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Poverty and Social Mobility

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By Kazi Anwarul Masud

Craving for a better life is eternal. From the advent of the presence of humankind on earth in whatever form to the present humanity has always tried, through war and peace, to advance.

True that the genius of some people brought about the Renaissance and the Industrial Revolution and no less importantly the Reformation challenging the power of the Papacy and freeing human spirit from the shackles of religious restrictions to encourage human endeavor to an extent. Yet till today religion plays an important role in global society.

The election of Narendra Modi as Prime Minister of India despite reservation of many for his religious background (the reservations may prove to be false at the end) and Chinese ban on Muslim fasting during Ramadan causing concern among some Muslims, the sectarian fights in Islam between Shia and Sunni affecting global power balance, imposition of radical Islam through al-Qaeda and affiliates threatening socio-economic development more in developing than in developed countries are impediments for the world to graduate fully into information age in which "digital industry creates a knowledge-based society surrounded by a high-tech global economy that spans over its influence on how the manufacturing throughout and the service sector operate in an efficient and convenient way.

In a commercialized society, the information industry is able to allow individuals to explore their personalized needs, therefore simplifying the procedure of making decisions for transactions and significantly lowering costs for both the producers and buyers. Eventually, information and communication technology—computers, computerized machinery, fiber optics, communication satellites, Internet, and other ICT tools—became a significant part of the economy. Microcomputers were developed and many business and industries were greatly changed by ICT" (WIKIPEDIA).

Despite the recent financial problems faced by the West global future is going to be bright, albeit at different pace among different countries, because the ingredients for development are present. Princeton's Charles Boix is optimistic as he says "a substantial number of today's nominal democracies are not performing as well as they should. There is little doubt that democracy has triumphed in most of the Western world. Yet democratic practices appear fragile in the core of the former Soviet Union and in Latin America. And they remain elusive in most of sub-Saharan Africa and in the Middle East. In short, we are still far away from having reached the end of history, crowned with liberal politics". Should we, therefore, be pessimistic of a coming dystopian future?

History has taught us that democracies have replaced authoritarian regimes through two paths. On the one hand, democratic institutions have emerged after a long process of economic development spreading material wealth across society, equalizing economic conditions, and eroding the strength of the old authoritarian elites. On the other hand, absent economic modernization, social and political change has happened only after enormous violence — generally through military intervention of a foreign power.

While the possibility of a French or Bolshevik Revolutions are farfetched and can remain in the realm of imagination yet economists like Paul Krugman and Joseph Stiglitz are worried over the widening gap of distribution of national income between the rich and the poor. Frustrated individuals express their anger by saying "Nothing is more offensive to our innate sense of justice than the continuing freedom of known financial criminals - financier fraudsters who used money as a weapon to commit well-documented crimes, stealing homes and jobs and life-savings from our parents, our friends, our comrades and neighbors". While most people may not envy the wealth of their neighbors if earned legally but stealing money from financial institutions has become endemic in many countries of the world. Apart from the unethicality of such financial transactions the stolen money also paves the way of generational inequality between the rich and the poor.

Benjamin Friedman reviewing UCLA'S Gregory Clark's book writes: if wealth and poverty simply perpetuate themselves within families, ever wider inequality becomes ever harder to justify. In America, the debate about inequality is, inevitably, also a debate about mobility. Mobility is hard to measure, however, turning not just on who earns what today but on how what people earn—and what they have—relates to their parents' income and wealth, and their grandparents' and prior generations' too. But Clark in contrast of many expounds that mobility is "a universal constant"; over time we thrive or not according to a "social law of motion," a "social physics of inter generational mobility". His contrast is in his assessment of inter generational mobility by looking at what people earn, or in some cases what they own, compared with their parents' income or wealth. Clark's method encompasses not just people's income and wealth but also their education, their occupation,

their likelihood of holding elected office or other distinguished positions, or of belonging to elite groups. He refers to the entire constellation of such attributes as “status,” or “fundamental social competence,” or “general social competence or ability”—ultimately, “an inescapable inherited substrate, looking suspiciously like social class.”

It is believed that poverty in early childhood is a particularly mobility-crushing experience, because the lack of resources and stresses of poverty limit development. In short, reducing the number of children growing up in poverty is strongly related to the broader goal of social mobility. Clark was ambiguous about whether “general social competence” can be traced to genetics: “By and large, social mobility has characteristics that do not rule out genetics as the dominant connection between the generations.” But he also wrote “This is not to say that social status is determined genetically. But whatever drives it is, on the tests performed here, indistinguishable from genetic inheritance.” This thesis was further strengthened by Elizabeth Swahill and Kim Howard who assert that individuals who spent more than half of their childhood in poverty, 45 percent were poor at age 35. And poverty in early childhood is a particularly mobility-crushing experience, because the lack of resources and stresses of poverty limit development. In short, reducing the number of children growing up in poverty is strongly related to the broader goal of social mobility.

With the disappearance of the US’ “unipolar moment” Charles Kindleberger’s Theory of Hegemonic Stability, Robert Kagan’s unwavering belief in the US superiority, and Neil Ferguson’s exhortation of gated community between the rich and the poor worlds these propagations have become one of the many theories found unsuitable for the present day global structure. To keep the rogue states in check the international community demands that morality be used in judging both the national and international behavior of states and the evaluation of the code of conduct, more or less uniform in character, prescribed to be followed by the civilized states have placed morality as the center piece in global theater. Perhaps one of the greatest benefits of decolonization has been the imperceptible regression of presumptions relating to “racial superiority and civilized mode of behavior” of the metropolitan people vis-à-vis those living in the periphery.

There is, however, no denying the fact that the world divided as it is into First, Second and the Third(or even Fourth- Cold War coinage) worlds does testify to the great existential divide among the people living in these well defined worlds where division is more vertical than horizontal and promotion from one to another is well nigh impossible.

What happens to low income countries like Bangladesh? While authorities would like Bangladesh to become a middle income country by 2021 questions have been raised about its materialization. The target is achievable if the optimism expressed by the World Bank, Goldman & Sachs, Oxford Study, UNDP etc on Bangladesh and other upcoming economies come to pass. Goldman Sachs Group has included Bangladesh as one of its Next-11 countries, characterised by rapidly growing populations, combined with significant industrial capacity or potential. Their assessment noted that “East Asia is more expensive, Pakistan too risky, India too regulated, and Africa does not yet have the production capacity and track record, to be a major competitor in the near future.”

The main question to be asked is not whether the Gross Domestic Product has increased but about its fair distribution eliminating the display

of unclothed children displayed on our television screen. Flight of capital that could have been used to lift some of them out of extreme poverty is not debatable. But then it is an universal phenomenon in developing countries.

M.K.Venu is Executive Editor of Amar Ujala publications group in his article Black Money and Social Mobility writes from revelations by Indian National Institute of Public Finance and Policy (NIPFP) that the extent of unaccounted money generated in today's globalised Indian economy could go upto 71 per cent of India's GDP. India's GDP is roughly \$2 trillion. This means the parallel economy could be of the order of \$1.4 trillion. This is particularly significant because most studies done on India's black economy in the past, especially the pre-liberalization era, put the value of the parallel economy at less than 30 per cent of GDP. The current study by NIPFP reckons the parallel economy may have multiplied in the past 25 years. This period also saw India's deeper integration with the world economy which itself may have further boosted the growth of India's parallel economy. We appear to be in good company. But as flight of capital is inevitable from unstable democracies lacking in politico-legal institutions good governance demands fragile institutions be strengthened. One hopes that the confidence reposed in the possible success of Bangladesh to prosper to a middle income country would not go in vain.

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