

On the challenges of economic development

How Can the World's Poor Lift Themselves Up?

In many parts of the world, the last two decades have seen the largest reduction of poverty in human history, with two emerging giants—China and India—having increasingly adopted market-based economic policies. Yet, despite lifting billions out of poverty, this transformation has often been met with pessimism.

"In the younger generation's proclaimed quest to end poverty, it has recycled old, discredited ideas and policies, seemingly freshened up with new theoretical and empirical bells and whistles," Cato senior fellow and UCLA professor Deepak Lal writes. In his new book, *Poverty and Progress: Realities and Myths about Global Poverty*, Lal systematically critiques the research that has come forth on the subject since the 1990s.

"Instead of rejoicing in what has been one of mankind's most amazing achievements over the last three decades," he writes, "we hear wails of doom and gloom in the West." The same people who have charted a path to progress, in other words, seem determined to adopt misguided policies that will erode that prosperity. "The world is at a strange pass," he continues.

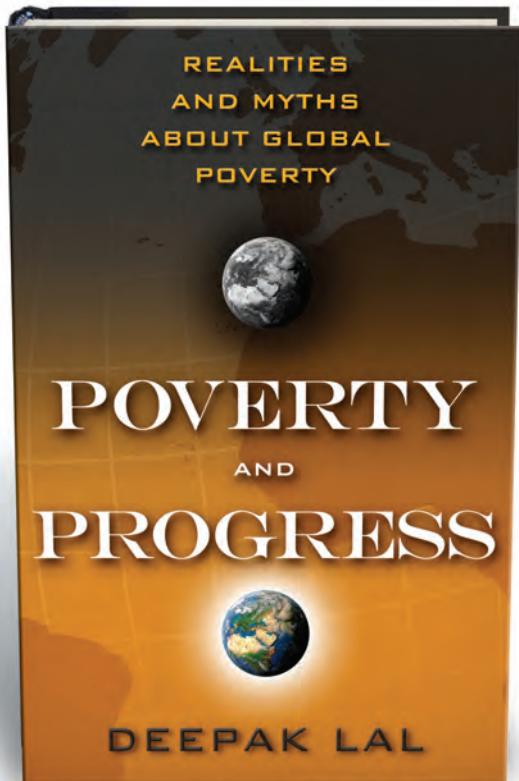
Lal begins by surveying how the West rapidly ascended the economic ladder—and how "the Rest" are now climbing out of the conditions of mass poverty. "There is nothing miraculous about the policies that have led to these turnarounds: free trade, Gladstonian finance, and stable money," he writes. Such policies, based on classical-liberal economics, are nothing new—having been pioneered in 19th century Britain, Lal adds. "The resulting economic environment

led to the unleashing of entrepreneurial drive not least among the poor, which transformed the high savings associated with the demographic transition into efficient investments, fostering poverty-alleviating growth."

The failure of many leading academics to acknowledge this, Lal continues, is a result of "their insistence on seeking a new fix to some theoretically determined poverty trap, validated by statistical snake oil." Most international organizations, for instance, play a "numbers game" in which they exaggerate the extent of world poverty and minimize the magnitude of its alleviation. These statistics have been reinforced by a flurry of "theoretical curiosities"—from a new industry claiming to give "scientific" policy advice to the current fashion to see microfinance as a panacea—trends which Lal systematically discredits one by one.

But the latest twist comes from a peripheral debate that is becoming increasingly heated. "The most dangerous of these moralizing western agents," Lal writes, "are those who have created the global warming scare. This poses the greatest threat to the prospects of the poor in the Third World, for the great ascent from poverty . . . was based, first in the West and now increasingly in the Rest, on the transformation" of agricultural economies to industrial economies.

Simply put, economic growth is the only means to alleviate the structural poverty of



the Third World. "Of course that transformation is incomplete, and it would be Panglossian to say that poverty has been eliminated," Lal writes. Nevertheless, ensuring the continued transformation of the world's poor relies on clarifying the facts and exposing the myths surrounding the challenges of economic development. *Poverty and Progress* provides an indispensable guide toward achieving that end. ■

Visit www.cato.org/store or call 800-767-1241 to get your copy of *Poverty and Progress* today; \$24.95 hardback.



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