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# **The New Poverty in Germany and the International State of Research**

**Deliverable 1**

**May 2015**

## 1. Preliminary remarks

The present analysis provides a critical stocktaking of the data and explanations regarding poverty in Germany with special attention to the effects of the European financial and economic crisis. In the introduction, we discuss the difficulties in dealing with the theme and the ambiguities in the assessment of the situation. This is followed by a short discussion of poverty as reflected in news reporting on social issues and contemporary sociological analyses (Chapter 3). After identifying research gaps, we define our research question and research approach. From the perspective of the sociology of knowledge, the Bonn project group conducts an analysis of the everyday life and lifestyles of the poor, or in short the culture of poverty (Chapter 4). We then reconstruct the state of research on poverty (Chapter 5) as well as the socio-political discourse in society, once again from the perspective of the sociology of knowledge. Against this background, we develop a hypothesis on the social construction of poverty in welfare states (Chapter 6).

## 2. Introduction: Approaching a difficult topic

The European financial and public debt crisis drastically increased poverty and social inequality in the European Union. In 2013, 24.5 percent of the population of the European Union was either poor or affected by social exclusion. The extreme values fluctuate here from 48 percent in Bulgaria, 40 percent in Romania and 36 percent in Greece (which experienced a 7 percent increase since 2008) on the one hand, and 14 percent in Norway, 16 percent in Sweden and Finland, and 19 percent in Luxembourg on the other hand. In Germany, 20.3 percent of population was affected in 2013 – thus one fifth of the population or 16.2 million people –, which constitutes a slight increase since 2008, the year of the crisis.<sup>1</sup> Unemployment in Germany is both in historical and European comparison low and adjusted real wages increased by 1.8 percent in 2014.<sup>2</sup> Germany is viewed as the world's anchor of stability. The *Times* selected Chancellor Merkel as the person of the year, in particular due to her political strategy

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<sup>1</sup> According to the study "*Leben in Deutschland*" (Life in Germany), one in five people is affected by poverty. *Statistisches Bundesamt*/Federal Office of Statistics, according to dpa in *Handelsblatt*, 16 December 2014.

<sup>2</sup> German real wages increased more sharply. There was an increase of almost two percent due to low inflation *Frankfurter Allgemeine Zeitung*, 23 December 2014 with reference to the *Statistisches Bundesamt*/Federal Office of Statistics.

towards Russia.<sup>3</sup> The relatively relaxed situation on international markets and the stock exchange profits fit into this picture despite the significant risks in the world.

However, this positive stocktaking obscures an extremely problematic socio-structural dynamic, which has developed over several decades. Upon closer examination, the situation appears confusing and in part highly difficult to comprehend – just like the new financial products, which have become the modern-day shibboleth and are not even understood by leading financial experts according to the former chair of Deutsche Bank Rolf Breuer.

Therefore, it is no surprise that academics have arrived at different and contrary assessments of the situation. In line with classic economic liberalism, economic research institutes attest Germany stable growth with decreasing poverty levels (i.e. the poor profit from the rich who are becoming richer).<sup>4</sup> Associations representing the socially disadvantaged lament that poverty and the risk of poverty in Germany have “remained consistently high”<sup>5</sup>, while social scientists criticize the growing gap between the poor and rich, which endangers social cohesion (see Butterwege 2011, among others).

While social inequality has again increased since the 1970s for some – see Thomas Piketty (2013) as an outstanding example –, others such as Gerhard Wagner from the German Institute for Economic Research (DIW) warn of an exaggerated inegalitarianism arguably engineered by statistical tricks: “Social divisions have not significantly changed since 2005”.<sup>6</sup> The headline of the *Frankfurter Allgemeine Zeitung* 19 December 2014 was even: “The Hartz IV reforms [of the German labour market and welfare state] have made the poorest richer”. The Allensbach Statistical Institute determined that the mood and actual situation have notoriously diverged: “Inequality overestimated: The Germans like to feel bad”.<sup>7</sup> However, the DIW had to concede in a study commissioned by the Hans Böckler Foundation that the

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<sup>3</sup> *The Times*, 4 May 2014.

<sup>4</sup> *Institut der Deutschen Wirtschaft/Cologne Institute of Economic Research* cit. in *Frankfurter Allgemeine Zeitung*, 19 December 2014.

<sup>5</sup> Der Paritätische Gesamtverband: Die zerklüftete Republik. [http://www.derparitaetische.de/index.php?eID=tx\\_nawsecuredl&u=0&g=0&t=1430645483&hash=b0b584d74089ab99c2a852e89697adfc89434dbb&file=fileadmin/dokumente/2015\\_Armutsbericht/150219\\_armutsbericht.pdf](http://www.derparitaetische.de/index.php?eID=tx_nawsecuredl&u=0&g=0&t=1430645483&hash=b0b584d74089ab99c2a852e89697adfc89434dbb&file=fileadmin/dokumente/2015_Armutsbericht/150219_armutsbericht.pdf).

<sup>6</sup> In Deutschland wächst der Wohlstand. *Süddeutsche Zeitung*, 23 December 2014.

<sup>7</sup> *Frankfurter Allgemeine Zeitung*, 21 July 2014.

differences between the “haves” and “have-nots” are not growing, but that wealth in Germany is distributed as unequally as in no other country in the Eurozone.<sup>8</sup>

Germany has embarked on a unique path in Europe (not only) since the crisis. Yet the interpretation and assessment of this development has varied depending on what perspective (economic vs- political-economic and socio-political) and above all what time period is considered. Still chided as “the sick man in Europe” in the late 1990s, the SPD-Green government under Gerhard Schröder and Joschka Fischer initiated a sweeping labour market and social policy reform in Germany. The so-called Agenda 2010 and its centrepiece, the Hartz IV reforms (i.e. the merging of unemployment and social welfare benefits in order to remove persons not covered by the unemployment statistics and job placement efforts, because they were not available to the labour market), led to a radical deregulation and more flexible employment arrangements and wages. The pool of difficult-to-place, long-term unemployed, which was typical for Germany since the 1970s, was reduced, while the country also achieved a low level of youth unemployment by European comparison. The costs of the new system did rise when compared to the old social policy, because the number of persons entitled to benefits – but not necessarily individual benefits – unexpectedly increased. Despite this, income from gainful employment bestowed the German tax authorities and social insurance funds with enormous gains, even during the financial and public debt crisis. Germany experienced a second, small economic wonder, which was unshaken by the crisis. However, the costs of this positive trend initiated by the 2010 reform agenda were and are equally significant. Aside from the direct political consequences – the electoral loss of the Schröder/Fischer government and crisis of the Social Democratic Party –, the economic success has gone hand in hand with the reinforcement and perpetuation of socio-structural developments, i.e. redistribution from the bottom to the top and the constitution of a new lower class as well as the social consequences of the more flexible economic structures.

The Agenda 2010 reforms brought about processes of adaptation to the globalization of markets and neoliberalism in Germany, which other European countries – in particular Greece – had to “catch up on” in the wake of the financial crisis and the austerity policies imposed by Germany. Suddenly, the talk of “public debt crisis” was used as legitimation for the southern

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<sup>8</sup> Patrick Bernau: Wie Schlimm sind die Unterschiede zwischen Arm und Reich? *Frankfurter Allgemeine Zeitung* 27 February 2014. However, if one also considers pension entitlements, as the DIW demonstrated in an older study according to Bernau, inequality in Germany significantly decreases by one-fifth.

European reforms. In order for the taxpayers to accept the rescue of the banks and the collectivization of the debt they generated as the one and only option, the main culprits – the banks and policy-makers promoting deregulation – also had to be morally exonerated. Thus, they were labeled as side-actors in the “system”.

Therefore, if one wishes to determine the impact of the European financial and economic crisis on poverty-related developments in Germany, cross-sectional snapshots are not conclusive if not embedded in long-term trends. Consequently, the potentially changing perceptions and understandings – and sometimes reinterpretations beyond recognition – of the phenomenon of poverty must be taken into consideration in public and academic discourse as well as in the interplay between them. When reconstructing the current state of academic knowledge on the topic of poverty in the following, we therefore deliberately aim to identify the desiderata in contemporary poverty research and against this background to define the “entrance point” and focus of the research project.

Just as one might expect in the post-modern age of the no longer so “New Complexity” (Habermas 1985), there is anything but unambiguousness when it comes to the definition of the problem. After all, how we conceptualize poverty varies significantly. There are also numerous explanations for the causes of poverty: highly different emphasis is placed on the influence of the geographical location, religion and traditions as well as trust in the reliability of public institutions on the origin and development of poverty (see below). Hence, the proposals to fight poverty are wide-ranging. All this suggests that there is neither *the* patent remedy for poverty nor *the* decisive cause of poverty. In fact, in mere conceptual terms the use of the word poverty is not entirely unproblematic: “He or she who uses the word is walking on an ideological minefield on which the socio-economic architecture and power structures of our society are negotiated” (Butterwege 2011: 12; translated by the authors). A purely objective and non-judgmental discussion of poverty can be difficult, because: “Poverty can be seen as a social battle-cry – an expression of the struggle of or for social classes and groups. Much more than with other objects of empirical and theoretical research, social interests become embedded here” (Chassé 1988: 13).

Yet even this class struggle rhetoric appears antiquated from the viewpoint of German sociology, which is dominated by the theory of individualization: “One does not judge people in this country according to class affiliation. However, one does indeed pay attention to their

position in the respective competitive game” (Lessenich/Nullmeier 2006: 19). Social inequality is subsequently regulated neither by modes of production (Marx [1867] 1887) nor by power structures (Weber [1921] 1968), rather by lifestyles (Simmel [1908] 1965, Bourdieu 1979); social inequality is not so much the effusion of a hierarchical power structure traditionally divided into classes and/or strata, rather the expression of micro-political struggles of individuals in intersecting social circles. When there is a lack of unifying structures, emphasis is placed on divisions in society and the problem of social exclusion: “The question is not who is on top and at the bottom, rather who is inside and who is outside (...). Sociology coined a new term for this: it is not only an issue of social inequality, nor just material poverty, rather social exclusion” (Bude 2008: 13) or as the economist and poverty researcher Amartya Sen phrased it: it is a matter of social and political participation rights (Sen 2010). Yet who actually determines who is “inside” and who is “outside”? Perhaps the “inside-outside” distinction is value-laden and interest-driven. The issue of poverty thus remains explosive, precisely because the formerly antagonistic bourgeoisie and working class camps are supposed to converge into a “middle-class society” (Schelsky [1953] 1965) by means of leveling processes. This middle-class society is defined not so much by incomes, rather by a “collective increase in income, education, mobility, rights, science and mass consumption.” (Beck 1992: 122).

The influential economist and poverty researcher Esther Duflo recently presented a seemingly pragmatic alternative proposal. She advocates an evidence-based research approach, as has been successfully pursued for a long time already in clinical medicine, for example. As a solution to the question of poverty, she does not take a detour with grand theoretical concepts, rather measures the success of poverty policies through the evaluation of concrete assistance programmed. Her position implies that the more profound reasons for the origins of poverty are of secondary importance as a solution to poverty. More important, according to her, are quantifiable successes, which actually help the poor to make the best of their situation (Duflo 2010: 102). However, the price for this radical approach is that the social, historical and cultural conditions of poverty development are swept under the table. This undertaking can be practically applied in any case based on the example of clinical studies. Whether it is theoretically fruitful and thus serves to understand the problem better can be doubted. After all, the “undersocialized” (Grannovetter 1985) rational choice theory is concealed behind this. Economic thinking driven by egoistic utility maximization generally must remain closed to the social dimension or, in the best case, appear to be reduced to

psychology or morality. Ultimately such an individualistic discourse must result in the decisionism paradigm, politically in the (neo-)liberal authoritarianism, propagated by Blair's and Schröder's rhetoric of "encouraging and challenging" (*Fördern-und-Fordern*).

The sociologist Serge Paugam also puts the dilemma of quantitative poverty research and its immanent purpose-oriented rationalization in a nutshell. "No matter how sophisticated and precise the definition of a poverty line may be, something arbitrary is always inherent in it" (Paugam 2005: 13). Without acknowledgment, normative ideas are presupposed, which then have administrative-technical consequences. As Paugam shows using a mathematic example, a change in the poverty line in France from 600 Euros per month to 720 Euros per month can have the effect that in the former case 3.6 million people fall under the category of poverty, whereas twice as many, 7.2 million to be exact, would be considered poor in the latter case. "This result points to a significant concentration of households near the set threshold and shows that this threshold is a radical cut through an entire group of people, who in reality live under similar conditions" (ibid.).

