

Dispelling the myths about poverty

Deepak Lal's work is clearly a step towards filling the huge vacuum in the intellectual defence of markets

By: Prashanth Perumal – July 4, 2013

For decades now, international development organizations have used various means to grab the attention of the world to issues that affect the poor. Markets have often been their primary target, and increased government action the panacea to improving the status of the bottom billion. With huge resources at their disposal, these do-gooders have enjoyed immense success in portraying the free market to be the undisputed enemy of the poor.

Economist Deepak Lal's recent work on world poverty, however, offers a narrative that runs completely against what the do-gooders often inform the laymen about poverty and development. Given his vast experience in the intellectual world, Lal does not disappoint in citing the most authoritative sources in economic history to show that the poorest have never had it better. While the initial chapters of the book trace some important trends in world poverty over the past many centuries, it is the trend observed over the past couple of centuries that should be of immediate relevance to the reader.

The confluence of various social and political factors led to a partial embrace of the liberal economic order in the 19th century which resulted in a rapid decline in structural poverty in many parts of the West. This progress was halted in the first half of the 20th century in the face of two devastating wars, but soon adopted again in the latter half of the century by countries in the East. The most notable among them were India and China, both of which together hosted the majority of the world's poorest. With both the Asian giants partially embracing the liberal economic order, the world witnessed another phase of rapid poverty eradication fuelled by strong economic growth.

It is the reasons that lie behind this rapid eradication of world poverty—most notably in the past few decades—that explain the dynamics behind poverty eradication. The scholarly prowess of the author comes in handy as he offers an excellent treatment of the political economy of development, and the perils of viewing wealth redistribution through government—which inevitably turns into a means towards transferring wealth to the median voter—as the cure to mass poverty. Special attention is brought to private transfers acting as an efficient alternative to public transfers in mitigating destitution and conjunctural poverty.

The second half of the book turns to popular myths about global poverty, endeared both in academic and political circles for the purpose it serves in sustaining the poverty industry. Lal points out that the academic community has failed to recognize the rapid achievement made by markets in eradicating poverty, choosing instead to hang on to discredited theoretical constructs of nirvana economics, and exaggerated numbers on poverty. Such theoretical constructs are often cloaked under sophisticated mathematical rigor, a distinct feature of today's academia.

Adding to all this, much light is shed on the question of climate change allegedly caused by man-made global warming that has steered policymaking in recent years towards the vaguely defined goal of sustainable development. With the economic security of billions in the developing world potentially threatened by impending controls on the exploitation of fossil-based energy sources, climate change poses one of the biggest risks to sustained progress in improving living standards. The political agenda that clearly drives the science behind the climate change bandwagon is clearly laid down.

Given the relentless onslaught on free markets for the alleged pain it imposes on the poor, not many would disagree that a spirited defence in favour of the invisible hand has been almost completely lacking in recent history. Deepak Lal's latest work on the subject is clearly a step towards filling this huge vacuum in the intellectual defence of markets. The work also offers great insight into recent academic literature on economic development, all through the eyes of an expert development economist trained in the classical liberal tradition.