Introduction

Few issues reverberate on a global scale like poverty. We witness civil and international wars in Syria and Yemen. We witness political unrest in Jordan and Venezuela. We witness outbreaks of ebola in West Africa, polio in Pakistan and Afghanistan, and tuberculosis in India, Indonesia, China, and the Philippines. Not to mention the ongoing difficulty of ending the spread of HIV/AIDS in sub-Saharan Africa. Today, global poverty is in some cases the cause and in other cases the consequence of these and other immiserating scenes. These scenes have their precursors in history and their likely legacies in the future.

Building on Jefferson (2018), this chapter considers the long view of global poverty trends while providing highlights of the scenery that contextualizes changes in the trends. We do this by addressing four questions: (1) What are the historical trends in global poverty? (2) What are alternative ways of measuring historical trends in global poverty? (3) What explains historical trends in global poverty? (4) What are likely future trends in global poverty?

These questions are relevant because their answers help us to make sense of aspects of our modern world. We witness social imbalances because of inequitable market outcomes. We witness the compromise of human dignity because of our societies’ incomplete provision of opportunity. We wonder about accountability for the poverty we witness, if not experience ourselves. Our realization is that poverty anywhere affects us, wherever we happen to live.

We organize the remainder of this chapter as follows. The next section provides an overview of the long-run behavior of the global poverty rate. The third section considers why the poverty rate was so high historically. Then we cover primary issues pertaining to measurement of poverty on a global scale, followed by a section that conveys our understanding of factors driving the long-term decline in the global poverty rate. We then consider obstacles to poverty reduction, and forecasts of global poverty in 2030.

Historical trends in global poverty and well-being

The fraction of the global population living in extreme poverty has declined steadily over the past two hundred years. Using historical data compiled by Bourguignon and Morrisson (2002) and
the World Bank (2018a), Figure 10.1 shows the fraction of people living at less than $2/day and $1/day from 1820 to 2015. The Bourguignon and Morrisson data are in 1985 purchasing power parity dollars. The World Bank data are in 2011 purchasing power parity dollars. The World Data Lab’s (2018) forecast of the poverty rate in 2030 is also included in Figure 10.1. We will discuss that forecast later in the chapter. In 1820, ninety-four out of every one hundred people lived in poverty worldwide according to the $2/day threshold. Almost one hundred years later, the global poverty rate was still extraordinarily high at 82 percent. We see a downward bend in the curves starting in the post-World War II period, circa 1950. After 1980, the decline in the global poverty rate is rapid.

Figure 10.2 shows the global population and absolute number of people living in poverty worldwide corresponding to the poverty rates in Figure 10.1. The World Data Lab’s forecast of the number of people living in poverty and global population in 2030 is included in Figure 10.2. We will also discuss these forecasts below. We see the global population growing slowly before accelerating around 1910. The number of people living in poverty rose with population as the poverty rate was falling. Therefore, until around 1990, population growth outpaced the reduction in the poverty rate. Post 1990, we see for the first time in recorded history a steady decline in the number of people living in poverty.

We cannot assess the quality of a human life using monetary measures alone. Money is instrumental to well-being but it is not well-being itself. There are dimensions of well-being such as bonds of love, affection, and belongingness that money cannot buy. Therefore, in order to evaluate historical trends in well-being, we must examine non-monetary measures. Bourguignon and Morrisson (2002) note that there are few measures in the historical record that would allow us to achieve a consistent view of the evolution of well-being over two centuries. One such measure they report is life expectancy. Figure 10.3 shows average life expectancy at birth from 1820 to 2015 using data compiled by Bourguignon and Morrisson (2002) and the World Health Organization (2018). The United Nation’s (2015) forecast of life expectancy in

**Figure 10.1** Global poverty.

*Note: Data in all figures in this chapter come from Bourguignon and Morrisson (2002).*
Figure 10.2  Global number of people in poverty.

2030 is also included in Figure 10.3. We will discuss that forecast later. Someone born in 1820 could expect to live twenty-seven years on average. We cannot know the joys, challenges, triumphs, and disappointments that characterized the life of the typical person born in 1820. We do know, however, that this person’s life was short. Brevity would have circumscribed

Figure 10.3  Global average life expectancy at birth.
their well-being. The advance in life expectancy is unmistakable. The upward bend around 1910 corresponds to the surge in population around that same date. We will associate a longer life with an improvement in well-being. It is reasonable to assume that the better nutrition and health that extended years of life facilitated interactions and experiences that enriched the quality of life. By 2015, life expectancy had almost tripled to seventy-two years.