The categorization of the poor as a cohort, which is aligned with a more or less arbitrarily calculated indicator such as income, thus divides people with a largely similar life situation into some who are officially poor because they fall below the basis for assessment and others who are no longer poor. The latter are thus outside the official target group – whom the quantification of poverty serves – and can therefore no longer count on governmental support. Paugam's critique of the official quantification of poverty is therefore very blunt: "every statistical definition of poverty contributes to pushing heterogeneous groups into one category and to sweeping the actual question regarding the increasing accumulation of problems which the individuals or entire households are experiencing, their causes and their more or less long-term consequences under the carpet" (Paugam 2005: 73). Definitions and numbers thus must be interpreted as part of the culture of a society.

### **3. Poverty in Germany in reporting on social issues and contemporary sociological analysis**

Currently, 42.5 million citizens of the Federal Republic of Germany are employed<sup>9</sup>, which means that the “job miracle” – after achieving a balanced budget – is now pushing Germany toward its dream of full employment<sup>10</sup>. Real wages have been increasing for the first time since 2000<sup>11</sup> and the German economy is picking up speed again after the crisis. All of this has made the Federal Republic of Germany the fourth richest country in the world. Experts see the reasons for this in the largest labour market and social policy reform in re-unified Germany, the Agenda 2010 and the so-called Hartz reforms, which are widely seen as a major advancement in the fight against mass unemployment, a guarantor of economic growth and increased public welfare as well as for the reinvigoration of the “sick man in Europe”. The fact that Germany survived the financial crisis relatively unscathed by European comparison is also seen by liberal economists as a long-term effect of the Agenda 2010. Like in the late 1950s, poverty appears to be a manageable, marginal phenomenon in society due to the improved income situation (see Andreß/Kronauer 2006: 29).

By contrast, studies conducted by the German Institute for Economic Research (DIW), the Institute for Employment Research (IAB), the Institute of Economic and Social Research (WSI), the Hans-Böckler Foundation, charity associations, and the most recent poverty and wealth report of the Federal Government of 2013 reflect an overall increase in poverty, increasing social inequality and particular risks for specific groups (single parents, the unemployed). Despite varying diagnoses of the causes of poverty, the different empirical data used in measuring the extent of poverty and the various socio-political conclusions drawn, these studies also show a trend towards regional fragmentation and that the Ruhr area, Bremen and Mecklenburg-Eastern Pomerania are particularly affected. Furthermore, various studies reveal that the objective improvement of the economic situation is pitted against a subjectively perceived deterioration of people’s individual situations (Statistisches Bundesamt 2006: 593 et seq.).

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<sup>9</sup> See Bundesagentur für Arbeit: Arbeitsmarkt in Zahlen. Beschäftigungsstatistik 2015, p. 2, <https://statistik.arbeitsagentur.de/Statistikdaten/Detail/201501/iiia6/beschaeftigung-sozbe-monatsheft-wz/monatsheft-wz-d-0-201501-pdf.pdf>.

<sup>10</sup> The unemployment rate in March 2015 was 6.8 percent; see Bundesagentur für Arbeit: <http://statistik.arbeitsagentur.de/Navigation/Statistik/Statistik-nach-Themen/Arbeitsmarkt-im-Ueberblick/Arbeitsmarkt-im-Ueberblick-Nav.html>. Depending on the definition, full employment means that unemployment is between 2 and 4 percent or that the number of open jobs in a national economy lies below the number of persons seeking employment.

<sup>11</sup> See <http://www.zeit.de/wirtschaft/2015-02/grafik-realloehne-steigen-boeckler>.

When gathering employment figures, the volume of work in society as a whole and the work time per employee must be considered, in order to gain a complete picture of the German labour market (WSI 2014).<sup>12</sup> These two key numbers have been continuously increasing since 1992, which means that the same work volume is distributed among more and more employed persons.<sup>13</sup> The multidimensional character of poverty requires us to summarize the main empirical-quantitative studies and reports, to explain the main concepts and the differences between them, and to identify data-based or analysis-specific differences among the three main actors – economic research institutes, charity associations, and the federal government–, in order to pinpoint potential causes and react to the critique of the previous attempts to measure poverty.

### **3.1 The state of research**

The different assessments and evaluation of poverty development in Germany by research institutes often arouse the suspicion that they are only an expression of ideological trench wars and attempts to bolster one's respective economic or social policy ideas. Aside from individual cases, these premature conclusions – often conveyed by the media – should however first be disregarded and subjected to a scientific discussion and critique: even when the analyses often demonstrate data-based peculiarities and therefore cannot be viewed as an objective picture of reality, we can identify trends and developments which render information on changes in society and the *zeitgeist*, also with regard to the development of poverty and the equally dynamic poverty discourse.

#### **3.1.1 Economic research institutes**

In 2010 – the European Year for Combatting Poverty and Social Exclusion –, the German Institute for Economic Research conducted and published new analyses on the distribution of income in Germany based on data from the Socio-Economic Panel (SOEP). Before we elaborate on the results, some short methodological remarks are in order. The DIW study

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<sup>12</sup> WSI Daten-Report: Arbeitszeiten in Deutschland. Entwicklungstendenzen und Herausforderungen für eine moderne Arbeitszeitpolitik, Düsseldorf 2014.

<sup>13</sup> The number of temporary work contracts also can be used as an indicator for the situation on the (German) labour market. See IAB-Forum 1/2012: Befristete Arbeitsverhältnisse. [http://doku.iab.de/forum/2012/Forum1-2012\\_Hohendanner.pdf](http://doku.iab.de/forum/2012/Forum1-2012_Hohendanner.pdf).

presented here is based on annual income data drawn from the SOEP. At the time of survey (year t) all income components, which apply to the household altogether, as well as all individual gross incomes of the currently surveyed persons in the household are added up for the past calendar year (t-1) (market income from the sum of income from capital and employment including private pension and transfer payments). In addition, income from public pensions and social transfer payments (social welfare, benefits, housing benefits, child benefits, support from the employment office, student subsidies) is taken into account and ultimately calculated using a simulation of taxation and social insurance contributions (incl. one-time supplementary payments such as the 13<sup>th</sup> monthly salary, Christmas allowances, or holiday allowances). The income situation of households of different sizes and compositions is made comparable through calculations into so-called equivalence incomes – i.e. needs-based modified income per capital. Fictive (net) income advantages from personally used residential property (“imputed rent”) are also calculated into overall income. As prescribed by the EU Commission for income distribution calculations on the basis of EU-SILC, fictive income advantages from rented housing at a reduced price (subsidized housing, living quarters at a reduced price from private sources or the employer, households not paying rent) are additionally taken into account.

In the addressed study the DIW provides evidence of much higher relative income poverty for the crisis year 2008 as compared to 1998.<sup>14</sup> In statistical terms, the available income of around 11.5 million people – who constitute 14 percent of the total German population (12.9 percent in western Germany, 19.5 percent in eastern Germany) – is under the poverty risk threshold defined on the basis of EU guidelines. In summary, he/she whose income lies below the relative poverty risk level is regarded as having “low-income” (*einkommensarm*). According to the definition of the European Commission, this poverty risk level is set at 60 percent of the median of the annual household-net equivalency income of the previous year (for all of Germany) including so-called “imputed rents” (personally used residential property). It must be noted that the *Paritätischer Wohlfahrtsverband* (a large German joint welfare association), which will be discussed in greater detail in the following, also uses this calculation threshold and is criticized for doing so on a yearly basis.<sup>15</sup> In 2008 the median of nominal needs-

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<sup>14</sup> Deutsches Institut für Wirtschaftsforschung: Wochenbericht Nr. 7/2010.

<sup>15</sup> The poverty report was selected as the “non-statistic of the month” in February 2015. This campaign questions the most recent statistics and data and how they are interpreted. See <http://www.rwi-essen.de/unstatistik/> [01 May 2015].

weighted net household incomes was 18,500 Euros a year or 1,542 Euros per month. Respectively, this amounted to 925 Euros for a 1-person household, for a childless couple 1,388 Euros, for a family with one child 1,665 Euros and for a family with two children 1,943 Euros. As particular risk groups, the DIW mentions above all households with children, young adults up to 25 years (one quarter of them live under the poverty line) and in particular, single parents, of which 40 percent are at risk of poverty and even more than 50 percent when the children are under three years. The risk of poverty among families with many children was also high above the average, for example with three children 22 percent and with four or more children 36 percent. The data used by the DIW also show that the introduction of target-group specific public transfer payments (nursing care insurance, parental benefits) contributed to a decline in the risk of poverty among the groups benefitting from these payments. At the same time, the expansion of the childcare infrastructure, which helps in particular mothers in taking up employment, reduces the risk of poverty of households with small children, and not an increase in child benefits (*Kindergeld*) as decided on in 2010. At the same time, the DIW does not recommend an increase in the unemployment benefit standard rate (*Hartz IV-Regelsätze*), because these only alleviate the symptoms and do not combat the causes of the poverty risks of the unemployed.

An additional group vulnerable to the increasing risk of poverty is the so-called “working poor”<sup>16</sup> – who suffer from income-related poverty despite working. This is the consequence of the “polarization of income distribution to the edges and a corresponding shrinking of the middle-income classes”.<sup>17</sup> However, since 2006 there is a visible trend with regard to old-age poverty, which the DIW data (up to 2008) could not fully grasp. The DIW affirms that pensioners and people over 65 years are not at an above-average risk for poverty. The *Paritätischer Wohlfahrtsverband* stated the same, but the data point to dramatic new developments up to 2014 as will be shown in the following. The DIW study comes to the conclusion that there are “pronounced differences depending on the region (West: 12.9 percent; East: 19.5 percent) and socio-structural characteristics”.<sup>18</sup> This trend was confirmed

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<sup>16</sup> The actual number of people who can be described as “working poor” significantly varies according to the data-based definitional criteria. Even if the 1.3 million persons receiving additional income from small-scale employment (*Aufstocker*) are not all regarded as working poor, the number of 47,000 people, as calculated by Georg Cremer (FAZ, 27 April 2015, p. 6) appears to be based on too restrictive criteria for working poor.

<sup>17</sup> Deutsches Institut für Wirtschaftsforschung: Wochenbericht No. 10/2008 and Wochenbericht No. 7/2010.

<sup>18</sup> Deutsches Institut für Wirtschaftsforschung: Wochenbericht No. 7/2010: 11.

in the latest report of the *Paritätischer Wohlfahrtsverband* from 2015, even though the result triggered entirely different reactions by the media and policy-makers.

Beyond all differences in the details, the scientific debate indicates a general trend towards a rapidly increasing poverty risk between 2008 and 2014. The structural causes of poverty in Germany have intensified and regional fragmentation continues to increase. In this respect, the DIW warns of the greatest inequality in the distribution of wealth in the entire Eurozone, which is further intensifying in Germany.<sup>19</sup> Hence, the risks already described for 2008 continue to exist.

### **3.1.2 Social welfare associations**

The euphoric picture of the prospering German economy is pitted against the alarming numbers in the poverty report of the *Paritätischer Wohlfahrtsverband*<sup>20</sup>, which indeed drew dissent though. The report triggered a very fundamental debate, in particular regarding the definition of poverty applied by the *Paritätischer Wohlfahrtsverband*, according to which he/she who has less than 60 percent of the average median income is poor. Dissenting voices criticize that the figures do not reflect the actual situation, rather also categorize people who still can lead a rather decent life as poor. As a rule, one also must consider that every poverty level measurement ultimately reflects a threshold, which is indeed based on data, but cannot be absolutely defined. Instead it always must be viewed as an expression of circumstances in relation to other circumstances. In other words: poverty is not a situation defined by an absolute measurement, rather a proportional relationship, which is statistically expressed in a poverty rate.

In the latest report the *Paritätischer Wohlfahrtsverband* puts the poverty risk rate for Germany at 15.5 percent for the year 2013, which means an increase of 0.5 percentage points compared to the previous year. Expressed in absolute numbers, 12.5 million people in Germany are threatened by poverty.<sup>21</sup> Poverty has increased in all of Germany by 11 percent since 2006. However, it did not increase in all states (*Länder*), rather in 13 of 16, which points to the already mentioned regional disparities. Besides the bare figures which individually differ from those of the DIW or the Federal Government due to different data sets and data

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<sup>19</sup> Deutsches Institut für Wirtschaftsforschung: Wochenbericht 9/2014.

