



Globalization's greatest triumph: the death of extreme poverty

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It is the greatest story of our time, and it's one few have heard of. Mankind is defeating extreme poverty.

The World Bank has just released its latest numbers, and according to them, the proportion of the world population in extreme poverty, i.e. who consume less than \$1.90 a day, adjusted for local prices, declined from 36 percent in 1990 to 10 percent in 2015.

Even though world population increased by more than two billion people, the number of extremely poor was reduced by almost 1.2 billion. It means that in the now much-despised era of globalization, almost 130,000 people rose out of poverty every day.

Every one of those 130,000 represents another individual who get closer to a decent life with basic education, access to health care and opportunities in life. This is the greatest achievement in human history.

At the Millennium Summit of the United Nations in 2000, the world's countries set the goal of halving the 1990 incidence of extreme poverty by 2015. This was met more than five years ahead of deadline.

Progress has been fastest in Asia. In East Asia, extreme poverty was reduced from 62 to 2 percent and in South Asia from 47 to 12 percent. But other regions have also seen progress.

In Latin America, poverty was reduced from 14 to 4 percent. The laggard is Sub-Saharan Africa, but even there, extreme poverty has been reduced, from 54 to 41 percent.

That is higher than anywhere else in the world, but it means that extreme poverty is now more rare in Africa than it was in the world's richest countries at the dawn of the industrial revolution.

It is fascinating that this progress takes place just as many in the West are starting to doubt free trade and global capitalism.

Because this poverty reduction happened in the countries that started liberating their markets and began to integrate into the global economy, like China in the early 1980s and in India and Vietnam in the early 1990s.

As the Indian economist Gurcharan Das says about his country's progress in the documentary, "India Awakes": "The principles that brought so much prosperity and freedom to the West are being affirmed in a country that is in the East."

Multinational institutions are good at producing seminars and elaborate plans about how to create some kind of mythological "pro-poor growth." But the best way of making growth pro-poor is to make growth high and keep it high.

A study of 121 countries over four decades by economists David Dollar, Tatjana Kleineberg and Aart Kraay showed that most of the cross-country variation in growth in incomes of the poor is due to growth in average incomes, not changes in distribution.

Just at the moment that both the left and the right give up on global capitalism, it is celebrating its largest accomplishment. One of the reasons so many despair is that they don't know about this development.

When Americans were asked what had happened to global poverty the last 20 years, only 5 percent answered that it had halved; 66 percent thought it had doubled.

Another reason is that many believe in the myth of the zero-sum game: For someone to win, someone else has to lose, and so they think they are the ones who will have to pay if China or Mexico prospers.

But that does not apply to a free market where no deal ever takes place unless both parties think it will make them better off and where trade and specialization helps to increase the size of the global pie.

But this is a particularly dismal time for the U.S. to give up on globalization and start trade wars. According to an estimate from the Brookings Institution, the global middle class grew by 2.3 billion during these 25 years.

That's another 2.3 billion who are soon consuming what Western middle classes consume and Western companies produce — fashionable brands, modern transportation, home electronics, medical drugs, entertainment and financial services.

That giant sucking sound we could soon be hearing is from billions of people in the South and the East, importing whatever goods and services our companies produce. Fortune favors the brave. Protectionism ruins it for everybody.

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