If we focus on a shorter time span, we can broaden our view of dimensions of well-being by combining information about life expectancy with information on educational attainment and income per capita. The United Nations Development Program (2016) does this. The result is the Human Development Index (HDI). Figure 10.4 shows the global HDI since 1990, the first year the United Nations produced it. The range of the HDI is zero to one with larger values indicating higher levels of well-being. The trend in Figure 10.4 is unmistakable. Over the past three decades, global well-being is improving.

Together, the historical trends in Figures 10.1 through 10.4 convey a clear message: we are winning the battle against extreme poverty. We cannot assure complete victory, however, without understanding why poverty was so prevalent in the past and why it has declined over the past two centuries.

Why were so many people living in poverty?

Every family’s situation is unique. Therefore, no single narrative can explain why so many people lived in poverty in the past. In retrospect, however, we can identify factors that affected a large number of families adversely. Here, we highlight four of those factors: absence of industrialization, colonization, weak public support systems, and lack of accountability.

In 1820, the Industrial Revolution was already underway in Britain. It was also spreading to Western Europe. Most people alive at that time worldwide, however, did not feel its
impact in terms of elevated income or consumption available to them on a daily basis. One reason for this is that most people worked in the agricultural sector and worked with limited amounts of physical capital. Thus, productivity was low. According to Maddison (2007), by 1820, Britain and Western Europe were already twice as rich as the rest of the world. Early industrialization accelerated productivity. An expansion of trade domestically and internationally permitted specialization according to comparative advantage. People in countries that were slow to industrialize and slow to join the world trading system remained poor throughout the 19th century.

Some countries participated in the expansion of trade in the 19th century but their indigenous populations did not reap the benefits of that participation. This was the result of colonization. Countries in the Caribbean, the Americas, Africa, and South Asia provided Western European colonial powers with primary products and labor. These vital inputs fueled industrialization in Western Europe. Normally, we would expect trade to be mutually beneficial. Trade between Western Europe and its colonies, however, was anything but because of the concomitant institutional arrangements. Systematic enslavement of peoples meant that labor was largely uncompensated. Colonists expropriated indigenous people’s land via conquest and without compensation. Colonists did not share profits from trading with Western Europe equitably. They did not have to. Their political and social control of indigenous populations was virtually complete. The colonial system persisted well into the 20th century. It retarded industrialization and poverty reduction outside of Western Europe and its affiliates (North America and Australia) for centuries.

A defining characteristic of industrialization is structural change. We see this change as a reduction in the agricultural sector’s share of output and employment. As structural change occurred during the Industrial Revolution in Western Europe and its affiliates, the agricultural sector released unskilled labor. Absorption of this labor into the nascent industrial sector was uneven and incomplete. Thus, there were large numbers of people without land to farm, shops to keep, or factories to staff. The English Poor Laws existed long before the Industrial Revolution but they were not substantive enough to provide meaningful relief to people living in poverty. In some cases, nor was that their intent. Rather, society left it to the church and other private charitable organizations to respond to prevalent deprivation. These entities, however, never had enough resources to support all of those in need. The reluctance of governments to intervene programmatically meant that millions of people would have to endure in poverty on their own. Not until late in the 19th century in Germany would we see government beginning to act at the national level to provide public insurance to individuals at risk of poverty for reasons beyond their control.

Measuring poverty on a global scale is a massive undertaking. Historically, the information gathering and coordination required for the task was not feasible. Although poverty was pervasive, no one had an accurate count. Therefore, it was not possible to hold governments accountable for poverty and its persistence. As Ravallion (2016) notes, it would not be until Booth’s (1903) and Rowntree’s (1902) attempts to tally the total number of people living in poverty in London and York that serious attention was paid to the task. Without measurement, it is impossible to know the scale and scope of a problem. It is difficult to design an appropriate response, be it public or private. The persistence of poverty we see historically was in part due to an insufficient response to a large-scale problem. In the absence of evidence, there was no consensus within countries or across countries about whose, if anybody’s, responsibility it was to do something about the problem. Today, the World Bank performs this task. Doing it correctly requires the input of national statistical agencies worldwide and coordination across countries.
Measuring global poverty

The World Bank focuses on consumption per person when determining a person’s poverty status. Consumption more closely correlates with well-being than income. The reason is that a person can decouple consumption from income if she receives assistance from other sources such as family, friends, government, or non-governmental organizations. This assistance can help her to enjoy her life more than she would have if she had to sustain herself on her income alone. Ferreira et al. (2016) provide the details of the World Bank’s methods. They note that in some cases, such as Latin America, statisticians use income to determine a person’s poverty status. Participating countries collect survey data at the household level. The surveys ask representative samples of households how much they consume per unit of time and the number of people living in the household. Then, statisticians monetize each household’s reported amount of consumption, valuing it at market prices within the respective country.