<sup>20</sup> See footnote 5.

<sup>21</sup> An exact distinction must be made between the poverty risk rate and poverty.

compilation and processing methods<sup>22</sup>, the structural peculiarities and problems in poverty development in Germany are important to the authors, in particular when it comes to political counter-measures. In this regard, they warn of regional divisions and the greater vulnerability of specific risk groups – both of which are trends the DIW already pointed to in 2008.

In particular, the report concludes that the poverty risk levels in Bremen (24.6 percent), Mecklenburg-Western Pomerania (23.6 percent), Berlin (21.4 percent), Saxony-Anhalt (20.9) and the Ruhr area (19.7) are the highest and that the gap between the least and most affected regions has increased. For example, in 2006 this difference amounted to 17.8 percentage points and 24.8 percentage points in 2013. In addition, the Cologne-Düsseldorf metropolitan region also demonstrates an increasing risk potential with its poverty rate at 16.8 percent, which constitutes an increase of 31 percent since 2006, thus in seven years. Hamburg registered the greatest increase in poverty of 2.1 percent to 16.9 percent and thus lies above the average of 15.5 percent.

Regarding the risk groups, the report indicates that the poverty rate among the unemployed is 58.7 percent. What is intuitively apparent for this group due to the Hartz-IV standard rates becomes ever more dramatic for the single parents: 42.3 percent of single parents are poor. For a country with a strong national economy like Germany, it should be an urgent political challenge to reduce this number. With a poverty rate of 39.3 percent, people with a low or non-existing educational degree are the population group affected third most by poverty. The poverty rate of children under 18 years has reached its highest mark of 19.2 percent, while the poverty rate of Hartz-IV recipients under 15 years is 15.5 percent. As already indicated, the poverty rate of pensioners and older people (65+) of 15.2 percent still is below average, but has significantly increased since 2006 (2006: 10.3 percent). It is also problematic that the number of recipients of old-age basic income support payments has nearly doubled from 1.7 percent in 2003 (measured by the share of population over 65 years) to 3.0 percent, which amounts to nearly 500,000 people.

The concept of relative poverty income is frequently criticized because general gains in prosperity are not sufficiently taken into consideration and therefore the same poverty risk level is reported, even if the income of all people increases by a fixed amount. However, this

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<sup>22</sup> The micro-census is the data basis used for the poverty report.

critique overlooks the fact that a relative poverty threshold does not describe the minimum subsistence level, rather the income that is regarded as necessary for securing a minimum level of socio-cultural participation in society. Furthermore, the numbers used to measure social inequality (income distribution divided into deciles) must be taken into account in order to interpret the results presented here. This means that in 2008 the real income measured by the median was nearly two percent less than in the year 2000. In this period the incomes of persons in the lowest decile (the ten percent of the population with the lowest incomes) have decreased by an average of nearly nine percent, while persons in the highest decile experienced increases of nearly 15 percent. This significant divergence at the edges of the income hierarchy sheds light on the trend towards polarization of income distribution in Germany or the hereby proven fact of redistribution from the bottom to the top. Once again in concrete terms and of crucial significance: the critics of the model of relative poverty measurement claim that “even the relative poverty definition of the OECD, according to which people who have less than 60 percent of the average needs-weighted net income are considered poor, is problematic: for example, poverty in the Berlin district of Charlottenburg would abruptly increase, if Bill Gates moved into the neighbourhood.”<sup>23</sup> This is flat wrong because a millionaire indeed changes the average income (absolute value), but not the median income (relative value). For this reason, the latter is rightly used to measure poverty, which is not a substantive but relative quality.

In addition, the conditions on which the report of the *Paritätischer Wohlfahrtsverband* is based need to be explained. It should be questioned here why the *Paritätischer Wohlfahrtsverband* did not select the poverty risk rate of the year 2005 (14.7 percent), rather the much lower rate of 2006 (14.0 percent) as a basis for comparison. Critics argued that a more dramatic development of poverty in Germany was feigned in order to prompt the government to take stronger social policy measures. However, the significance of this difference of 0.7 points disappears in a longer comparison period of eight years. Thus, the *Paritätischer Wohlfahrtsverband* really cannot be accused of manipulating the data.

Along these lines, Georg Cremer (Cremer 2015: 6) from the German Caritas Association does not doubt the figures from the *Paritätischer Wohlfahrtsverband*, rather only the socio-

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<sup>23</sup> Gaschke, Susanne: Die neue Armut der Deutschen. *DIE WELT* vom 07.04.2015: <http://www.welt.de/politik/deutschland/article139174824/Die-neue-Armut-der-Deutschen.html>.

politically motivated interpretations of them. Cremer also sees the problem precisely in the consistently relatively high poverty rate in Germany. However, he points to the fact that with a growth in prosperity in society the purchasing power of those persons whose income lies beneath the median value also increases and poverty thus decreases. Simultaneously though, the rate – that is the relationship between poor and rich or in other words social inequality – remains constant. This is what Ulrich Beck labeled as the so-called elevator effect (Beck 1992). Critics would contend here that the rate only measures social inequality, but not poverty itself. However, this is not an empirical, rather a theoretical question and thus depends on the definition of poverty. If “socio-cultural participation” is considered in the rules of implementation of the Hartz IV laws, the fundamental problem arises that this cannot be fully grasped with statistical indicators. Moreover, socio-cultural notions of what social participation consists of also change over time. Cremer explains this using a simple example, namely the objectively and not subjectively perceived poverty of students. Not the objective situation, rather the subjective perception determines the everyday reality of the affected persons. In order to gain an appropriate understanding of the statistical measurement of poverty, it should be emphasized that the increasing purchasing power of the median income drops in longitudinal analyses over longer periods of time. Thus different social conditions (costs of living) in society and their objective improvement (in historical retrospect) are weighted more strongly. This draws attention to a disadvantage of the relative poverty statistic, which does not necessarily lead to difficulties if one is well aware of the problem and how it is analyzed though. Yet this phenomenon is apparent in the most recent poverty report: if the relative differences in income remained unchanged and simultaneously all incomes increased by the same factor due to increases in prosperity for example, the poverty risk rate would remain equal(ly high). As already shown, incomes in Germany have not increased by the same factor, meaning that social inequality, but not necessarily the poverty risk is increasing. Nevertheless, the basic problem comes to bear, as a current example demonstrates. The *Paritätischer Wohlfahrtsverband* derives a poverty risk level of 892 Euros for singles on the basis of the micro-census, which means that nearly all students who live alone or in shared flats would be declared poor. Even if students do have a higher poverty risk, it would be an exaggeration to consider every student not living with his/her parents as at risk for poverty. Furthermore, the actual regional costs of living (regional basket of commodities, regional purchasing power differences) are often neglected. The situation of a single mother

of two children also is similar, but with different preconditions. If the children are younger than three, the poverty risk rate amounts to more than 50 percent,<sup>24</sup> which would mean a median income of 1943 Euros for a family with two children. Yet this would be much lower in the case of the single mother, meaning that she is at a much higher risk of poverty. It has become apparent that not every social problem is reflected in statistical data and that there are phenomena which first must be examined with other data and potentially corrected, in order to gain a comprehensive view of “the poor”. In our view, this also includes the culture of poverty, which we will elaborate on in the following.

### **3.1.3 The German Federal Government and European comparisons**

In April 2001 the Federal Ministry of Labour and Social Affairs of the then governing SPD-Green coalition under Federal Chancellor Gerhard Schröder presented an official poverty and wealth report (*Armut- und Reichtumsbericht - ARB 2001*) for the first time in the history of the Federal Republic of Germany. Previously reports on poverty in Germany were exclusively compiled by labour unions, social welfare associations or churches, for example the Caritas association, the German Trade Union Confederation (*Deutscher Gewerkschaftsbund*), Hans-Böckler Foundation and the *Paritätischer Wohlfahrtsverband*. It was seen in academic circles as a “historical advancement” that the Federal Government now also tackled this issue (Negt 2002: 7). Starting then, the existence of poverty as a sign of social inequality was no longer concealed, ignored or written off as a local problem, as was the case under Helmut Kohl’s tenure. Instead, it was officially acknowledged as a policy issue at the federal level. The first poverty and wealth report (*Armut- und Reichtumsbericht - ARB 2001*) and the following one (ARB 2005) aimed not only to document undersupplied and marginalized segments of the population, but also examined wealth and privileges. The reports draw on the usual approaches applied in academic poverty research, but refrain from ultimately defining poverty measurements. They instead refer to the definition of the European Union from 1984 according to which “persons and families and groups, who have so few social, cultural and material means at their disposal that they are excluded from the way of life which is acceptable in the member state in which they live “ (ARB 2001: 8) are poor. The net equivalency income per household measured by the median amounted to 1564 Euros in Germany in the year 2003. The poverty risk rate was 938 Euros. Approximately 11 percent of

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<sup>24</sup> Deutsches Institut für Wirtschaftsforschung: Wochenbericht No. 7/2010.

the population is chronically or long-term impoverished and has less than 60 percent of the mean income for more than three years. The focus was placed on the following circumstances and groups of persons: families, education, unemployment, living, health, the handicapped and immigrants. The results of the first poverty and wealth report were rattling and led to a greater sensitization for the issue of poverty among the public. The result of the report was unambiguous and pointed to a significant increase of poverty in Germany. For example, in western Germany the share of persons receiving social welfare benefits had quadrupled in 25 years, as documented by the comparison of the figures from 1973 (0.85 million) and 1998 (2.5 million) (ARB 2001: 25). The second poverty report published in March 2005 (ARB 2005) while the SPD-Green coalition was still in power demonstrated that the gap between poor and rich had further increased. The so-called poverty risk rate increased from 12.1 percent in 1998 to 13.5 percent in the year 2003. During the same time period the net wealth of the wealthiest households grew by 2 percent (ARB 2005: 16). A structural relationship between increasing wealth and the increasing poverty risk was astonishingly not dealt with in the report. The third poverty and wealth report (ARB 2008) was published in June 2008, thus under the CDU-SPD grand coalition government under Chancellor Merkel formed in November 2005. It publically conveyed a key message: one in eight Germans lives in poverty. The Minister of Labour and Social Affairs at that time, Olaf Scholz (SPD), interpreted this result as a success of the social welfare state. Critical voices contended that the reduction of the poverty risk rate from 928 EUR (ARB 2005) to 781 EUR (ARB 2008) led to the poverty level being calculated down from 18 to 13 percent (Dribbusch/Schulte 2008). Yet it would be exaggerated to regard this change as a gross manipulation attempt by the Ministry. The reason for the modification of the basis for assessment was that the data from the Socio-Economic Panel (SOEP) were no longer used, rather data from the European Union Statistics on Income and Living Conditions (EU-SILC). This primarily served the purpose of ensuring an EU-wide basis for comparison, but it led de facto to the figures being “glossed over”.

The fourth poverty and wealth report “*Lebenslagen in Deutschland*” (Living Conditions in Germany) (ARB 2013) of the Federal Government confirms the highlighted trends (poverty risk rate of 15.8 percent), even if different conclusions are drawn. For example, it states that the available annual income of private households increased by an average of 700 Euros between 2005 and 2010. However, this can be refuted with a simple breakdown of households into deciles, which was not done in the report, even though the increase occurred for the largest

part in the highest decile. Regarding the income situation of people over 65 years, who rely on basic income support payments, the report arrives at nearly the same percentage (2.6 percent) as the *Paritätischer Gesamtverband* (*Paritätischer* umbrella organization) (3.0 percent). However, the report of the Federal Government does not elaborate on the dramatic increase of this figure. The poverty risk rate of 15.8 percent, which is similar to the figures from the DIW or the *Paritätischer Gesamtverband*, are sold as a success, although a poverty risk this high is not necessary in view of the extremely good economic situation in Germany

In addition to the poverty and wealth reports of the German Federal Government, European comparisons will now offer further points of reference for the approach to poverty presented here. On the occasion of the European Year for Combatting Poverty and Social Exclusion two Eurobarometer surveys were carried out, whose results were published in late 2010 in the Eurobarometer Special 355 “Poverty and Social Exclusion” (Eurobarometer 2010). Seventy-six percent of those surveyed believed that poverty is a widespread phenomenon in their country (in 2009 it was 73 percent). The survey also addressed the difficulties in defining poverty: according to 26 percent of those surveyed, people whose financial means are so limited that they cannot participate in social life without restrictions are poor. It can be stated here that one-quarter of those surveyed regard the non-participation in or exclusion from social life as poverty. Furthermore, dependence on support from social welfare organizations or from government subsidies in 2000 is more frequently viewed (24 percent) as poverty in 2010 than during the previous year (21 percent). Eighteen percent of those surveyed believe that people are poor when their available monthly income lies below the poverty line and, moreover, when they cannot afford everyday necessities. This figure amounts to 17 percent today, which is less than in 2009 (22 percent). These results, which initially sound tautological, are decisive for poverty discourse and the framing of poverty not despite, but precisely due to the unambiguous (and intuitive) perceptions of those surveyed. We can conclude that poverty is seen more as a problem of non-participation and exclusion from social relationships and the simultaneous reliance on transfer payments than a question of objectively defined income or “being able to afford things”. In addition, the virulent Euro crisis since 2008 and its consequences seem to have contributed to a consolidation of this perception and framing of poverty, because the numbers have again moved more visibly in the described direction between 2009 and 2010.

