



# Current Path

Global trends tell a story of improved livelihoods

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## Global trends tell a story of improved livelihoods

Over the last two centuries, the world has witnessed a transition to levels of peace and prosperity that are almost unimaginable by historical standards. We often do not realise exactly how recent this progress is.

The improvement in well-being that followed the Industrial Revolution came from a very low base. Still, it transformed the economies of Europe and North America to the extent that these nations overtook China to emerge economically and politically dominant globally. Eventually, inequality between and within countries also increased—a trend that decelerated somewhat between the two World Wars and only stabilised after 1950 when growth in Europe and the US slowed, coinciding with more rapid economic growth in Japan, East Asia and eventually China. Even in 1950, three-quarters of the world's population lived in what we today would term **extreme poverty**.

During the first half of the previous century *rates* of poverty declined even as global populations continued to increase. Then, from around 1970, the decrease in poverty rates became so rapid that we saw the *absolute number* of people living in extreme poverty also starting to fall, despite the huge increase in global population. The decrease is largely a result of the growth of economic freedom and the expansion of trade—developments often considered synonymous with globalisation and a neoliberal phase of economic development.

Until the early 1990s, the number of extremely poor people hovered at just below two billion people (around a third of the global population). However, from around 1998, it declined precipitously, mostly because of rapid progress in China and, to a lesser extent, in India. The remarkable progress in China since 1978 transformed a rural, centrally planned economy into the most dynamic and second largest in the world, now generally referred to as a socialist market economy. China's success is such that it has come to challenge Western neoliberal orthodoxy.

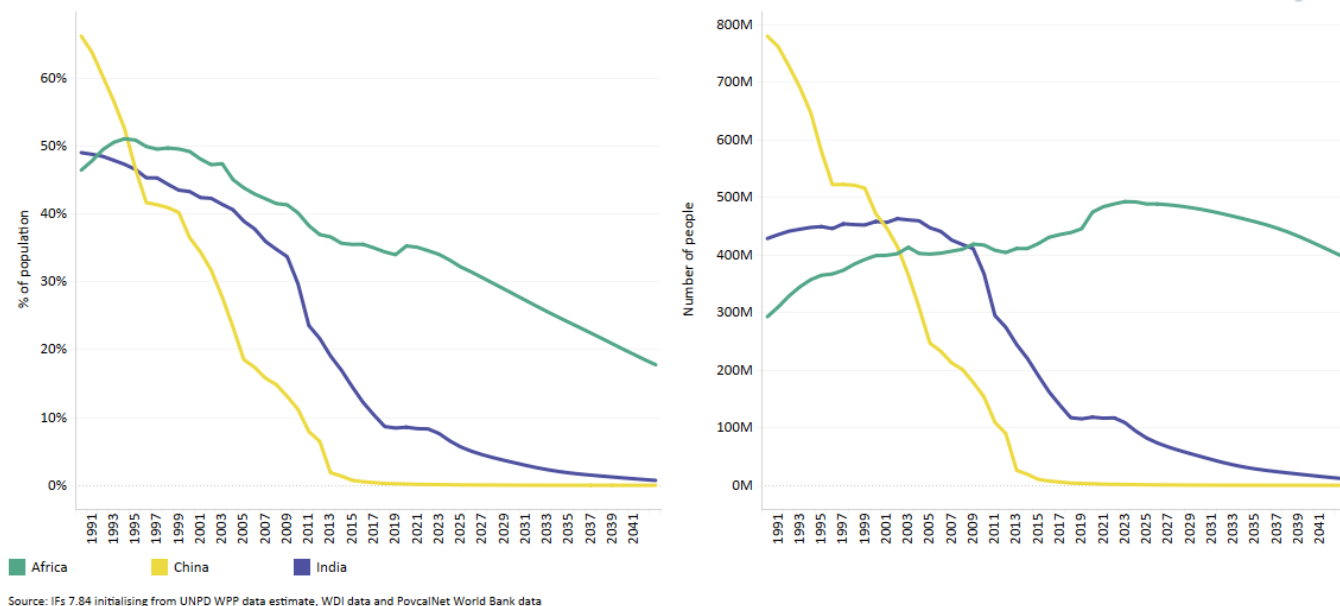
By 2015, the number of Chinese living below US\$1.90 per day was less than 1% of its population. It was above 80% in the 1980s. The remarkable improvements in income growth on the back of rapid **economic growth** were possible because China's autocratic political system allowed its government to undertake social engineering that would be unthinkable in a more democratic Africa. It could also do so on the back of a cadre of dedicated and efficient civil servants, drawing upon the Confucian tradition that Imperial China built up over centuries. Inequality in China has, however, steadily increased as the country has grown more wealthy. China is, of course, one country, whereas Africa is a mosaic of huge diversity, each an independent, sovereign state. Finally, China's large internal market, like the US and India, offers it a huge advantage that Africa can only hope to replicate with full trade and market integration as done in the European Union.

