Proposal for book on " POVERTY IN THE THIRD WORLD- MYTHS AND REALITY"

This book will be based in part on my past work contained in my (with H. Myint} "The Political Economy of Poverty, Equity and Growth" (Clarendon Press, Oxford 1996) and "Globalizing Capitalism- Classical Liberalism and International Economic Order" (Princeton University Press, forthcoming).It will examine the continuing myths surrounding poverty in the Third World.

Beginning with a distinction between 3 types of poverty- structural, conjunctural, and destitution- it will provide arguments why economic growth is the only way to deal with structural poverty, whilst income transfers are needed for the two other types. It will show how most societies have dealt with poverty due to conjunctural causes (such as failures of the rains) and destitution (because of illness or lack of families) by income transfers from within extended families, institutions like the church, and individual charity. By contrast as most economies were agricultural economies with little chance of rising productivity as their economies were bounded by the availability of land, structural mass poverty remained ubiquitous. The Industrial Revolution by utilizing fossil fuel for the energy required for sustained growth removed the constraint which had limited the amount of available energy from the products of land. This allowed intensive growth, whereby GDP grew faster than population, leading to rising per capita incomes and in time the alleviation of mass structural poverty. In the past there had only been extensive growth - with population and output growing in tandem with relatively stagnant per capita income. The rise in per capita incomes with intensive growth, also led to the demographic transition and the short circuiting of the Malthusian principle, when as people including the poorest became richer they began to choose smaller family concentrating on the quality rather than the number of children. This process of intensive growth allowed the first industrialized nations to virtually eliminate mass structural poverty.

But, it also led to growing international inequality. After the fall of the Roman Empire the other Eurasian civilizations of India, China and the Arabs were richer than Western Europe. But from the 11th century as a result of a Papal legal revolution Western Christendom developed the legal and administrative infrastructure for functioning market economies, which in time delivered the scientific and industrial revolutions in the West.(The theme of my book "Unintended Consequences") This led to the Great Divergence between the West and the Rest as the former got on to a path of intensive growth with progressive industrialization in the 19th century, whereas the Rest continued to have extensive growth in their primarily agrarian economies. Thus whereas in the West the rise in per capita incomes led to an abolition of mass structural poverty, in the Rest the stagnant per capita incomes did not allow this to happen. Using the historical data assembled by Angus Maddison , it will be argued that the Great Divergence did not occur as some (Bairoch, Gunder Frank, Pomeranz) have claimed because the West grew at the expense of the Rest. Rather with the establishment of the first international liberal economic order (LIEO) which led to globalization during the period of British ascendancy in the 19th century, the international division of labour it promoted led to intensive growth in many parts of the South as they became integrated into the world economy. It was the destruction of this LIEO with the First World War which led to stagnation and even retrogression in the countries of the South.

Except for the Far Eastern Gang of Four most of the South turned inwards after the Second World War through planning, controls and planning. This did little to promote the labour intensive growth which could alleviate their mass structural poverty. It was only in response to the domestic crises this dirigisme increasingly caused that, in the 1980's, countries embraced economic liberalization and progressively joined the globalization bandwagon. The most notable being the largest countries of the South - India and China. This second period of globalization it will be shown has led to a marked fall in mass structural poverty in the Third World, except for much of Africa and the Middle East which have not embraced globalization. The reasons for this failure to promote intensive growth through globalization which are mainly political will be discussed. It has meant that whereas most of the world's poor in 1950 were in Asia , they are now concentrated in Africa, parts of the former Soviet Union and the Middle East.

The trends in global poverty and inequality based on the data analysed by Bhalla and Sala-Martin will be outlined, to show that apart from the regions which have not as yet integrated with the world economy, in all the other developing regions of the world the so called Millennium targets for reducing poverty have already been met.

Finally, the book will outline the reasons why numerous aid agencies including the World Bank and non-governmental organizations (NGOs) are still promoting the false impression (given the evidence) that despite the substantial economic growth that has taken place in the Third World since the 1980's there has been no reduction in Third World poverty. Hence what is needed is even more foreign aid. It will be argued that 'third world poverty' has now become an industry by which many middle class professionals make a living. It will be shown that foreign aid has not succeeded in its aims of alleviating poverty. By providing predatory governments the means to maintain their dirigiste policies that damage the economic prospects of the poor, and with the dismal failure of 'conditional' aid in changing state behaviour, aid is no longer merely a palliative but harmful. It is time the whole 'poverty' enterprise is shut down by pensioning off the Lords of Poverty. The reluctant globalizers may then decide to integrate with the world economy which can - as the example of numerous countries in the Third World, amongst whom India and China are notable- lead to rapid intensive growth and the elimination of mass structural poverty within the life time of a generation.

Using historical data and evidence from around the third World, the book will thus deal with a number of continuing myths concerning world poverty. These include:

1. Globalization has increased rather than reduced world poverty
2. The West grew rich at the expense of the Rest
3. Economic growth does not 'trickle down' so direct measures like the Western welfare state are needed to tackle world poverty.
4. Without massive foreign aid the problems of the world's poor will not be solved.

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