

## **World of Progress: Why global poverty is becoming history**

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Angus Deaton, the Nobel-prize winning economist, recently reiterated his belief that on the whole the world is getting better – if not, as he accepted, everywhere or for everyone at once.

Perhaps that comes as no surprise, but the idea that the world is getting better with regard to the extent of poverty is actually a deeply unpopular view.

Ask most people about global poverty, and chances are that they will say that it is unchanged or getting worse.

A survey released late last year found that 92 per cent of Americans believe the share of the world population in extreme poverty has either increased or stayed the same over the last two decades.

Americans aren't alone in that belief.

Across all surveyed countries, an only slightly smaller majority – 87 per cent – believe that extreme poverty has risen or remained an intractable problem.

There are a number of cultural and psychological explanations for the persistence of such pessimism.

Bad news makes for good headlines, and tends to dominate media coverage. Psychologically, people tend to idealise the past, and recall dramatic and unusual events more easily than steady long-term trends.

They may also use pessimism as a means of virtue signalling. Psychologist Steven Pinker argues that this tendency is at least partly to do with the “psychology of moralisation” whereby people compete for moral authority.

Critics of the present state of affairs who argue that things are getting worse may be seen as morally engaged, whereas those who say things are getting better may be seen as apathetic.

Indeed, of those rare people who realise that extreme poverty has declined, almost all underestimate the extent of that decline. In fact, global poverty has halved over the past 20 years – but only one person in 100 gets this right.

Unsurprisingly, people in areas that have seen the most dramatic reductions in poverty are the most likely to be more aware of what is really going on.

But, even in China, where hundreds of millions of people have risen out of destitution over the last four decades, half of the population remains ignorant of the broader collapse in world poverty that has occurred within their lifetimes.

### **The ‘new normal’ of prosperity really is different**

Throughout most of human history, extreme poverty has been the norm. This famous hockey-stick chart, (Figure 1) arguably the most important graph in the world, illustrates what happened when the Enlightenment and Industrial Revolution caused income to grow exponentially – forever changing the way we live.

Humanity, as this chart shows, has produced more economic output over the last two centuries than in all of the previous centuries combined. And this explosion of wealthcreation led to a massive decrease in the rate of poverty.

In 1820, more than 90 per cent of the world population lived on less than \$2 a day and more than 80 per cent lived on less than \$1 a day (adjusted for inflation and differences in purchasing power). By 2015, less than 10 per cent of people lived on less than \$1.90 a day, the World Bank’s current official definition of extreme poverty.

Not only has the percentage of people living in poverty declined, but the number of people in poverty has fallen as well – despite rapid population growth. There are also more people alive who are not in penury than there have ever been.

In 1820 just 60 million people lived a life that was not marked by desperate poverty. In 2015, that figure was 6.6 billion.

Globally, poverty is about a quarter of the level in 1990 (Figure 2). Not only that, as poverty has fallen, child mortality, illiteracy, and even pollution in wealthy countries have fallen dramatically.

If progress continues on its current trajectory, the Brookings Institution estimated in 2013 that extreme poverty (this time defined as living on \$1.25 a day, again adjusted for inflation and differences in purchasing power) will all but vanish by 2030, affecting only 5 per cent of the global population.

In the best-case scenario, they predicted that by 2030 poverty will decrease to a truly negligible level, affecting only 1.4 per cent of the planet’s population.

The facts are unambiguous: despite public perceptions to the contrary, extreme poverty has declined significantly, to the point where its end – for all practical purposes - may actually be in sight.

So next time you hear someone bemoaning a supposed rise in world poverty, encourage them to have a look at the evidence for themselves.

Understanding the facts is important. If we do not understand what has happened in the economy, even where the data are very clear, we are unlikely to make good recommendations in relation to public policy going forwards.

And, for many people who are on the edge of extreme poverty, the difference between good policy and bad policy can be the difference between life and death

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