Worldwide, there are many poverty lines. Countries set a level of consumption per capita such that we classify people who consume less than this amount as living in poverty. National poverty lines are denominated in the units of the national currency. Countries also have different price levels and inflation rates. Additionally, countries trade some goods and services internationally but not others. These facts make it difficult to count the number of people living in poverty across countries. We require some type of standardization in order to treat similarly situated people equally. The World Bank’s International Comparison Project develops such a standard. The outcome of the program is a set of Purchasing Power Parities (PPP). PPP is the relative price of a common basket of goods where we set one country’s basket as the numeraire. Once PPP for a country is available, we use it to produce “international dollars” if the US dollar is chosen as the numeraire, as is customary. We also refer to international dollars as PPP dollars denoted symbolically as PPP$. Consider a stylized example of how to convert a national poverty line from national currency units into international dollars. Suppose that the poverty line in India in rupees is ₹1,000 per person per month. Let India’s PPP equal 15. Here, the units of PPP are ₹/$. Then, India’s poverty line in international dollars would be PPP$66.67 (= ₹1,000/15) per person per month or PPP$2.19 (= PPP$66.67/30.5) per person per day. This is a stylized example because, in practice, there are two poverty lines in India; a low one that covers rural areas and a higher one that covers urban areas. Such distinctions can be important in the developing country context.

Consumption and income are monetary measures of well-being. Sen (1999) argues, however, that many things make life fulfilling besides income and consumption; what people are capable of doing and being matters. To identify these qualities, we must consider non-monetary measures of well-being. In fact, the HDI is a step in that direction. The HDI puts weight on a measure of health (life expectancy) and educational attainment in addition to income. Therefore, declining (or stagnant) performances in health and education mitigate the impact of increasing income on well-being. The HDI encourages policymakers to look beyond per capita income as they think about development.

More recently, Alkire et al. (2015) advocate for expanding the dimensionality of measures of well-being exclusive of income per capita. Their multidimensional poverty index (MDI) has three dimensions: education, health, and standard of living. Each dimension has associated with it a set of indicators, weights on each indicator, and a threshold that signals deprivation if the household does not surpass that threshold. For example, the standard of living dimension has the following indicators, all with weight $\frac{1}{18}$ in the index: electricity, sanitation, water, floor, cooking fuel, and physical assets (including a radio, TV, bike, and refrigerator). Like the HDI, an intent of the MDI is to broaden the discussion about what we mean when we say that someone is living...
in poverty. It also reshapes our image of what remedies are relevant for improving well-being. See Chapter 4 in this Handbook for more on multidimensional poverty.

**Understanding the decline in global poverty**

Sustained economic growth reduces poverty. Using historical data from Bourguignon and Morrisson (2002) and the World Bank (2018a), Figure 10.5 shows average per capita income from 1820 to 2015. The Bourguignon and Morrisson data are in 1990 PPP dollars. The World Bank data are in 2011 PPP dollars. It took ninety years, from 1820 to 1910, for average income to double from its level of PPP$659 in 1820. After the turbulence of two world wars, it took only forty years from 1950 to 1992, for average income to double again. From 1992 onward, we see a dramatic growth in average income fueled by the emergence of China and India. Global average income more than doubles in a mere twenty-three years. According to the World Bank, global average income in 2015 was PPP$15,687. The impact of these three growth eras is evident in Figure 10.1 where we see a gradual decline in the poverty rate in the 19th century, a faster decline in the aftermath of World War II, and then a rapid decline post-1992. The observation that economic growth reduces poverty, however, begs the question, what fosters growth?

