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An Astonishing Tale about Global Poverty

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Poverty and Progress: Realities and Myths about Global Poverty by Deepak Lal; *New Delhi: Oxford University Press, 2015; pp xi and 248, Rs 495.*

Extraordinary books are poorly served by ordinary (or at least conventional) reviews. Arthur Marshall, a man of letters distinguished for the facts, among others, that he served as Britain's Chief Security Officer for the Commandos on D-Day in World War II and had a passion for schoolgirls' stories, recognised this truth early on in his reviewing career. Extraordinary books, he realised, must be allowed to speak for themselves, with a minimum of intervention and commentary by the reviewer. This sampler from his review of Ella Wheeler Wilcox's *Miss Wilmer's Gang* is a case in point:

...[T]his year there has appeared the most absorbing and astonishing tale of its kind that I have ever read... 'Outwardly prim and precise, Miss Wilmer, at forty-five was raging and fuming inside.' She is also 'compound of nervous activity and tremendous energy', and she inherits two uninhabited islands in Patagonia. ...Her girls eventually rescue her and put her on a stretcher...; she manages, however, to tell her stretcher-bearers: 'You're both made of good stuff, for sure,' to which they reply: 'Don't you fret, chief dear.' They then 'hoist' her on board the boat (this operation is described as 'fearful work'). Soon after, Miss Wilmer is throttled by a delirious Portuguese...Her methods of dealing with the patient are original indeed: 'When he fell a little quiet she dozed; when he raved and yelled she just sat up and took notice,' and this process is later referred to as 'Going all out nursing him'.

A Prescription for Tradicines

Just as the flavour of Wilcox's book is conveyed accurately only by Wilcox's own voice, so, too, is the flavour of Deepak Lal's book conveyed accurately only by his own voice—with just a few minor and, dare I say, necessary obtrusions from the reviewer. In the cause of justice to a truly extraordinary book, I shall, in what follows, adopt Arthur Marshall's model of reviewing as faithfully as I can.

What is "the central message of this book?" It is that "efficient growth is the only means to alleviate the ancient structural poverty of the Third World." What, according to Lal, are the salient realities of global poverty? The first is that "the rapid growth generated since the 1980s...has led to the greatest alleviation of mass structural poverty in human history." The second is "the rapid convergence of most developing countries with the West in other social indices of well-being relating to education, health and life expectation." The third is that in

dealing with “conjunctural poverty and destitution,” public (government) policies compare unfavourably with “private ones in dealing with them,” just as international public transfers (foreign aid) compare unfavourably with private transfers (“international remittances from migrants”). The fourth is that “government failure” is more ubiquitous than purported ‘market failure,’” and that there is much to be said for the “‘precious bane’ of natural resources.”

One wonders if one may here advance—with due hesitance, of course—Kaushik Basu’s (2013) objection to reading growth as the only engine of poverty alleviation. Employing an analogy, he argues as follows:

I...shall, henceforth, refer to [non-antibiotic medicines]...as “tradicines,” which is a nice reminder that this includes virtually all the traditional medicines of various schools (and also modern medicines that are not antibiotics). Suppose in 1930 an economist does an empirical study of what cures infectious illnesses. After collecting masses of data from previous years and subjecting them to careful regression analysis, she concludes that 98% of all illnesses cured were because of the use of tradicines. This would in all likelihood be a valid finding since Alexander Fleming discovered penicillin only in 1928 and so the uses of antibiotics at that time were few and far between and mostly inadvertent. If the economist went on to argue that, therefore, if someone were ill it would be silly to give this person penicillin since we know that 98% of all previous cures were because of tradicines and penicillin is not a tradicine, she would be making a mistake.

