



The **LONG MARCH** of the **POOR**

...and the **DECLINE** in **GLOBAL POVERTY**

One of the last things that Jesus told his disciples was that the poor would always be with them. For most of human history this was true in an objective sense. But now we can actually envisage a world in which poverty could be all but eradicated. **DR. STEPHEN DAVIES** on how global poverty has declined since 1780 ...

Historical investigations by scholars such as the late Angus Maddison show that for almost all of human history since the advent of agriculture the great majority of the population has lived in absolute poverty, on the edge of subsistence.

What this work also shows is that, while there have been short periods when the living standards of some people have risen, that was not sustained.

Consequently, the average living standards of someone living in the first century Roman Empire and someone living in eighteenth century Europe were much the same. This was true even for the elite – as Winston Churchill observed, there were more houses with central heating in Roman Britain than in the United Kingdom in 1950.

The English working class in the industrial revolution

However the last two hundred years have seen a dramatic and unprecedented change in the conditions and material well-being of ordinary people. There has been a long march of the poor in which living standards for the majority of the world's population have risen and the kind of absolute poverty that was the norm for all previous human history has become the fate of an ever diminishing minority, one that is shrinking both in absolute numbers (despite massive population growth) and as a proportion of the world's population.

This process began in Britain with the 'Industrial Revolution' of the years between around 1770 and 1850. It accelerated sharply after 1850 and has continued ever since, with particularly dramatic progress between 1890 and 1914 and 1990 and 2012.

However this story is not as widely known as it should be. Instead much popular (and even academic) history and current commentary prefers to emphasise the dark side of the story, to play up remaining problems rather than the positive changes. In the historical

case this means a historical narrative of early industrial Britain that sees the period between 1770 and 1850 as one in which most ordinary people became worse off in terms of both income and living conditions (nobody denies dramatic improvements after 1850).

The focus is on squalid housing, child labour and bad working conditions and, more generally, the exploitation of the working classes by the better off.

This way of thinking goes back to literary figures such as Dickens and ultimately to Friedrich Engels and the dark picture he painted of early industrial Manchester in *The Condition of the English Working Class*. Later historians such as Eric Hobsbawm also argued this case.

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However there was also a contrary view, put forward by historians such as Max Hartwell and J. H. Clapham who argued that there had been a clear improvement in the real incomes of ordinary people before 1850. This led to a long debate between the 'optimists' and the 'pessimists'. The debate effectively ended, as far as real incomes were concerned at least, with the publication of an article by Peter Lindert and Jeffrey Williamson in 1983. This showed that there was a slow but definite rise in real incomes for all workers between 1751 and 1819 and a sharp rise between 1819 and 1851 with the real incomes of the working class doubling in those thirty nine years. There is still debate over how big the increase in real wages actually was but that there was a rise is no longer in doubt.

Since 1983 the focus has switched to the issue of quality of life with the 'pessimists' now arguing that although wages went up in real terms, this was not enough to compensate workers for a deterioration in the quality of the environment and loss of amenities such as clean air and water. This is a more difficult debate to settle since it depends to some extent on subjective judgments as to how to value things such as environmental quality in

money terms.

Even so, the most recent work indicates that while we today might find the conditions of the early nineteenth century industrial city very bad, the contemporaries who moved there saw them as a distinct improvement on what they had left behind in the countryside and welcomed the greater freedom of action that living in a large city now made possible.

We do know that, between 1751 and 1851, life expectancy at birth rose by fifteen percent, a significant increase by historical standards and one that shows a clear improvement in the conditions of life for the majority. The best summary of the optimistic view, which makes

use of sources not used before, is the recently published *Liberty's Dawn: A People's History of the Industrial Revolution* by Emma Griffin.

The rich get (relatively) poorer and the poor get richer

When we come to the contemporary world, the focus changes to the conditions and incomes of the poorest people in global terms. There is a constant stream of publications that draw attention to the often desperate conditions of life for the poorest people on the planet, in particular those defined by the World Bank as living in absolute poverty: that is on an income of \$1.25 a day or less.

However this is a case where looking at even recent history shows that the glass is definitely more than half full.

The UN estimates that in 1820 80 per cent of the world's population lived on less than \$1.25 a day in today's money. By 1981 the figure had fallen to just under 52 per cent of the world's population. In 1990 the United Nations set out a series of targets to be reached by 2015, the Millennium Development goals. The first of these was to halve by 2015 the proportion of the world's population living in extreme poverty (defined as an income of less than \$1.25 a day). When the target was set in 1990 the proportion was 43 per cent and this fell to 31 per cent by 2002. By 2008 the proportion had fallen to

Date	Proportion of world's population in absolute poverty
1820	80%
1981	52%
1990	43%
2002	31%
2010	21%

around 23 per cent and by 2010 the target was met – five years early.

What these figures hint at is a very significant change in the pattern of economic growth since 2000. In the decade between then and 2010, to quote the World Bank: “developing economies grew faster over the last decade than in the previous two and faster than high-income economies. World output in 2010 reached \$63 trillion, measured in GDP at current prices—a nominal increase of 96 per cent over 2000. Developing economies’ share of global output increased from 18 per cent to 31 per cent.”

This pattern, of more rapid growth in developing poorer countries than in richer countries, has become even more marked since 2010. Hence, despite troubles in the world economy, the poor have got richer whilst the relatively rich have seen their incomes stagnate. The proportion of the world’s population in severe poverty has continued to decline.

Why did poverty plummet?

To return to the point made at the start, the obvious question is why absolute poverty, the basic lot of the great majority of humanity for most of history, began to decline steadily in the UK in the later eighteenth century and has declined worldwide since then.

Certain things can clearly delay or temporarily reverse this beneficent trend. Most notable are wars, government mismanagement and mistaken economic policy, and tyrannical, corrupt and oppressive government. Much of the literature on this argues that the reasons for rising living standards, whether in early industrial Britain or the poorer parts of the world in the last thirty years, are to do with positive and often redistributive action by governments. So the credit is given to public spending and action, state welfare provision and similar policies. However the evidence does not support this.

There is no correlation between policies of this kind and sustained rises



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in people’s incomes and standard of living. Sometimes the two things coincide but often they do not. Extensive action by government is clearly mostly a consequence of greater wealth rather than a cause. Some government action clearly is directly beneficial for economic growth and living standards, in particular major sanitation provision and sometimes

infrastructure provision, but the main explanation for the transformation of the condition of the world’s poor since the 1770s lies elsewhere.

If we look at the history it becomes clear that there are four important reasons for the long march of the poor.

The first is a stable legal system that enforces contracts and clearly established and effective property rights at a low cost.

The second is constitutional rules that prevent predatory and abusive actions by rulers and the powerful.

The third is openness to trade and greater trade connections with other parts of the world – this leads to gains from specialisation and greater division of labour.

The last, and in some ways the most important, is innovation, by scientists, inventors and entrepreneurs – this leads to the continuous improvements in productivity that lie behind the rises in real incomes that lift ever larger numbers of people out of poverty.

To a degree, the fourth condition requires the first three. These conditions can be difficult to achieve but when they are extended further, as they have been since 1990, the result is sustained intensive growth (where more output is produced from less input) that makes everyone, including the poor, better off.

Obviously there is still much room for improvement – just under half of the world’s population lives on \$2.25 a day or less – but the trend is clearly in the right direction. We can now imagine a world in which the poor will not always be with us – or at least in which absolute poverty arises only in exceptional and tragic circumstances.

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