Compared to the EU average (EU-A) poverty in Germany is primarily seen as a phenomenon, which distinguishes itself by personal reliance on support. This figure lays 9 percentage points over the EU-A, whereas “not being able to afford” basic everyday necessities (12 percent) carries less weight. These two aspects are interrelated: the assumption that the poor in Germany cannot afford the most basic things is less wide-spread in EU comparison precisely because there is support for the poor from the government as well as from social welfare organizations. This in turn is confirmation of the Germans’ faith in the functioning of basic social safety systems. Further results of this study are that three-quarters of Germans believe that poverty is a widespread phenomenon. Thus, Germans are aware that there is poverty and that it is not a marginal phenomenon. The Swedes, for example, see this entirely differently: only one third of those surveyed indicated that poverty is a widespread phenomenon. In Romania, Hungary, and Bulgaria, by contrast, clearly more than 90 percent of those surveyed perceived poverty as a widespread phenomenon, which has to do with the lower standards of living and the higher risk for poverty in these countries.

The development of poverty over time is also illustrated in the study: 91 percent of Germans believe that poverty has increased in the past years. The social perception of a phenomenon is closely related to its presence in the media and thus how it is discussed in public through the media. Poverty has advanced to become a “top issue” which is very frequently debated on talk shows dealing with the effects of the so-called Hartz laws, the disadvantaged situation of children and families, the demise of the middle class, the expected consequences of the global financial crisis and many people’s fear of a social decline” (Butterwegge 2011: 7). The increase cannot be explained (away) alone by the greater presence of poverty issue in the media. The figure may instead point to the concrete experience that an acquaintance or neighbour has fallen into the poverty trap, perhaps due to the loss of his/her job, illness, divorce or relocation. The Germans’ responses to their views on which groups of the population are most highly affected by poverty are highly alarming in EU-comparison (Table 1: Perception of poverty).

The unemployed, who constitute the largest group of persons affected by poverty from an overall European perspective, are in first place according to the German’s perception. More than one in two people are convinced that the unemployed as a population group suffer the most under poverty. The high number for older people and precariously employed people also

coincides with the EU average. Persons with handicaps or chronic illnesses as well as immigrants are viewed by Germans as less affected by poverty than the EU average. On the one hand, this could have to do with the widespread trust in the healthcare system and social safety and and/or tight family structures, which provide for those in need of support (social inclusion). On the other hand, this could be explained by the portrayal of the issues concerning the groups in the media. Immigrants are partly stigmatized for purportedly “migrating into the German social safety net”, in order to attain a higher standard of living than in their countries of origin. As for the groups with a low level of education or training (39 percent), single parents (37 percent) and children (47 percent), the perception of poverty is in part much higher than the EU average. If we pull these results together, there is a typical framing of poverty in Germany, which clearly differs from other EU countries and is indeed unique to some extent: single parents (generally mothers) with one child or more and with insufficient professional training are the epitome of poverty in contemporary Germany (53 percent). Indicators of poverty in Germany are thus childhood and parenthood, low level of education and unemployment. This is confirmed by the present studies. The perception and framing of poverty in Germany partially coincide with the empirical data. Nevertheless, we also identify patterns of perception, which clearly deviate from the objective situation. It is therefore useful to distinguish two parameters behind this framing, as already shown regarding the 2010 Eurobarometer data: first the objective criteria of the economic situation of social classes (income, costs of living) and second, the subjectively chosen and lived out lifestyles as well as the self-perceptions of specific risk groups.

**Table 1:** Perception of the population groups most affected by poverty in 2010 (in percent)

<b>Population group</b>	<b>Germany</b>	<b>EU27</b>
Unemployed	53	56
Older people	46	42
Precariously employed persons	34	30

Persons with handicaps/ chronic illnesses	22	30
Persons with low levels of education and training	39	30
Addicted persons (alcohol, drugs etc.)	25	26
Adolescents	19	23
Single parents	37	22
Children	47	20
Immigrants	10	15
Persons with mental problems	10	14
Women	7	7
Sinti and Roma	4	7

Source: Eurobarometer (EB74.1/QA10 on the basis of EU-SILC data).

The poverty risk rate indicated by the German Federal Agency for Civic Education (*Bundeszentrale für politische Bildung*) in January 2014 reflects the “share of persons at risk of poverty in the entire group (...) whose income amounts to less than 60 percent of the mean income”. Thus, the income calculation considers both the different household structures as well as the savings effects resulting from living together – i.e. jointly used residential space, energy consumption per capita or household purchases” (bpb 2014). The data used for the weighting of this poverty risk rate is the European Union Statistics on Income and Living Conditions (EU-SILC). As for the following graphic, it should be noted that pensions are excluded from the social welfare benefits (Table 2: Poverty risk rate). The group of unemployed is also in first place here with 69.3 percent. The rate for single parents is 38.8 percent and for low skilled persons 25.5 percent, while persons under 18 years have a risk rate of 30.8 percent.

**Table 2:** Selected poverty risk rates in 2014 (based on EU-SILC data in percent)

	<b>After social welfare benefits</b>		<b>After social welfare benefits</b>
Population (in total)	16.1	Persons living alone (≥65 years)	24.7

Men	14.9	Households with 2 adults (<65 years) without children	10.5
Women	17.2		
Persons below 18 years	15.2	Households with 2 adults and 2 children	7.7
Persons between 18 and 65 years	16.6	Single parent households	38.8
Persons 65 years and older	15.0		
Employed persons	7.8	Property owners	8
Unemployed persons	69.3	Persons who rent property	25
Retired persons	15.1	<b>Before social welfare benefits</b>	
Low level of education	25.5		
Medium level of education	14.8	Population (together)	24.3
High level of education	8.3	Persons under 18 years	30.8
Persons living alone	32.4	Persons between 18 and 65 years	25.2
Persons living alone (≥65 years)	36.1	Persons 65 years and older	15.9

Source: bpb 2014.

### 3.2 Current sociological analyses

As already mentioned several times and unsurprisingly, poverty is a problem closely related to unemployment and is also perceived as such. The long-term analysis conducted by Wilhelm Heitmeyer "*Deutsche Zustände*" (German Conditions) clearly shows that the public attitude towards poverty is changing precisely in this conceptual context and has led to an increasing degradation of the long-term unemployed (Table 3).

Table 3: Development of attitudes towards poverty (in percent)

<b>Most long-term unemployed people are not really interested in finding a job.</b>			
<b>Agreement</b>	2009	2010	2011
	47.0	47.3	52.7
	<b>I find it outrageous when the long-term unemployed lead a comfortable life at the expense of society.</b>		
	2009	2010	2011
	57.2	58.9	61.2

Source: Heitmeyer 2012: 36 et seq.

It is interesting now how Heitmeyer interprets the snapshots expressed in numbers here. As a reason for the increasingly negative attitude towards the long-term unemployed, he indicates that the loss of security, lack of orientation and new forms of instability have become the new normality. This entails increasing nervousness and fear of decline across all social groups (Heitmeyer 2012: 35). Yet not all social groups were surveyed in his analyses, rather only primarily well-situated persons, whom he attests a loss of virtuousness (*“Verlust an Tugendhaftigkeit”*). The high number of persons who agree with the statements is thus reinterpreted into the *leitmotiv* of “crude middle class” (*“rohe Bürgerlichkeit”*) (ibid.). This is reflected, according to Heitmeyer, by a withdrawal from the solidarity-based community, which is linked with a tendency towards the aggressive assertion of one’s own interests and goals. Underprivileged groups are degraded and “social coldness” (*soziale Kälte*) is apparent, while “class warfare from above” (ibid.) can be felt in many places. Two things are problematic about this analysis. From a methodological perspective, the question appears to be suggestive, as words such as “jobs” and “outrageous” perhaps may have evoked the desired results. Furthermore, the long-term unemployed themselves were not surveyed, rather are only described from an outside perspective.

A comparison between Heitmeyer’s study and the elite research conducted by Michael Hartmann (M. Hartmann 2008; 2013) is highly instructive. Hartmann does not moralize about the presumed brutalization of customs and decency in the upper class, rather structurally explains the elites’ view of the “masses”, i.e. those who are not considered part of the elite, with regard to a transformation of class habitus. According to him, there is no uniform ruling class or elite. Personal achievements replaced inheritance as the decisive factor for elite

recruitment a long time ago. Thus, access to elite positions is at least by principle open to everyone in Germany. The cohesion among the elite results, according to Hartmann (who is focusing on Germany here in particular, because the elites in Japan, the USA, France and Great Britain are less heterogeneous), results from their stance and attitude, which cumulates in the conviction that as an elite they are only hardly or to a limited extent able to take the interests and intensions of the broader population into account (M. Hartmann 2013: 116 et seq.). As Hartmann argues, the decreasing solidarity of the elite towards weak groups is thus not only the consequence of the loss of security and collective nervousness, rather the smallest common denominator of a heterogeneous segment of German society which otherwise hardly has any common traits. This view can also be transposed to the views and attitudes of the middle class towards the long-term unemployed. Hartmann argues that the middle class is increasingly copying the ruthlessness of the elite in order to secure its survival (K. Hartmann 2012: 11-37). Along these lines, the economic position of Germany plays a decisive role in many political discussions and viewpoints currently held in Germany. Economic utility arguments are visibly overshadowing expressions of solidarity with the weak in the media discourse of news programmes and talk shows. There is a noticeable dominance of an argumentative interpretational scheme, which suggests a lack of any other viable options. Labeled as the one and only alternative, salary cuts, retirement age increases and reduction of transfer payments are more or less tacitly accepted. The dismantling of employer rights such as protection against dismissal are justified by the purported inevitability of more flexible employment contracts, while market-driven wages are supposedly a necessary evil in order to prevent job losses or the outsourcing of jobs abroad (K. Hartmann 2012: 195 et seq.).

The problem of poverty just does not seem to fit into this discourse on economic efficiency, which is also influenced by reporting on social issues. The case of Germany is paradoxical to some extent. This discourse on poverty and the varying political conclusions drawn from the poverty statistics, which in part neglect or invert the simplest statistical or empirical facts<sup>25</sup>, convey the impression that there is hardly any poverty in Germany that is not somehow self-inflicted: missing the point of the social realities.