In any case, what is the evidence Lal relies on to discern trends in global poverty? It is “the evidence I find most credible to assess the current state of Third World poverty according to the now conventional head-count index of those below a \$1-per-day poverty line.” While he has no difficulty with the dollar-a-day poverty line, he does have problems with the 2005 International Comparison Programme’s estimates of China’s per capita gross domestic product (GDP) in purchasing power dollars: “with the growing politicisation of the international agencies, their professional rectitude can no longer be taken for granted. The so-called ‘scientific data’ they produce are now a highly political product. Hence, the carefully silted and transparently analysed intertemporal data produced by independent researchers like Maddison and Bhalla...provide a more credible anatomy of the dimensions of changing global poverty levels than the ‘official’ numbers peddled by the international organisation.” Lal, Bhalla and Maddison are not alone in their scepticism of the World Bank’s poverty estimates: so are commentators such as Sanjay Reddy and Thomas Pogge. (Pogge and Reddy, however, find no mention in Lal’s book. No doubt this is irrelevant, but one might note in passing that these scholars reject the World Bank findings as understating—not overstating—poverty levels while exaggerating trend declines in poverty in the Third World; and they find it peculiar that global poverty should decline even as global hunger rises.)

There is, of course, no stopping a steamroller which is well on its way. Even so, it is hard to suppress the temptation, for one foolish moment, of wondering what is so remarkable about a convergence in the magnitudes of social indicators which have arithmetical or natural/biological limits (birth and death rates, infant mortality rates, literacy rates and life expectancy). One is tempted also to ask: has the historical ineffectiveness of foreign aid anything to do with its niggardliness, its capriciousness, and the geopolitical impulses underlying it? Might the

ineffectiveness (where it exists) of public anti-poverty policy have anything to do with corruption, negligence and inefficiency? If so, should the demand be for rectification or abandonment? But enough: let us get back to Lal.

Cool Look'

Among the prominent myths of global poverty which he seeks to explode is the one that “foreign aid promote[s] economic development and alleviate[s] poverty,” a myth propagated by “statistical snake oil”—in particular, “econometric studies based on using instrumental variables,” and “the latest ‘empirical’ fad in development microeconomics: randomised control trials.” The author says (even if he does say so himself) that he “take[s] a cool look at the ‘scientific’ pretensions of this method.” It is clear that there are scholars that Lal does not approve of, and those that he does approve of. In the latter category would belong, one presumes, people like Becker, Buchanan, Bhalla, Maddison, Easterly, Collier, Lucas, Bauer and Lal. (You would not think so, but apparently the disapproved category includes radical ideologues such as the World Bank.) Other unsavoury myths on poverty are those created by “theoretical curiosities” such as “Poverty Traps,” “the Big Push, ‘New’ Trade Theory, and Industrial Policy.”

The author’s “cool look” extends also to microfinance (“the purportedly new panacea for alleviating low-end poverty”). Lal, however, thinks well of household surveys, which provide “empirical evidence on the lives of the poor,” evidence which, we are told, “gives the lie to the ‘poverty-porn’ peddled by films like *Slumdog Millionaire*.” That Sub-Saharan Africa (SSA) can be saved by foreign aid is another major myth: “A strong case can be made that instead of assuaging advanced countries’ guilt by transferring their taxpayers’ money to corrupt and ineffectual SSA governments, efforts should be made to keep markets open to African goods [and] allow foreign capital to flow freely.” Equally mythical is the alleged scourge of global warming: “the greatest threat to the alleviation of the structural poverty of the Third World is the continuing campaign by western governments, egged on by some climate scientists and green activists, to curb greenhouse emissions, primarily the CO₂ from burning fossil fuel.”

What then is the diagnosis of, and prognosis for, global poverty? “Instead of rejoicing in what has been one of mankind’s most amazing achievements over the last three decades—the spread of economic progress around the world, which is gradually eliminating the ancient scourge of mass poverty—we hear wails of doom and gloom in the West, not least from those who see this progress as threatening the very survival of Spaceship Earth.” (Thomas Pogge, admit you wrote this: “The...global institutional order is arguably unjust insofar as the incidence of violence and severe poverty occurring under it is much greater than would have been the case under an alternative order whose design would have given greater weight to the interests of the poor and vulnerable” (2010) and be properly ashamed!) “[A]dopting the classical-liberal package and joining the globalisation bandwagon still remains the best means for developing countries to continue their emerging ascent from poverty.” The Cato Institute, which originally published this book in 2013, should be well pleased. This is also the sort of thing that would impress and delight the better-dressed participants in the economics debates that are frequently aired from our television studios.

For an overall assessment, I cannot do better by the book I'm reviewing than conclude with Arthur Marshall's own exact sentiments about the book he reviewed, and which are quoted right at the top of this piece:

This year there has appeared the most absorbing and astonishing tale of its kind that I have ever read.