Acemoglu and Robinson (2012) provide ample historical evidence that the nature of a country’s economic and political institutions determines its capacity to grow and to reduce poverty. Extractive institutions such as corruption and prohibition of private property distort incentives and sap people’s desire to invest, take risks, and innovate. Inclusive institutions such as equal protection under the law and property right enforcement, encourage growth-friendly activities.

![Figure 10.5 Average income per person.](image-url)
such as entrepreneurship, civic engagement, and asset accumulation. They argue that countries are more likely to enjoy sustained economic growth if their economic and political systems are inclusive. If we extrapolate their thesis to the global level and look over the past two centuries, then we can conclude that, on average, the global institutional environment has been inclusive and favorable to growth and poverty reduction.

One byproduct of a favorable global institutional environment is the capacity for trade to occur between countries. If freedom of movement of people and financial capital accompany this trade, then we have globalization. Williamson (2011) documents the explosion of international trade in the 19th century. England was the most prosperous nation and it believed firmly in free trade. England promulgated this ethos throughout its empire and affiliated countries. Trade allowed for specialization according to comparative advantage. Each country could produce goods for which its opportunity cost was lowest. Specialization increased global output. Global income grew as a result.

Recognizing that trade is good does not mean that everyone benefits from trade. Trade may harm people who produce goods that compete with imports. If people lose their jobs due to trade, then they will be at increased risk of poverty. Such displacements are just one of many factors that can cause people to be at risk of poverty.

The vicissitudes of market economies can displace and marginalize people. In response, societies construct social safety nets. These are the web of programs and policies designed to provide support to people living in poverty. Typically, public and private entities do the provisioning of service. Beaudoin (2007) notes that public–private partnerships have been a hallmark of assistance to people living in poverty at least since the 16th century. The English Poor Laws empowered the church to collect taxes. The church then used these taxes to provide relief to people living in poverty locally. In the 19th century, social safety nets slowly evolved in Europe, culminating in the introduction of national social insurance for workers in Germany in the 1880s. Today, over one hundred countries have some type of social safety net program that assist people living in poverty. The examples range from Ethiopia’s Urban Productive Safety Net Project that provides part-time employment and a stipend, to the United Kingdom’s Universal Credit that provides a cash payment to adults with low income and without a job. According to the World Bank (2018b), social safety net spending is 1.5 percent of global GDP. That spending reduced the global poverty rate by 36 percent at the PPP$1.90 per day level. The World Bank bases these figures on underlying countries’ most recent data between 2008 and 2016.

Obstacles to global poverty eradication

Milanovic (2016) asks us to consider the economic status of each person independent of where in the world that person lives. From this perspective, there is only one society, the global one. We can evaluate a person’s position in the global income distribution. When we do this, the role of inequality in the persistence of poverty is more transparent. The rapid growth of China and India, two countries with huge populations, has created a large global middle class. People in the global middle class are far from rich, especially compared to the middle class in high-income countries. The former, however, are gaining on the latter. The global middle class is also leaving behind the global poor, people in the lowest quintile of the global income distribution. These people received only two percent of global income growth from 1988 to 2008.

Milanovic argues that the difficulty we face is not one of economic growth, per se. Rather, it is equitable distribution of that growth. The global elite, people in the top one percent of the global income distribution, are richer and more politically powerful than ever before. Increasingly, they have the capacity to influence public policy in countries where they reside.
They advocate for taxation and spending policies that preserve their status. Low taxes on capital income and reduced spending on social safety nets are examples. They fund campaigns of politicians who share their views. When elected, these politicians press for laws consistent with views of the elite. The net effect is that people in the lowest quintile of the global income distribution receive less support. The structure of society is likely to trap them in their position because they are more vulnerable to negative shocks related to climate, technology, and political and economic instability. This is especially true if limited access to quality education and healthcare for people living in poverty accompanies the resurgent political power of the global elite.

One goal of the Millennium Development Goals (MDGs) was to provide access to primary education for all school-age children. By 2015, the global primary school enrollment rate for eligible children was almost 90 percent according to the World Bank (2018a). On the surface, this outcome is praiseworthy. Education increases workers’ productivity. It empowers women and girls. It enhances civic engagement. The difficulty, however, is that enrollment is not the same as learning. Testing from India to Mexico indicates that children are not performing up to grade level in mathematics and writing. Student and teacher absenteeism is a problem. Schools are under-resourced. Teacher preparation and training are uneven. These factors weaken the transformative power of education. This is particularly unfortunate because, as Psacharopoulos and Patrinos (2018) report, the private rate of return to an additional year of primary education in low-income and middle-income countries is over nine percent. Low-quality education perpetuates intergenerational poverty.

