is reduced here. This leads to rigidity (inertia, stubbornness) of cognitive abilities. High rigidity limits the flexibility of thought processes, reduces adaptability to new things. But, at the same time, it is also a way to respond to a stressful situation, when concreteness and unambiguousness of thinking are important. Thirdly, it is the orbitofrontal cortex of the brain. Under stress, the number of connections in it increases. This area of the brain is not yet well understood, but it is believed that the increase in the number of connections in it, in all likelihood, is caused by the need to remain attentive, alert and provide addiction to new reward mechanisms. And finally, there is the amygdala, which is part of the limbic system. Under stress, it works very intensively, and if the stress is chronic, then it practically does not leave the active mode at all, increasing anxiety and general emotional reactivity [5; 6].*

The stress response was initially adapted to abrupt changes: it is designed to mobilize the body for the effective implementation of the "fight or flight" strategy. However, in a situation of chronic stress, such a strategy turns out to be detrimental. Our body is able to maintain *homeostasis* (self-regulation) even in the most extreme conditions. It continues to function under prolonged stress, but at the same time it is significantly rebuilt to ensure balance. Therefore, temporary The limitation of cognitive functions, anxiety and impulsivity, necessary at the moment of danger, become permanent. Such a state of the subject physically excludes his ability to concentrate, adequately make plans, calculate actions and make responsible decisions. The brain is deprived of the potential for full-fledged work, its ability in the field of long-term planning and control is limited. In short, poverty affects the way we analyze problems and set goals.

Poverty factors have a particularly negative impact on children's development. The influence is exerted by the environment, and the emotional state, and the nature of the speech of others, and the peculiarities of nutrition, and the variety of toys. All these factors have an impact on the structure and functioning of the growing brain. Studies by American scientists have shown that in adult family members with incomes within one and a half values of the federal poverty level, brain volume is 3-4 percent less than normal. For their children, this lag has already reached 10 percent. It has been established that the hardships of the financial situation of children primarily affect the development of the frontal lobe (controls attention, is responsible for the regulation of emotions and learning processes); the temporal zone (mastering speech) and the hippocampus (processing and memorizing information). Moreover, the stressful state of the mother begins to affect the work of the baby's brain in the womb. Such children already at the initial level of development lose the mechanisms of self-control. Growing up, they become overly impulsive, more susceptible to inappropriate behavior and nervous disorders than their peers. "Dependence" on the past prevents them from making the right choice of life path. But

observations have also shown that measures to improve the living environment of children can have a positive effect on the relationship between child poverty and cognitive impairment [7; 8].

The structures of the brain have plasticity, i.e. the brain is able to change, and this, accordingly, entails changes in the functioning of the whole organism. However, the brain seems to show its full potential for plasticity only when newly acquired knowledge changes behavior. That is, for physiological changes in the brain, changes in behavior are necessary. In other words, new knowledge must be put into practice.

Thanks to *self-induced mental practice and mental images*, it is possible to restore lost functions. This type of therapy uses neuroplasticity to reactivate damaged areas of the brain or deactivate overactive ones. Today, researchers are studying the effectiveness of such forms of therapy for people suffering from various emotional disorders, chronic pain, psychopathies, and social phobias [9]. Therefore, in recent years, In the fight against poverty, *coaching* is increasingly used - a method of training, during which a person called a "coach" helps the student to achieve a certain life or professional goal. This technique is common in the West, especially in the United States, and has already proven its effectiveness. An example is the EMPATH Global Learning Network (EMPATH, Boston, USA). Its motto is "Mentoring Based on Brain Science." Under the auspices of EMPATH there are prominent specialists in the field of psychology and philosophy, medicine and health, and the Board of Directors includes representatives of leading research organizations and major corporations. This indicates a serious interest of society in the search for new ways to overcome poverty and achieve economic independence for people with low incomes. Psychology becomes one of the most important tools here.