Poverty is primarily not a self-inflicted problem, but one of social relations and conditions. Along with the stigmatization of the unemployed and the individualization of assistance, there

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<sup>25</sup> See e.g. and representative for the discussion footnote 23.

appears to be a kind of resistance to the official recognition of poverty. The everyday experiences of the poor are marginalized. This increases the danger of social disqualification and disintegration, as well as the potential for violence as an outlet for frustration, as demonstrated drastically by the riots in France (2005) and England (2011). In international comparison, Germany is moving closer to France or Great Britain in view of the disadvantages the poor suffer due their social exclusion and increasingly precarious situation (Paugam 2005: 282). The most current figures confirm this trend. According to the data, 20.3 % of the population of Germany is regarded as threatened by poverty or social exclusion. Germany thus still lies below the Eurozone average (23 percent) and falls in line with Slovenia (20.4) and Slovakia (19.8 percent). However, it fares worse than Iceland (13.0 percent), Norway (14.1 percent), the Czech Republic (14.6 percent), the Netherlands (15.9 percent), Finland (16.0 percent), Sweden (16.4 percent) and France (18.1 percent), Austria (18.8 percent), Denmark (18.9 percent) and Luxembourg (19.0 percent)<sup>26</sup>. This overview of the data lends justification to the criticism of the Hartz reforms as an example of labour market deregulation (temporary employment, working poor, precarization, fewer work contracts subject to social insurance) in the course of implementation of neoliberal principles in the German social welfare system and their consequences: stigmatization, fragmentation and exclusion of the unemployed, and ultimately unlimited poverty. Poverty subsequently must be conceived as a phenomenon in society as a whole, which no longer only emerges at the boundaries of society, rather affects a larger radius of persons. In this regard, it is apparent that the presented data indeed enable us to describe the multidimensional phenomenon of poverty from the outside perspective as objectively as possible. However, it must be determined whether there are new forms or manifestations of poverty, which have previously not been sufficiently illustrated due to blind spots in the analysis of poverty. Regardless which basis of assessment is applied, poverty has long become a systemic problem in society, which can no longer be denied despite the above discussed trend in public discourse. The poverty risk is continuously rising – from 15.2 percent (2007) to 15.5 percent (2008), 15.6 percent (2009), 15.8 percent (2010) to 16.1 percent (2011) (see bpb 2014). Such a socially explosive development should attract the attention of sociology in its role as an empirical science, which outlines alternative courses of action (Simmel 1892, Weber 1904). Only precise knowledge of the way of life of the poor, which

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<sup>26</sup> EUROSTAT: Persons threatened by poverty or social exclusion. [http://ec.europa.eu/eurostat/tgm/web/\\_download/Eurostat\\_Table\\_t2020\\_50HTMLDesc\\_4d936c32-b8ab-4738-a6b0-0ca8548da864.htm](http://ec.europa.eu/eurostat/tgm/web/_download/Eurostat_Table_t2020_50HTMLDesc_4d936c32-b8ab-4738-a6b0-0ca8548da864.htm).

cannot be transferred into a numerical equivalency, enables us to understand their situation and ultimately overcome it. After all, numbers without substance are empty and statistical figures without further definition are blind. It must be the goal of the sociology of knowledge to not impose the definition of poverty from the 'outside', rather to derive it from 'inside' based on the forms of life of the poor. This enables us to comprehend their situation and to ensure a comprehensive framing of poverty.

#### **4. Research approach and research objective: an analysis of poverty based on the sociology of knowledge – everyday life and lifestyles of the poor**

The concept of poverty based on quantification, i.e. measurement, is a snapshot of a previously statistically defined and ultimately arbitrary reference figure, such as the needs-weighted net household income. In reversal to an ingrained understanding according to which qualitative analysis play a secondary role in addressing scientific questions and quantitative research is attributed the main role in assuring representative findings and empirical validation, we use quantitative data in the project to explore and approach an issue whose structure shall be made accessible through qualitative-hermeneutic methods.<sup>27</sup> Instead of attributing poverty to persons from the outside by using indicators derived in various ways, we want to describe *poverty as a social relationship*, which is manifested in processes of deprivation. In order to grasp these processes from which poverty emerges, we take a social-constructivist approach and shift our focus from the objectively determined life circumstances to the life situations, life circumstances and lifestyles defined by the actors, or in short the *everyday life* of the poor. Seen from this angle, the poor are not merely victims, rather above all actors who reproduce the victim role, which they are supposed to play in a social field (Bourdieu 1979). This leads us now to the reverse argument, which forms the working hypothesis of the Bonn research group: namely that the poor, by principle, also have the opportunity to liberate themselves from this situation, instead of being stuck in the circle of help for self-help and thus subject to the support of well-meaning, but ultimately only self-empowered helpers.

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<sup>27</sup> This triangulation of different methodological approaches underscores the necessity for objective-statistical data collection – in particular with regard to social policy measures – as well as a frequently insufficient hermeneutic reconstruction of the meaning of the conventional social patterns of interpretation and self-descriptions of social reality.

Our research project thus begins at the point at which many explanatory proposals end. In research, it apparently seems to have become scientifically legitimate to define the poor's social role as the stigmatized and marginalized. We do not wish to focus on the poor only as victims, but also continue to take them seriously as autonomous agents of their lives. Due to a new definition, the circle of those who are actually or potentially affected by the issue of poverty simultaneously increases. Our aim is not to give marching orders for developmental aid policy as part of a global "fight against poverty" (Duflo 2010). We are also not very interested in finding more scientific proof of the stigmatization of the poor as "marginalized, dispensable, and superfluous" (Bude/Willisch 2006). We conceive the new poverty as a social phenomenon, which is now "right among us" (Selke 2013) and a problem for the majority society, thus the much invoked middle class. When poverty begins to threaten the middle classes, the developmental potential of society is endangered. Hence, the issue of poverty takes on relevance, which affects the foundations of the state and society beyond just social policy. This significantly extended concept of poverty indeed affects more people, but cannot be easily quantified (e.g. based on income distribution), because the problem also manifests itself in areas which can only be insufficiently grasped with what is conventionally understood to be (and measured) as poverty. However, at least an attempt must be made to eliminate the terminological ambiguities currently used in the discussion, for example with regard to poverty, deprivation, precariousness, working poor and exclusion, in order to avoid misconstructions or exaggerations, which may have negative socio-political consequences.

The facets of a complex process, which we can describe as the social construction of poverty from a sociology of knowledge perspective (see below), come to bear in the pluralistic interpretations, which academics, politicians, opinionated journalists, public welfare experts, as well as those affected by poverty continuously convey and contribute to the social discourse on poverty (see below).

From a social constructive viewpoint, poverty is the attribution of typified expectations and perceptions, which are part of a social stock of knowledge used to cope with the everyday life-world. Who knows what about poverty and why shows rather precisely (but not entirely accurately) how the problem of poverty is dealt with in our contemporary society. The view

of poverty as knowledge embodied in lifestyles<sup>28</sup> liberates the associated subjective emotional states such as “loss of trust, fear of abandonment and self-abasement” (Selke 2013) from a purely psychological and moralizing perspective. Viewed from a sociological and social constructivist angle, poverty is exclusion in-between inclusion, and thus distinguishes itself from the truly excluded, the outlaws of the pre-modern era (German: “*Vogelfreie*”) or the camp inmates of the modern era (the “*muselman*” in the Nazi concentration camps. See Agamben 1995). In contrast to these excluded persons, poor persons still are entitled to assistance, i.e. solidarity and thus compassion, and even have legal rights based on the social law codes in the modern social welfare state. This is for the purely functional reason to not endanger society and its cohesion. According to Georg Simmel in his essay about the poor “assistance to the poor is, in effect, an application of public means to public ends.” (Simmel [1908] 1965:123). In sociological terms “the poor have a right to assistance, and there exists an obligation which is not oriented towards the poor as having a right, but towards society to whose preservation this obligation contributes and which the society demands from its organs or from certain groups” (ibid 128).

A typology of the current knowledge on poverty in Germany is therefore necessary in order to empirically approach the paradox of “poverty in a rich country” (Butterwege 2011). Our results can have a practical impact, if they lead to a changed perspective on the phenomenon of poverty. Along these lines, our analysis shall provide points of reference for innovative academic research and well-founded knowledge as a basis for political decisions.

## **5. State of research: A reconstruction of poverty research from the perspective of the sociology of knowledge**

In the following analysis, we explore a particular area of the social stock of knowledge on poverty: scientific knowledge on poverty. The analysis of academic knowledge shows that in the *scientific community* a) different definitions of poverty compete for interpretational authority and b) the theoretical explanations for the origin, which are linked with practical proposals for fighting poverty, compete for political influence. An analysis of knowledge on

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<sup>28</sup> “Lifestyle of the poor” sounds frivolous, because it is associated with the notion of luxury in the everyday lives of the poor, which would be entirely unsuitable. As a scientific *terminus technicus* lifestyle is a non-judgmental term characterizing the behaviour of a certain social figure, thus behavioural options in a structured field.

poverty from the perspective of the sociology of knowledge also sheds light on the more or less forced, rather than freely selected current relationship between economics and politics. As a “corrective science” (Soeffner 2012) it can additionally offer new forms of interpretation, which extend beyond more ideological critique. Advocating a *Sociology of Knowledge on Poverty*, the Bonn research group draws on Peter L. Berger and Thomas Luckmann (1966). From the sociology of knowledge perspective, it is not primarily a matter of determining abstract-general indicators for the identification of poverty by “objective outsiders”. Rather it is about the reconstruction of the subjective forms of perception and interpretation of poverty and thus the conditions of the forms of life of the poor manifested in concrete lifestyles. These patterns of perception and interpretation incorporated in habits and lifestyles function as “internal” motives for action and are thus constitutive for their lives.

Only once poverty has not merely been numerically measured, but additionally understood as the result of long-term social interactions, is it possible to recognize its actual extent and determine the “screws” which must be adjusted in order to contribute to a changed attitude towards poverty in politics and society. This is all the more the case in a so-called knowledge society (see Drucker 1969, Bell 1973, Böhme/Stehr 1986, Tänzler et al. 2006b) in which the academic discourse plays a key role in the process of the social definition and construction of the world including social relationships. In the following the interpretative and argumentative patterns, which currently dominate scientific discourse, will therefore be subject to critical examination.

The economists Daron Acemoglu and James A. Robinson offer a good overview of this area of research in their highly regarded book *Why Nations Fail. The Origins of Power, Prosperity, and Poverty* (Acemoglu/Robinson 2012: 45-70). The sociological discussion of poverty is additionally presented in detail in an academic article from the *American Academy* entitled *Reconsidering Culture and Poverty* (Small/Harding/Lamont 2010). The conditions in Germany are analyzed by Christoph Butterwegge in his current book *Armut in einem reichen Land* (Poverty in a Rich Country) (Butterwegge 2011) and *Hartz IV und die Folgen* (Hartz IV and the Consequences) (2014). The socially ingrained and subconscious structures of perception and prejudice have been rattled by the sociologically informed social reports *Wir müssen leider draußen bleiben* (We Unfortunately Must Stay Outside) by Kathrin Hartmann (2012) and *Schamland* (Shameland) by Stefan Selke (2013). The problem of exclusion through poverty is

dealt with in the volume *Prekarität, Abstieg, Ausgrenzung. Die soziale Frage am Beginn des 21. Jahrhunderts* (Precariousness, Demise, Exclusion: the social issue at the beginning of the 21st century) written by the sociologists Robert Castel and Klaus Dörre (2009). Serge Paugam presented his own sociology of poverty in his book *Elementary Forms of Poverty* (Paugam 2005). Paugam completes the paradigm shift in poverty research triggered by Amartya Sen, who rejected the classical definition of poverty based on income levels for not being theoretically and empirically fertile. He established the applied analysis of social and political participation rights, which are now generally recognized in this area of research (Sen 1999; 2000; 2010). This “capability approach“ follows the principle already laid down by Ernest Gellner that participation rights constitute the core of modern culture (Gellner 1994).

Within this area of research, our approach can also be labeled as *cultural sociology of poverty*<sup>29</sup>, which – in line with Max Weber - reconstructs the lifestyles of those, affected by poverty and conceive themselves as such. In the mentioned discourse segment we find central points of reference for doing so, because the assumption of culturally driven poverty dynamics bears methodological parallels to our notion of a social construction of poverty. However, since the images of poverty which were designed by the sciences as a whole contribute to the social construction of poverty, for example when they become the object of political decisions or structures for perception conveyed by the media, it is indispensable to at least briefly mention the research approaches, which emerge from a different theoretical horizon. This enables us to place our own cognitive advancement within the scientific discourse.

### **5.1 Poverty as the lack of ecological and geological resources**

The interpretation of poverty as the lack of ecological and geological resources is based on the assumption that the vast disparity between poor and rich countries is primarily caused by natural environmental conditions. Besides access to the sea or the availability of resources, the influence of the climate on processes of social development must be given particular consideration. Along these lines, the rise of western civilization and modern capitalism can be explained above all by the “temperate latitudes“ of the North. Less prosperous countries in regions of Africa, Central America or Southern Asia are accordingly only less wealthy because

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<sup>29</sup> For the relationship between cultural sociology and the sociology of knowledge, see Dirk Tänzler: Von der Seinsgebundenheit zum Seinsverhältnis. Wissenssoziologie zwischen Gesellschaftstheorie und Hermeneutik der Kulturen. In: Tänzler et al. 2006: 317-335.

they are not located in the so called moderate climate zones. Thus there is assumed to be a correlation between a tropical climate and the development of the gross domestic product, whereby the relationship between both factors is weighted differently (Acemoglu/Johnson/Robinson 2010).