The World Health Organization and the World Bank (2017) estimate that at least 3.8 billion people (out of 7.3 billion people globally) did not have essential health services coverage in 2015. They define essential health services as interventions in four areas: (1) reproductive, maternal, newborn, and child health, (2) infectious diseases, (3) non-communicable diseases, and (4) service capacity and access. Restricted access to basic health services makes transition out of poverty very difficult. It can lead to absenteeism from school or work. Children who miss school due to illness fall behind their peers. They learn less. Therefore, they accumulate less human capital than they would otherwise. As adults, they are less productive. Their attachment to the formal labor force is tenuous. They earn less when employed. These outcomes increase the likelihood of intergenerational transmission of their childhood poverty status. The tragedy is that society can prevent or easily treat many childhood diseases via vaccination. Then, there are the public health implications of limited essential health services coverage. The health sector’s limited capacity to respond in a timely manner to known threats exacerbated mortality and morbidity effects of the HIV/AIDS and ebola epidemics in sub-Saharan and Western Africa.

In 2018, rival factions within South Sudan signed a peace agreement that ended a civil war that began shortly after independence from Sudan in 2011 and lasted more than four years. Also in 2018, Ethiopia and Eritrea signed a peace agreement that ended a war between them that lasted almost twenty years. These three countries are among the poorest on Earth with income per capita of $995 or less in 2017. While there are multiple reasons why South Sudan, Ethiopia, and Eritrea are struggling, the persistent violence due to warfare surely ranks among the leading reasons. Violence and conflict are poverty-producing machines. They destroy almost everything of productive value including people, land, capital equipment, infrastructure, livestock, and structures. They create an environment where it is virtually impossible to invest in the future. They displace non-combatant populations. According to the United Nations High Commissioner for Refugees (2017), the forcibly displaced population worldwide stood at 66 million people in 2016. This figure is the cumulative effect of years of conflict, violence, persecution, or human rights violations. Often, these people are not prepared to support themselves. Nor are societies that receive them prepared to absorb
them. The exigencies of warfare dominate most, if not all, plans for human development. Human development indicators, including life expectancy and infant mortality, get worse during periods of warfare. Poverty reduction ceases to be a priority.

The level and locus of future global poverty

Figures 10.1 and 10.2 report World Data Lab (2018) forecasts of the global poverty rate, the number of people living in poverty, and global population in 2030, respectively. Figure 10.3 reports the United Nation’s (2015) forecast of life expectancy in 2030. Of course, forecasts of the future are fraught with uncertainty. These are no exception. Nevertheless, they provide some guidance about likely future implications of current policy. They predict that the global poverty rate and the number of people living in poverty will decline to six percent and 476 million, respectively. The good news is that these outcomes will be all-time lows. A rise in life expectancy to 74 years and population to 8.5 billion will accompany these poverty outcomes. The bad news is that almost half a billion people will still live in poverty. At our current rate of poverty reduction, we will not achieve the first SDG: eliminate extreme poverty everywhere by 2030.

Challenges in sub-Saharan Africa are likely to be a major retardant on the rate of poverty reduction over the next decade. According to the World Bank (2018a), the number of people living in poverty there rose from 278 million in 1990 to 413 million in 2015, countering a decline in that number in every other region of the world. Clearly, poverty reduction in sub-Saharan Africa represents a final frontier in our struggle against poverty.

Conclusion

The focus of this chapter is trends in global poverty. Four questions frame the discussion. Our answers to them provide a convenient summary of this chapter. First, the historical trend in the global poverty rate is negative. In 1820, the global poverty rate at two dollars a day was over ninety percent. Today it is ten percent. Second, we use monetary measures such as income per capita and consumption per capita to measure poverty. We also use non-monetary measures such as education, health, and life expectancy to capture other dimensions of well-being. The latter measures expand the scope of accountability and policymaking. Third, economic growth, sound institutions, trade, and social protection programs are leading causes of the negative trend in global poverty. Fourth, forecasters project that the global poverty rate will be around six percent in 2030. Unfortunately, that rate implies that almost half a billion people will still be living in poverty. Therefore, we have much more work to do. We know a lot about how to eradicate global poverty. Whether we have the political will to do it is unknown.

References

Global poverty


