
Humanity's Struggle for a Better Life

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The *Great Escape* recounts how the world has progressed from poverty to well-being, from short to long lives, and from poor health to good health, roughly between the mid-18th century and the present. These great advancements that completely transformed human society did not happen at the same speed everywhere, so that the story told here is necessarily a story of widening inequality as well. Furthermore, through much of the 20th century, countries have become more unequal in terms of income and less unequal in terms of health. The book is also about this paradox.

Few economists are more qualified to tell this story than Angus Deaton. One of the world's leading contributors to the theory of consumer demand, Deaton has also written important works on poverty, health, and the statistical measurement of standards of living. He is an authority on the Indian poverty debate, and has collaborated with a number of Indian research institutes for many years. As one would expect, the book uses Indian evidence extensively. This should add to its appeal for many readers of this journal. But its real strength is elsewhere.

Deaton has produced a highly readable and accessible introduction to a subject that is fundamental to world development as well as modern economic history. It is a subject in which analysts use statistics a lot; but on many important relationships, the statistical findings are open to interpretation. *The Great Escape* discusses the relevant findings and the interpretations thereof with clarity and balance, often making use of the simplest charts to illustrate complex and analytical points. The writing is in-depth, and yet completely free of jargon and technicality. The book has valuable lessons for the practitioners on how quantitative data and a technical subject can be presented to general readers.

BOOK REVIEWS

The Great Escape: Health, Wealth and the Origins of Inequality by Angus Deaton (*Princeton and Oxford: Princeton University Press*, 2013; pp xvi + 360, £19.95 (cloth)).

The book has three parts, Part I ("Life and Death") contains three chapters dealing with mortality and life expectancy in the long run. Part II ("Money") contains two chapters on material well-being, one of these discusses economic growth in the United States. Part III ("Help") consists of two chapters conducting a careful comparative discussion of what works to reduce poverty and improve health, and what does not work. In this review I will be selective and discuss only four of the many stylised facts and relationships that form the subject matter of the book.

Life Expectancy and Income

The first of these findings is the robust positively-sloped cross-section relationship between gross domestic product (GDP) per capita and life expectancy at birth, known as the Preston curve after Samuel Preston. Deaton shows that the interpretation of the association depends on whether it is measured with raw data (which yields a concave shape) or on a log scale (which yields a straight-line). He shows how the "hinge point" in the former shape can be read, and points at two important questions that the curve enables asking. First, is it "higher income that causes better health or poverty that causes what are known as the 'diseases of poverty'?" (p 32). The question links to a basic problem of interpretation: the upper and the lower segments of the curve may convey different messages about how health and wealth are related. And second, do countries move through time more or less along the curve, or by

jumping from a position from one curve to another, as the curve itself shifts upward? The former has the implication that raising income is sufficient to take care of improvements in life expectancy. The latter has the implication that policies or actions to improve health should occur independently of policies aiming to achieve GDP growth.

The fact that the line does shift upward is itself significant. What makes for the upward shifts? A proximate answer is knowledge and innovation, including medical knowledge, knowledge of how diseases are contracted and how they spread, and knowledge of what is a safe lifestyle. "The division of the credit for increases in well-being between income and knowledge" (p 41) is a theme present throughout the book.

A second relationship that is quite fundamental is the one between GDP and "self-reported measures of well-being" or "experienced happiness". Dissatisfaction with GDP as a reliable measure of well-being is widely shared. Deaton discusses several alternatives, some of which are weakly correlated with income. The comparative assessment of income and happiness is balanced, and suggests the many difficulties, empirical and philosophical, of the happiness indices.

Mortality

A large part of the book deals with the third big topic, the decline in mortality, in which more or less all countries of the world have taken part, but in different degrees and at different times. The difference calls for a shift of emphasis when comparing countries. In particular, fall in adult mortality contributes more to the lengthening of life in many rich countries today, whereas in the world at large, the critical variable is child mortality. A fascinating discussion follows on life expectancy in the very long run, ending with the mid-18th century turning point when income and life expectancy started showing an association. A second revolution occurred in early-to-mid-20th century, when life expectancy at birth forged ahead of life expectancy at the age of 15.