This assumed determinism of the geographical position results in both plausible as well as questionable conclusions. In the 14<sup>th</sup> book of the second part of his work “The Spirit of the Laws”, Montesquieu already presumed in the middle of the 18<sup>th</sup> century that work performance and motivation decrease with the hotter climate (Montesquieu [1748] 1986). In an agrarian society – 90 percent of the population were farmers during his age – the influence of the climate on work conditions, mentality and culture were apparently severe.<sup>30</sup>

Nowadays academics such as the American economist Jeffrey Sachs point to two additional problematic geographical-climatic factors of influence, which (co-) determine the paths of development of societies. Sachs argues that public health must be seen as dependent on the predominant climate. Tropical diseases such as malaria exert a strong influence on labour productivity. This takes place directly when those affected by the diseases fall out of the workforce and indirectly through higher child mortality. Another factor is that tropical soils are less fertile because they cannot sufficiently store nutrients (Sachs 2005).<sup>31</sup>

The evolution biologist Jared Diamond introduces a varying perspective and sees the specific local flora and fauna as the decisive factor influencing the development of poverty. In his view, the roots of unequal social development lie in the effects of climatic and geographical changes, which occurred at the end of the last ice age. Thus, Diamond explicitly rejects any racially motivated interpretation of the issue of development. According to him, everything depends on whether ancestral animal species were suitable for domestication or whether fertile soils were available for cultivation (Diamond 1997). However, this model of interpretation explains

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<sup>30</sup> Cold air constricts the extremities of the external fibres of the body; this increases their elasticity, and favours the return of the blood from the extreme parts to the heart. It contracts those very fibres; consequently it increases also their force. On the contrary, warm air relaxes and lengthens the extremes of the fibres; of course it diminishes their force and elasticity. Therefore more vigorous in cold climates. Here the action of the heart and the reaction of the extremities of the fibres are better performed, the temperature of the humours is greater, the blood moves more freely towards the heart, and reciprocally the heart has more power. This superiority of strength must produce various effects; for instance, a greater boldness, that is, more courage; a greater sense of superiority, that is, less desire of revenge; a greater opinion of security, that is, more frankness, less suspicion, policy, and cunning. In short, this must be productive of very different tempers. (Montesquieu II; XIV/1).

<sup>31</sup> It should be critically noted here that natural influences are dependent on the degree of human domination over nature.

neither why different forms of poverty developed in one and the same climate zone nor why regions such as Japan and China experienced such rapid development after not boasting any economic growth at all over longer periods of time.

The climate as the cause of unequally spread ecological and geological resources is attributed particular significance in research on general poverty developments, when it comes to the so-called "*longue durée*" structures in human history (Braudel 1949). In particular, research on the relationship between the climate and poverty in the discussion on the effects of climate change has given a new impetus to the notion of poverty as the lack of ecological and geopolitical resources under changed circumstances (Stern 2007). If the development of the climate can vary due to changes in human behavior, the justification of poverty by non-social factors takes on a political accent. The political appeals for a sustainable economy thus not only benefit the environment, but also the poor, who suffer from the effects of climate change. Along these lines, it is apparent that the effect of natural factors remains dependent on the degree of human domination over nature and thus culture. They may indeed be contributing causes to the form of poverty, but cannot be defined as "causal" factors of influence on poverty developments. The historical course of development of both Americas is a paradigmatic example of this: "The tropics in the Americas were thus much richer than the temperate zones, suggesting that the 'obvious fact' of tropical poverty is neither obvious nor a fact" (Acemoglu/Robinson 2012: 50).

## **5.2 Poverty as the lack of wealth**

In economics poverty is nowadays described as a state characterized by a lack of wealth, or more precisely: income. According to a well-known introduction to macroeconomics "Poverty is a state in which humans do not receive sufficient income" (Samuelson/Nordhaus 1998).

Adam Smith already conceived poverty as a form of the state of nature, which can only be overcome by the pursuit of economic activity. "By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it." (Adam Smith [1776] 2007: 349-350). Accordingly, the individual pursuit for maximizing one's own personal utility in general and profit in particular results in common good under conditions of competition and the forces of the free market. With his "invisible hand" (Ibid.

349) metaphor, Smith still continues to influence the notion of self-regulation of the free market, which ultimately serves everyone's interest.

Poverty is seen as a negative, hence as a *lack of wealth*. Critics of this perspective refer to the theoretical difficulties linked to it (see Brodbeck 2009). The problem with this definition consists in the fact that poverty cannot only be described as a circumstance that is simply given, rather as something which is produced in an ongoing process. If poverty is conceived as a state of nature, which can be overcome by economic activity, economic rationale neglects that the fact that poverty can also be a product of economic processes, as emphasized by Marx (Marx [1867] 1887: 648 et seq., 666). Economic growth thus always appears as a solution and never as the cause of poverty. This perspective has political consequences, when governments react to social problems caused by growth with market-based solutions.

There is an additional difficulty of methodological nature: statistics based on weighted income thresholds only depicts static situations which are potentially compared and thus "externally" put in to relation with a previously determined poverty line, which in turn only reveals little about the multifaceted character of poverty development (see Paugam 2005). The measurement of poverty as a *lack of income* can even distort the image of poverty and evoke false conclusions. Typical poverty experiences such as deprivation thus are neglected in perceptions based on measurements.

The reductionist definition of poverty as a *lack of economic goods* misses the complexity of the problem of poverty, as the proposed solution of Friedrich August von Hayek shows (Hayek 1960). Poverty, according to Hayek, can be overcome by economic activity, because the gap between rich and poor creates incentives for the reduction of poverty. The lifestyle of the rich motivates the poor to imitate them. The contemporary neoliberal demands for a deregulation of markets also succumb to this leitmotiv: the unshakeable faith in the inherent stability of markets through a balance of supply and demand, which can easily be recognized as a fallacy: There must be the means for imitation, not only opportunities, also capabilities which cannot be acquired on a market. Capabilities are incorporated in a long process of formation ("*Bildung*") that itself is governed by rules of inequality (see Bourdieu 1979). If these means are denied due to precarious employment situations, the gap between the poor and the rich consolidates without alternative opportunities for potential imitators to live their desired lifestyles. Thus, wealth indeed still creates incentives, but they are limited to those who

already partake in the wealth. The failure of this theory is then disguised by a moralizing view. An analysis of poverty purportedly rooted in the economics of education is constructed on the basis of the dubious concept of the “undereducated class” (“*bildungsferne Schicht*”), which then celebrates its spiritual resurrection in the vulgarized pseudo sciences (Sarrazin 2010).

Very recent studies show, by contrast, that motivation and work do not lead to wealth, rather personal assets (Piketty 2013). The poor and rich highlight the extremes of social inequality. Social inequality is a structural feature of modern, functionally differentiated societies and according to the liberal doctrine the decisive incentive for social and, in particular, economic development, i.e. the production of social wealth. From this perspective, poverty is an expression and consequence of the insufficient motivation or lacking ability to achieve and the resulting limited level of participation in society (and even exclusion from political participation in the case of census-based suffrage) justified. Accordingly, wealth is legitimized as a prize for above average achievements.

This assumption may still have applied to the 19th century. At that time, wealth increased, but so did salaries. This development did not continue in the 20th century though. Since 1980 the median salary of male employees has been stagnating in the USA, for example, and is currently lower in real terms. The following graphic, which we borrowed from The Economist, illustrates this trend (Graphic 1: real salary development).

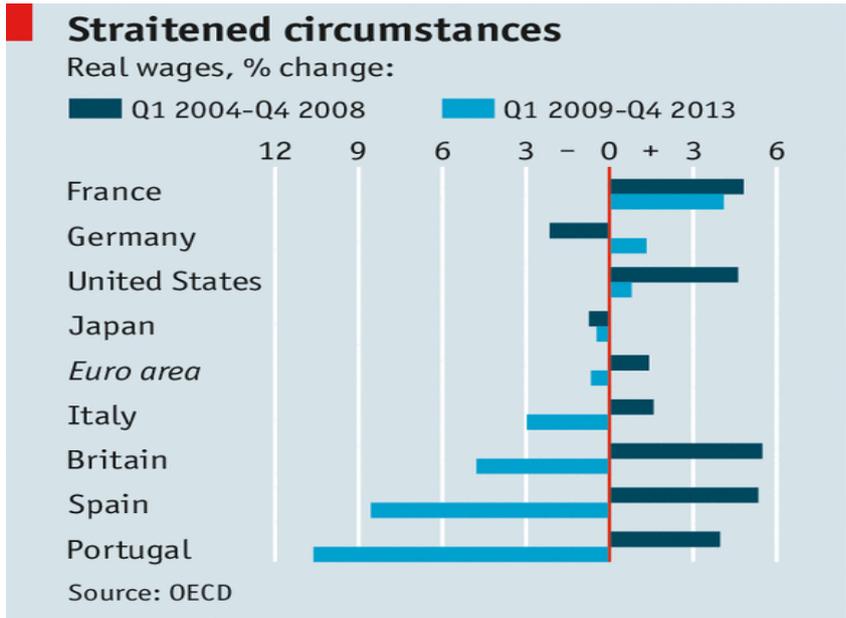


Table 4: Real salary development. Source: The Economist, Sept. 6th, 2014.

What is striking is the opposite development in Germany, which can be seen as the result of the reforms of the SPD-Green government as well as an anti-cyclical wage policy as the response of the current Grand Coalition to the crisis.

While according to Marx capitalism dug its own grave due to its own law of motion, namely the trend for profit rates to drop, Piketty's current law is:  $r > g$  (Piketty 2013: 571). This formula states that the return on capital is always higher than the national economic growth rate. However, this "self-evident assumption" (Paqué 2014) only becomes explosive with the further claim that this inequality  $r > g$  is transferred to the distribution of income and that an economic law thus turns into a socio-structural law. Transposed to the development of poverty, this means that the rich become richer faster than the poor can liberate themselves from poverty. Thus, this would refute the supply-side "trickle-down theory" of "Reaganomics", according to which the "rich" high achievers pull along the "poor" - and thus the always less skilled (stated as a normative construct: "the weak").

For our analysis of scientific knowledge on poverty and its consequences, we can follow Joseph Stiglitz and derive the hypothesis that material inequality leads to social and political inequality, because the wealthy determine governmental policy (Stiglitz 2012), which in turn could exert influence on political agenda setting regarding the issue of poverty.

The liberal-leaning economist Paqué points out that incomes, hence interest and wages, will increase again in the future due to the lack of both capital as well as qualified labour. In other words, a counter-trend will kick in which again expands the leeway for political action. This would put Piketty's law into perspective or shed doubt on it and make his demands for redistribution obsolete. Whatever the case may be: from a sociological perspective this political-economic debate suffers from the inadequate analysis of the social dimension, in our case the own laws of the social political system and poverty as a social construct.

More recent economic approaches acknowledge this and tend to also take extra-economic factors into account. Poverty is regarded here as a phenomenon of social exclusion, which manifests itself in impeding individual opportunities for taking action (Sen 2000), which in turn are linked to the consolidation of extractive institutions (Acemoglu/Robinson 2012). This lends support to the insight that markets are indeed not subject to a "free play of forces" (Adam

Smith [1776] 1973), rather are irresolvably entrenched in the process logic of social and political circumstances.

### **5.3 Poverty as the lack of inclusive institutions**

The American economists Daron Acemoglu and James A. Robinson distinguish two types of institutional arrangements, which enable or hinder successful economic development (Acemoglu/Robinson 2012): inclusive und extractive economic institutions. Inclusive institutions make the ideas and talents of citizens useful, offer opportunities and incentives for participation in economic life, while contract and property rights protect employment and ownership relationships. A functional judiciary apparatus provides for the rule of law and justice, while rules and regulations enable fair and free competition. Extractive institutions, by contrast, lead to disadvantages for the population. Innovative potential is nipped in the bud, because property rights are not ensured and regulations, laws and contracts in general are evaded and undermined by corruption. There is no fair competition, because the rulers enrich themselves at the expense of those they rule.