India, a diverse, fractious and loud democracy, also contributed to poverty reduction, though at a slower rate. Whereas roughly half of India's population was considered extremely poor in the 1980s, that number decreased to 8% by 2019.

The improvements have been so fast that in 2005 the international community was emboldened to adopt a target to halve extreme poverty by 2015 as part of the Millennium Development Goals (MDGs). When that was met, an even more ambitious goal, to *end* extreme poverty by 2030, was adopted as Goal 1 of the Sustainable Development Goals (SDGs). Technically, this means that less than 3% of the population of every country in the world should be living in extreme poverty, using an average income of US\$1.90 per person per day as a benchmark. Whereas China met the SDG goal of eliminating extreme poverty in 2013, India will likely get there around 2031.[1]

The situation and prospects in Africa are less impressive.

Chart 3: Extreme poverty in Africa, India, China and the World, 1990–2043



Because of Africa’s rapid population growth, modest rates of economic growth and relatively high levels of inequality, the absolute number of extremely poor people in Africa has steadily increased since 1960 and is likely to continue to do so for several years before slowly starting to decline. However, since the early 1990s, the *percentage* of people living in extreme poverty in Africa has declined. The reason is that although economic growth on the continent slowed after the 2007/08 financial crisis and contracted sharply in 2020 owing to the COVID-19 pandemic, it has generally been robust enough to reduce the portion of Africans living in extreme poverty but not enough to reduce the absolute number.

Even before the recent war in Ukraine and the associated food supply and global growth implications detracted from current prospects, it was already clear that Africa will miss the SDG goal of eliminating extreme poverty by 2030 by a considerable margin. In this, the widening gap between Africa and the rest of the world again becomes painfully clear. Things are improving in Africa but much slower than elsewhere. Actually, by 2030, the Central African Republic, Liberia, Burundi, Madagascar, Mozambique, South Sudan, Somalia, the Democratic Republic of Congo (DR Congo), Guinea Bissau and Sierra Leone are all likely to still have more than 50% of their populations living in extreme poverty.

## Endnotes

1. In May 2022, the World Bank adjusted the US\$1.90 measure from 2011 prices to US\$2.15 in 2017 prices (this is discussed in more depth later in this theme). However, the associated data is expected only in 2023.

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## About the authors

Dr Jakkie Cilliers is the ISS's founder and former executive director of the ISS. He currently serves as chair of the ISS Board of Trustees and head of the African Futures and Innovation (AFI) programme at the Pretoria office of the ISS. His 2017 best-seller *Fate of the Nation* addresses South Africa's futures from political, economic and social perspectives. His three most recent books, *Africa First! Igniting a Growth Revolution* (March 2020), *The Future of Africa: Challenges and Opportunities* (April 2021), and *Africa Tomorrow: Pathways to Prosperity* (June 2022) take a rigorous look at the continent as a whole.

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