In August 2013, the journal "Science" published an article "Poverty interferes with cognitive functions." It presents the results of two studies that support the hypothesis that poverty directly interferes with cognitive function. The first study showed that

experimentally induced thoughts about the upcoming significant monetary expenditure reduced cognitive abilities in poor participants in the experiment, while in wealthy participants they remained at the same level. The second study looked at the cognitive functions of Indian farmers during the cycle of agricultural work. It was found that the same farmers showed cognitive decline before harvest, when money was scarce, compared to the post-harvest period, when money was abundant. Testing showed that the values of IQ (intelligence quotient) before harvest were on average 14 points lower than in the post-harvest period. This is comparable to the effects of sleep deprivation or alcoholism. The phenomenon did not correlate with the difference in the amount of free time, the quality of nutrition and the intensity of workload. It turned out that poverty itself reduces cognitive abilities. The problems caused by it require the expenditure of significant intellectual resources, leaving only the minimum for solving other problems. These data allow us to re-evaluate and explain the behavior of the poor [10].

After the publication of this article, the discussion on the topic of unconditional basic income (UBI), which is sometimes also called the "dividends of freedom, flared up with renewed vigor." "The most striking event was the speech of the staunch supporter of the UBI Rutger Bregman at TED Conferences¹ in 2017. In his report, he referred to this study, which served as the impetus for his subsequent three-year research on poverty. He met with Eldar Shafir, Professor at Princeton University, one of the co-authors of the above-mentioned article, whom R. Bregman calls the author of the "new revolutionary theory of poverty."

In his talk at TED Conferences, R. Bregman gave interesting statistics. For example, in the United States, losses from child poverty alone are estimated at \$ 500 billion a year. Child poverty causes additional health costs, as well as indirect losses associated with high school dropout rates and direct losses due

to the high number of crimes committed by children from poor families. Based on the available estimates of economists, he concludes that the introduction of the UBI will cost a net circulation cost of \$ 175 billion - about a quarter of the US military budget, or one percent of GDP. At the same time, it will be possible to pull all impoverished Americans out of poverty, effectively eradicating it. "Suddenly, I understood why so many anti-poverty programs are failing. Investment in education, for example, is often completely useless. Poverty is not a lack of knowledge. Recently, analysts studied 201 studies on the effectiveness of financial literacy courses and concluded that the training brought almost no results. Don't get me wrong: this is not to say that the poor can't learn anything, they can even get smarter. But this is not enough. So here's what I learned. When it comes to poverty, we rich people need to stop pretending to know how best to act. We need to stop sending shoes and toys to the poor, to those we have never seen. The time for small ideas and small changes has passed. I am quite sure that the time has come for fundamentally new ideas, and basic income is much better than another strategy invented by politicians. It's also a complete rethinking of what work really is. In this case, it will help not only the poor, but all of us. I believe in a future where the purpose of education is not to prepare you for another useless job, but for you to live a good life. I believe in a future where a life without poverty is not a privilege, but a right that we all deserve. It has been more than five hundred years since Thomas More wrote about basic income and a hundred years since George Orwell revealed the true nature of poverty. We all need to change our worldview, because poverty is not spinelessness. Poverty is the absence of money" [11]. The author of this article, as a future psychologist, would like to add that the most important task is not to distribute money to everyone equally, but to ensure that everyone lives no worse than his neighbor.

¹ TED Conferences LLC (Technology, Entertainment, Design) is an American media organization that publishes speeches on the Internet for free access under the slogan -

"Ideas Worthy of Dissemination". TED Talks online are watched by about a million people a day. (*Author's note*).

So, the impetus for the revival of discussions about UBI was psychological research. The discussion continues, relevant experiments are being conducted. It is too early to draw conclusions. In the age of systems, we look for solutions outside, and only when we fail to do so, we go inward. But there is no doubt that humanity has sufficient intellectual and material resources to solve the problem of poverty. As there is no doubt about the role of psychological science in this matter. It's just that we still don't fully understand how to take advantage of the available opportunities.

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