This way of interpreting poverty as a lack of inclusive institutions traces the success and failure of nations and, along these lines, the origins and overcoming of poverty to the respectively applicable rules in the countries, which are guaranteed by institutions. Inclusive institutions ensure that power within a society is more widely dispersed, which limits the random of exertion of power. Extractive institutions lead to a concentration of the accumulation of power and capital to the disadvantage of society. The relationship between extractive and inclusive institutions and their effects on the economic development of societies is summarized by the economists Daron Acemoglu and James A. Robinson as follows: “Inclusive economic institutions also tend to reduce the benefits the elites can enjoy by ruling over extractive political institutions, since those institutions face competition in the marketplace and are constrained by the contracts and property rights of the rest of society“ (Acemoglu/Robinson 2012: 83).

Besides economic institutions, economic growth also requires inclusive political institutions, because they facilitate innovative action and thus promote organizational and technical progress. Acemoglu and Robinson label the following factors as prerequisites for the

development and stabilization of inclusive institutions: centralized order, support for a minimum degree of pluralism by political institutions, civil society institutions and free media (Ibid. 462). Seen this way, the resources for economic growth are neither exclusively material (raw materials) nor geographical (location, climate), rather based on individual characteristics, talents and ability, which are promoted or suppressed by political decisions. In order to promote such individual growth resources, there needs to be both a political will as well as an institutional environment, which recognizes, protects and encourages innovative potential. However, this explanatory model also remains attached to the methodological individualism of economic thinking and does not protrude to the socio-historical processes of formation of individual capabilities.

#### **5.4 Poverty as a lack of opportunities for self-development**

The *capabilities hypothesis* contends that the reason for the origin and consolidation of poverty lies in the lacking opportunities for realizing the potential or capabilities of the poor. As the economist Amartya Sen impressively has shown, famines were only seldom caused by the food shortages up to now. In most cases, the redistribution of opportunities for access to food to the detriment of the poor caused famines to break out. Poverty originates, according to Sen, when rights of cultivation or ownership are revoked either by the market, when incomes are cut and work contracts undermined, or by corrupt governments who put money in their own pockets while exploiting and marginalizing the poor (Sen 1999; 2010). Marx called this the primitive accumulation, as many post-socialist countries recently experienced.

The consequences of impeding opportunities for self-development are devastating. The poor are more commonly affected by illness and die younger. They often only have insufficient access to free water and food and are frequently denied access to healthcare services and educational institutions. In particular, access to education and health improves the range of individual opportunities for self-development, because it opens varying options for leading life as one wishes. In order to increase opportunities for self-development, Amartya Sen calls for a realignment of global developmental policy. The overarching goal of all developmental aid measures should accordingly be to increase capacities to participate in education and healthcare services. Research in this area primarily focuses on the evaluation of development aid measures regarding education, health and microcredits. Their effectiveness is tested in

order to enhance the success of those political decisions, which successfully improve the living conditions of the poor in the long-term (Banerjee/Duflo 2011). The capabilities hypothesis ultimately not only aims for a better analysis and explanation of the origins of poverty, but also to pinpoint concrete measures to combat it more effectively.

A prominent critic of the capabilities hypothesis is the American economist William Easterly. He assumes that the decision-making behaviour of the poor cannot be influenced by economic development measures. In his view, all development aid leads to nowhere. Aid programs even further cement the status of the poor, by taking away from them the possibility to promote the development of resources on their own initiative (Easterly 2006).

With his critique, Easterly points to the tension between freedom and equality, which comes to bear in a special way with regard to the poverty issue, or more exactly: the issue of entitlement to governmental support. In his reflections on this theme, Alexis de Tocqueville put forward a sociological argument and sharply criticized public relief for the poor: “the right of the poor to obtain society’s help is unique in that instead of elevating the heart of the man who exercises it, it lowers him (...) From the moment that an indigent is inscribed on the poor list of his parish, he can certainly demand relief, but what is the achievement of this right if not a notarized manifestation on misery, of weakness, of misconduct on the part of its recipient? Ordinary rights are conferred on men by reason of some personal advantage acquired by them over their fellow men. This other kind is accorded by reason of a recognized inferiority. The first is a dear statement of superiority; the second publicizes inferiority and legalizes it” (Tocqueville [1835] 1997: 30).

While Tocqueville wholeheartedly promotes the effects of private relief, purportedly because “individual alms-giving established valuable ties between the rich and the poor” (ibid. 31) help for self-help promises support without dependence due to the forced expansion of opportunities for individual fulfillment. Easterly repeats the well-known conservative argument of incapacitation through help to self-help – or “empowerment” in current rhetoric – which has recently been put forward by leftists with reference to Foucault<sup>32</sup>. If we follow Easterly, the capabilities approach also seems to be a victim of this paradox.

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<sup>32</sup> This critique of the welfare state and the “incapacitation by experts” was put forward in the 1970s by Ivan Illich (1979). It had a strong influence on the academic debate regarding the “New Class” as well as the New

## 5.5 Poverty as a cultural phenomenon

The capabilities approach was already related above to Gellner's cultural theory. Gellner sees in the modern era the detachment from the social status attributed by society through culture, i.e. social and political participation. Culture is hence a self-achieved status. This idea in turn refers to Max Weber's famous "Protestantism hypothesis", which was currently drawn on with regard to the "Anatolian Calvinists". The sociologist identifies the pure ideal-type of early bourgeois individualism in Calvinism.

Weber assumes that the Protestant inner-worldly ascetism and in particular the work ethic of Calvinists is so structurally in line with the principles of capitalism, capital accumulation and capital reinvestment that the characteristics of the former accelerated the latter. According to the famous Weberian dictum, ideas, thus religious notions and world-views, channel the interests that guide actions (Weber [1920] 1963: 252). Therefore, Weber attributes a key role to the Protestant reformation in the rise of industrial nations, because it contributed to the establishment of a certain work ethic.

The Weberian Protestantism hypothesis is disputed. Critics contend that phenomena such as the economic miracle in Japan or Singapore can hardly be explained by his approach. The rise of China as an industrial superpower has less to do with Chinese values or Chinese culture than with the transformation of the economic sector (Acemoglu/Robinson 2012:63). The historian Jürgen Osterhammel points out that Chinese-style turbo-capitalism does not require an explanation, which must make reference to Confucianism as its spiritual driving force. In his view, the mixture of socialism and capitalism typical of contemporary China cannot be linked with a world-view based legitimization of economic activity. The party elites have a purely functional understanding of economic activity, which is neither ethically substantiated nor justifiable (Osterhammel 2002).

This is not the place for a systematic discussion of Weber's Protestantism hypothesis and its critics. Several references to the plausibility of this assumption rooted in the sociology of religion may suffice here. The explanatory potential of the Weberian Protestantism hypothesis

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Social Movements, which seem to have completely fallen into oblivion in more current writings e.g. Bröckling (2007).

has been impressively developed to describe social and economic development in various world regions. For example, studies by the religion sociologist David Marten still point to a correlation between religious and economic transitions (Martin 1990). Applied to the phenomenon of the increasing spread of Evangelical Protestantism in previously Catholic Latin America, Martin concludes that the transition from Catholicism to Protestantism corresponds with the transition from a traditional social order hostile to capitalism to a capitalism-friendly and bourgeois-liberal social order. His case study on Chile in the post-Pinochet era illustrates a cultural transition triggered by the successes of Evangelical missionaries. This was manifested above all in a change in family structures or more precisely in stronger family orientation of fathers in the field of reference of a previously Catholic-influenced and potentially violent macho culture. Such “civilizing” changes resulted from a form of religious creed typical of Evangelical revival movements and not only led to new inclusive, participative and expressive forms of religious sentiment, but also to a more methodical lifestyle and new work ethic, which in turn exerted influence on Chile’s economic upsurge (Martin 1990).

The phenomenon of the ‘Anatolian Tiger’ – an additional example of the current relevance of Weber’s interpretational approach – describes the rise of several large cities in central and eastern Anatolia (Adly 2013). To explain the economic growth in the Turkish provinces, frequent references are made to Weber’s hypothesis that the material resources are not the decisive reason for the economic growth, rather convictions and value-based ideas which are seen as promoting development (Krämer 2011). The prosperity of the Anatolian metropolis Kayseri is subsequently traced back to the spirit of “Islamic Calvinism” that is omnipresent there (ESI 2005). A pious, frugal and diligent lifestyle, which is simultaneously conservative Islamic and economically liberal, promotes economic growth in these regions according to the conventional explanation. The relationship between Islam and Protestantism is even explicitly mentioned in an interview, which was conducted by the European Stability Initiative (ESI) as part of survey-based research on economic growth in the Kayseri region. Although they are Muslims, their work ethic is Protestant, states a representative of the Independent Association of Industrialists and Businesspeople (MUSIAD) as an explanation for economic growth. The surveyed person emphasizes that their abstinence from wasteful actions and financial speculations as well as the reinvestment of capital gains are also core components of the work ethic of his community of faith (ESI 2005: 26).

The issue of the spirit of capitalism as a worldview, which is embedded in certain values and principles and legitimates the capitalist system, is still a common contemporary leitmotiv. Some authors even speak of a new spirit of capitalism and have opened up a new research perspective that is critical of capitalism (Boltanski/Chiapello 1999). In their composite work the French sociologists Luc Boltanski and Ève Chiapello address the issue how capitalism is changing and was able to adapt to the *zeitgeist*. What is new about the present spirit of capitalism is a changed attitude towards work life, which can be detected in an increasing overlap of professional and private life. This in turn leads to a kind of permanent willingness to work because the working world and private world are protruding into one another due to technical means of communication. Richard Sennett exposed “flexible humans” (Sennett 1998) as bearers of the culture of the new capitalism, who as prophesized by Weber suffer from increasing alienation and emptiness of the soul. Burnout has become the syndrome of this new development, while the idea of “work-life-balance” has established itself as a therapy for this disease of our civilization.

An additional cultural theory interpretation of poverty dates back to the American ethnologist Oscar Lewis (1966). Lewis describes the “culture of poverty” not so much as being the reason for poverty, rather its effects on the lifestyles of people. His main hypothesis is that a culture of poverty manifests itself in the patterns of thinking and action of the poor, which are inherited from generation to generation. Lewis pinpoints the specific motive of action of the poor in their strong focus on the present, which is linked with their desire to quickly fulfill current needs. A comprehensive study conducted under the supervision of Pierre Bourdieu deals with the living conditions of the poor, their thoughts, feelings and expectations. For the first time, the poor – who are at risk of falling behind in the crossfire between economic growth and increasing competitive pressure – are endowed a voice in these reports on everyday realities of their lives, which are characterized by suffering, bitterness, intolerance and violence (Bourdieu 1993).

Shmuel Eisenstadt’s theory of “Multiple Modernities” conveys entirely different perspectives borrowed from Max Weber (Eisenstadt 2007). This theory aims to transfer Weber’s approach to developmental phenomena in the age of globalization. While Weber still assumed that there was an ideal-typical developmental path for *the* modern West, measured against which all non-western developments appeared as deviations, Eisenstadt focuses on the own logics

of “multiple modernities”. The history of the modern age thus appears as a process of construction, reconstruction and new construction of modernities, which are capable of change and contradictory among each other. Drawing on Simmel, if we assume that poverty is both constitutive as well as dangerous for societies, the different “modernities” should also contribute to different pathways of development for poverty and for fighting poverty. Thus, stages of development and of fighting poverty are placed in a heuristic relationship with stages of social and historical development. Along these lines, examples of varying social policies would show how the social and political perception of poverty increases or decreases with the pressures of the actual conditions (Dietz 1997: 25-57; 203 et seq.).