The historical trends are explained with reference to three factors: improved nutrition, and in turn, the agricultural revolution and access to more food, public health, and medical knowledge, especially the propagation of the germ theory of disease. The book suggests that the effects of these variables were operative in different times and places, which also shows why “globalisation” or cross-border transmission of ideas and practices can matter in closing the international gap in life expectancy.

The rest of this section of the book talks about the differences and similarities between the developed and the developing countries on mortality and life expectancy. An interesting feature is the comment on the lack of an association between growth rate of income per head and fall in infant mortality rate. The lack of association does not necessarily mean income does not matter, but rather that the definitions are connected. Success in reducing infant mortality leads to higher population growth rate, which has a depressing effect, in some cases more than

others, on per capita income growth. A further point – that some tropical diseases persist despite actions against them – suggests the intriguing theory that geography and the biological setting matter to international inequality in levels of living independently of man-made variables like poverty or knowledge. This point, however, is not pursued in the book.

What Works and What Does Not

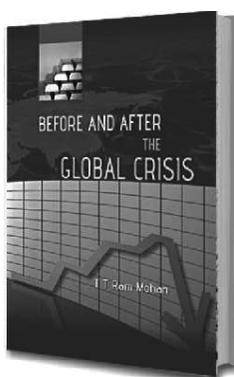
The fourth and the last point I wish to focus on appears in the last part, called “Help”. In the list of what works and what does not in the task of raising standards of living, international aid and charity do not work, at least not as much as claimed in propaganda and perception. Deaton critiques a “hydraulic approach” to international development, the expectation that pumping in resources in right measure and right place will solve a development problem. This is insufficient where the problem is a transformation in healthcare or changing societal attitude to nutrition. In addition, foreign “aid corrupts local politics in a way that makes

development more difficult” (p 314). One wonders if some of this scepticism applies also to the case of domestic aid within a country, when the middle class is called upon to spend more money on poverty reduction, while they believe that some of the taxpayers’ money will end up in the pockets of the well-connected rich.

The book strikes an odd note in the one and a half pages (pp 215-16) devoted to global economic history, while answering the question why modern economic growth originated in the west and bypassed the south until recently. These pages appear as an afterthought to the us story. Deaton’s favourite works in world economic history are books written in the 1980s by Eric Jones, joint works by Stanley Engerman and Kenneth Sokoloff and a 2012 book called *Why Nations Fail* by Daron Acemoglu and James Robinson. Jones’ framework is outdated; Engerman-Sokoloff is relevant for Latin America; and whatever other merits Acemoglu-Robinson has, its references to institutional change in Indian economic history are an embarrassing

BEFORE AND AFTER THE GLOBAL CRISIS

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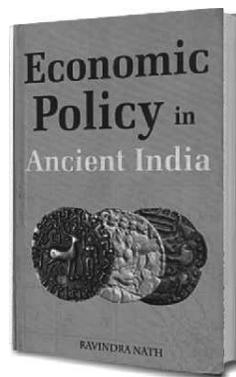
The Indian economy has been through something of a roller-coaster ride since 2004. There was a period of boom in 2004. Then came the global crisis, a sharp deceleration in India’s growth rate and a waning of confidence about India’s economic prospects both at home and abroad. This collection of articles, written for *The Economic Times* and the *Economic and Political Weekly*, provides an intelligent – and often off-beat – analysis of events in the Indian economy as well as the world economy over the period 2004-2012.

As the financial sector has been at the heart of the crisis, the Indian banking sector as well as international banking come in for close scrutiny. The book also takes in its stride developments in the Indian polity, and a range of issues relating to management and governance. Written in the readable and hard-hitting style for which the author is well-known, the book is at once a chronicle and a critique of a turbulent period for the Indian economy as well as the global economy.

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ECONOMIC POLICY IN ANCIENT INDIA

Dr. Ravindra Nath, Lawyer & Well Known Author



This book serves as a reference book on the subject of economic policy of ancient India, based on Hindu scriptures. Extracts have also been cited where necessary. The citations make it a unique reference book on the subject of economics for all the time to come. It will be of great help to research scholars working on ancient Indian economics. The author has laboured hard to go through the various original texts like Vedas and the Puranas to make the book valuable one. Wherever needed he has given his own views on the subjects to facilitate the research scholars to draw their own conclusions.

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