## **6. The social policy discourse: on the social construction of poverty in welfare states**

The definitions of poverty generally used in the social sciences<sup>33</sup> can be related to the history of poverty from the pre- to post-modern/industrial society. Up until the 19<sup>th</sup> century the *issue of poverty* was considered a charity issue in the Christian-influenced Occident. According to the Christian *religion of poverty*, non-material wealth in this life (“indulgence”) was not viewed as the highest aim of human efforts and deeds, rather non-material wealth in the afterlife (“salvation”). This is expressed in drastic words by the Evangelist Matthew in the diction of the Lutheran translation: “Do not store up for yourselves treasures on earth, where moth and rust consume and where thieves break in and steal; but store up for yourselves treasures in heaven, where neither moth nor rust consume and where thieves do not break in and steal” (Matt. 6.19-20). The accumulation of wealth for wealth’s sake contradicts the Christian doctrine, because: “No one can serve two masters; (...) Ye cannot serve God and mammon.” (Matt. 6.24). Wealth became a problem requiring legitimacy. Giving to charity was seen as a solution, as the quest for wealth could be justified with giving relief to the poor. Concern for the poor was linked with concerns over one’s own salvation, as heaven was open to those who lived up to Christ’s commands with their charitableness, mercifulness and altruism. The

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<sup>33</sup> This is absolute, relative and perceived poverty (see below). For an in-depth overview of poverty research, see Berthold Dietz (1997) and, more currently, Christoph Butterwegge (2012; 2014).

rich helped the poor not so much exclusively (and primarily) for reasons of altruism or pity, rather based on egoistical motives aimed at one's own salvation. The charitable help was "credited to the heavenly account" and regarded as a guarantee for one's own peace of mind. In other words, it was a ticket to enter paradise. This justified the quest for earthly wealth, which was ultimately framed as a *conditio sine qua non* for poor relief. On the basis of this "economy of salvation" (Gemerek 1991: 28), close economic relations developed between the church and wealthy, resulting in a strengthening of Christian faith and the secular earthly power of the church. From a sociological standpoint, a specific form of interplay emerged, which welded together the different motives and interests of social actors into a stable social bond. These interlinkages reinforced social cohesion and determined the relationship between the poor and rich for many centuries.

Well-behaved Christians viewed themselves as *morally* obligated to alleviate the worst suffering of large parts of the population. However, their solidarity did not go as far as to recognize the *plebs* as part of the bourgeoisie. This did not change until around the late 19<sup>th</sup> century during the course of industrialization of the western countries and the resulting transformation of working conditions and social relations in general. The transition from an economy based on handicrafts and agriculture to industrial (mass) production forced workers to emigrate from rural regions and settle in masses at the edges of cities where the production facilities were established and labour markets emerged. The type of work changed from long-lasting handicraft and artistic goods to trite and short-lived merchandise produced by unskilled wage labour (see Arendt 1958). The labourers were sucked into cycles of capitalist production in phases of growth and then rejected again in phases of crisis.

The victory of the capitalist form of production made poverty a mass phenomenon. The *plebs* or *demos*, thus the majority of the population and people, were poor. Marx attributed the poor a very ambivalent status. They were not full members of the civil society, had no right to vote and were used or not used for economic purposes depending on the growth and crisis cycle. As formally free citizens in a legal sense they were able to sign a work contract and act as consumers on the commodities markets depending on the economic cycle. To the extent that they were actors on the markets, they participated economically in the civil society as "The System of Wants" (Hegel 1896: 189-208), but not in their policies and culture. The wagers ( "proletarians") as a certain type of poor were both included (legally and

economically) as well as excluded (politically and culturally) from the early civil society in a peculiar manner. The so called "*lumpenproletariat*" (vagabonds, criminals, prostitutes) which did not participate in the market was, by contrast, entirely excluded and Marx denied them any cultural, and thus political significance: "Pauperism is the hospital of the active labour-army and the dead weight of the industrial reserve-army" (Marx [1867] 1887: Chapter 25, 450). Due to a lack of class consciousness which in Marx' opinion could only develop in the factory as the great taskmaker of the proletariat, this "unproductive" and parasitic social strata figured as "mobile guard" of the reactionists and was a looming threat to the workers movement (Marx ([1852] 1973: Chapter I, 9). Poor houses and work houses were established for the *lumpenproletariat* as compensatory reform institutions, in which they were taught the necessary mores for the working society, integrated into the army of reserves and thus made useful members of society (Foucault 1975).

With the strengthening of the workers movement, the issue of poverty became a *workers issue*, while the focus shifted from *exclusion* and altruistic assistance from charity organizations (churches and other moral institutions) to *inclusion*, i.e. participation in society. Two phases can be discerned here, a (state)-paternalistic phase initiated by the political and economic elites and an autonomous phase driven by the workers movement itself.

*Social policy*, which was still used paternalistically under Bismarck to fend off (and ultimately ban) the social democratic movement, brought about the *welfare state* in the Weimar Republic in the social democratic century (Dahrendorf 1979), thus under the rule of the Social Democratic Party. As a result, a Code of Social Law (*Sozialgesetzgebung*) came to serve as the basis for the provisions of the population throughout life. According to Franz-Xaver Kaufmann (Kaufmann 2005: 186-218), the social laws expanded civil liberties with social entitlements. The blessings of the welfare state were no longer paternalistically granted handouts, for which one perhaps had to beg, rather a civil right. Absolute poverty economically defined by a lack of income was no longer exclusively socially and politically definitive as a benchmark for a life at or below the minimum subsistence level (e.g. the OECD definition of 1.25 \$ per day), rather a culturally differentiated understanding of relative poverty. The neo-conservative policies under Reagan, Thatcher and Kohl, which are now labeled neo-liberal, were further pursued under Blair and Schröder perhaps even more radically to the extent that they ultimately appear without alternative in Merkel's Germany. This has in turn perpetuated a trend that has

been looming since the 1970s. Heiner Geißler (1976) was the first to speak at that time of the *New Social issue* (“*Neue soziale Frage*”) and *New Poverty*, from which the so-called modern-day *precariat* emerged. As reflected in the new social categories, this trend undermines the entitlements achieved by the workers movement – e.g. through the rhetoric of “encouraging and challenging” (“*Fördern-und-Fordern*”). Hardly disguised behind a neo-liberal rhetoric, a new blatantly authoritarian post-democratic state paternalism is being established under New Labour and the New Social Democrats (Dahrendorf 1997).

Since the 1990s this trend, which initially only affected the “lower classes”, has also reached the middle of society. It is therefore essential to distinguish between the poverty of the lower class(es) and the relative impoverishment of the middle class, which includes broad segments of the working class in Germany, at least with regard to incomes, wealth and electoral behaviour. Poverty is accordingly a social status (“lower class”) and impoverishment is the consequence and expression of a social transformation, which we have become used to defining with the metaphor “*precariat*” and which means status insecurity. In this process Ulrich Beck’s optimistic diagnosis of post-modern society is overtaken by new economic realities. Beck supposed that social inequality remain constant amid increasing levels of prosperity and education, and, further on, that this “elevator effect” triggers an impetus for an individualization of culture. Beck still turns out to be a child of the social democratic welfare society (“prosperity for everyone”) and oversaw the trend looming since the 1970s towards redistribution from the bottom to the top. This in turn put economic shackles on the risk society and created the political basis for a new right-wing populism in the middle of society.

The new “*precariat*” is not so much an objective status of those excluded, hence primarily of shares of the population with an immigrant background, as the lower class discourse of the elite wants us to believe. The term “*precariat*” describes a *subjective mental state* and thus precisely coincides with what experts call “*felt poverty*”. Sociologists see feelings either as a representation of a social situation or a pre-reflexive, but generally still socially conditioned definition of an existential and social situation and thus what is termed “*habitus*” in the spirit of Pierre Bourdieu (Bourdieu 1979). This *habitus* or lifestyle of the new poor originates in what Robert Castel and Klaus Dörre call a *zone of precariousness* (Castel/Dörre 2009), which results from an objective process of erosion of normal social standards (“normal working conditions”). Dörre et al. define this as *precarization*.

The main topic of the Bonn project is the reconstruction of the social meaning of *precariat* as a habitus and lifestyle, as it comes to bear during the current crisis in particular. This habitus or lifestyle (in the plural) of poverty is closely related to the development of the welfare state and the establishment of a system of social policy, which we will briefly outline to conclude.

The social democratic utopia thrived from the integrative power of work, or to be more precise, skilled work; this explains the large-scale education reforms of the one-time workers' party. Since the oil crisis and the cementing of structural unemployment, which could not be eliminated through redistribution by means of working time reduction, it has become apparent that basic subsistence can no longer be sufficiently guaranteed through work. At the same time, there has been a crisis of social welfare systems, which were and are linked to the labour market. The reforms of the German Social Democrat-Green government started precisely here. Yet the apparent solution reinforced the problem.

Furthermore, the social safety nets were and are misappropriated by policy-makers to fund extraneous purposes: Contributions to the social safety net were not only used to fund German reunification on a large scale, but also various election gifts to the clienteles of the parties (e.g. pension benefits from the conservatives for mothers; beneficiaries: middle and upper class; early pensions from the SPD; beneficiaries primarily skilled workers and civil servants).

Moreover, private retirement provisions (savings books, life insurance) were drawn on through various fiscal policy measures to save the banks and balance national budgets. Solidarity contributions paid to the former eastern German states and the so called "cold progression", i.e. net-income deficits in consequence of increasing gross-income, for example for overtime work or inflationary compensation, also play a role. This has all led to uncertainty among the middle class, which reacts by abstaining from voting or by protest voting, for example for the new populist party *Alternative für Deutschland*. These are all signs of radical individualization and declining solidarity.

Thus there are many indications that the definition of poverty has shifted from issues of *material hardship* to issues of *social participation* and, as a result, to issues of distribution of life opportunities, quality of life, lifestyles or in short: from economics to culture and policy-making. Ernest Gellner offers a definition of culture, or more precisely civil culture, as

opportunities to participate in the community, in particular through political citizenship. Against this background, poverty is also always a sign of lacking cohesion in society.

For the early times of liberal capitalism and industrial society Foucault (1975) provided evidence of poor relief as a form of scientification of social practices through bio-politics, i.e. control through the “self-discipline” of the physical body of a person – Sloterdijk speaks of “practicing” (Sloterdijk 2009). During the era of the organized capitalism of the 20<sup>th</sup> century the Social Democratic social policy led to the professionalization of certain behavioral contexts (medicine, pedagogics, social work) and the emergence of a service society. In the current neoliberal era of a new financial capitalism, the therapeutization of society is being replaced by management as well as self-management. The dismantling of the welfare state and the privatization of public services have resulted, on the one hand, in the establishment of the *precariat* as a normal social condition for large parts of the population. On the other hand, a de-professionalization of the social policy system is taking place. Accordingly, the Third Sector of civil society self-organization is developing beyond the market and state.

The results of the reconstruction can be illustrated in the following model:

<b>Concept of poverty</b>	<b>Type of society</b>	<b>Institution</b>	<b>Method of action</b>
absolute poverty	pauperization traditional society	citizenry (municipality) poor/work house	charity morality
relative poverty	proletarianization modern capitalism	social / welfare state	inclusion entitlements
felt poverty	precarization middle-class society	non-government/ moral institutions civil society	individualization lifestyle re-moralization

The term absolute poverty is economically defined by the lack of income, i.e. a life at or below the poverty line. Poverty appears as a non-economic, that is non-social fact and destiny. Assistance is provided either from the solidarity-based community, neighbourhood or religious community. It is based on charity and morality and creates stigmatizations (a distinction is drawn between the innocent or “shamefaced” poor who are assisted and the willingly or “unabashed” poor, who are granted assistance and then educated to become moral and thus “fit-for-work” people in the poor or work houses). The concept of absolute poverty (“pauperism”) applies to traditional societies, as well as to early phases of modern,

functionally differentiated societies (“capitalism”), but does not apply here to fringe groups, but to the majority of society, i.e. the proletariat. Poverty in the industrial society is no longer individual destiny, rather a structurally and indeed economically induced social class status. Only at the end of the 19<sup>th</sup> and beginning of the 20<sup>th</sup> century did the workers movement succeed in integrating wage workers stricken by poverty into civil society through the institution of the welfare state. Poor relief has changed from an act of grace leading to personal dependence to a catalogue of civil rights based on material entitlements guaranteed by the social law code. The concept of absolute poverty has yielded to a concept of relative poverty founded on culturally defined living standards and lifestyles. The legal entitlement or civil right to assistance entails objectiveness to the extent that personal dependence on the source of aid as well as stigmatization and exclusion from civil society are, by principle, no longer an issue, even when new dependencies on bureaucracy and experts arise in reality. With the retrenchment of the (social welfare) state as part of the neo-liberal transformation, we are currently experiencing the privatization of public services, which in the case of the poor is reflected in increasing provisions from civil society organizations. The privatization and individualization of public services for the poor leads, on the one hand, to a pluralization of lifestyles of the *precariat* which now stems from (nearly) all social milieus and, on the other hand, to a moralization and stigmatization of poverty, which is again considered to be one’s own fault.

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