

Is the World Really Getting Richer?

These days, our view of the world seems to be dominated by a sense of pessimism. No matter how many surveys you look at (see, for instance, [here](#) and [here](#)), results are always the same: most people are convinced that the world is becoming a worse place in which to live.

Nevertheless, there is plenty of evidence to contradict this widespread belief. In fact, never in the history of mankind have [living standards](#) been so high on a global scale. The last decades have witnessed a tremendous increase in the life quality of millions of people: undernourishment has fallen, literacy and life expectancy are at all-time high levels, child labor has declined, and so on.

When it comes to poverty, the picture is very positive. Extreme poverty, understood as earning less than \$1.90 a day (adjusted for purchasing power), has [declined](#) by more than 30 percentage points, moving from 40 percent of the world population in 1990 to 10 percent nowadays. In absolute numbers, 1.25 billion people have gotten out of the poverty trap despite the increase in population the world has experienced in the last decades.

Some, however, could argue these numbers are misleading. After all, the international poverty line used by economists seems too low. Even though the two-dollar threshold is grounded in a [solid methodology](#) (it factors in the minimum nutritional, clothing and shelter needs in poor countries), this alleged reduction in poverty rates might be just a statistical mirage aimed at hiding the reality of global poverty. Would a higher poverty line show a different landscape?

The answer is no. Thanks to our friends at [Our World in Data](#), an online source for data about living conditions, we can safely say that the decline in poverty levels is a fact

regardless of the threshold we choose. Let's take, for instance, a poverty line of \$10 a day, which is five times higher than the one used to define extreme poverty. In developing countries, the share of people living with less than \$10 a day (i.e., an annual salary of \$3,650) has moved from 92 percent in 1990 to 77 percent in 2013. When selecting the more modest poverty line of \$3.1 a day (\$1,132 a year), results are even more impressive: in 1990, 65 percent of the population in non-rich countries earned less than three dollars a day; today, it's less than 32 percent.

The evidence is clear: no matter how you measure it, poverty has declined worldwide. Of course, that isn't a reason to be complacent: 750 million people are still living with less than \$1.90 a day. Yet turning a blind eye to the unprecedented wave of prosperity that has swept the world over the last decades can lead us to overlook its causes, namely, the spread of capitalism and free markets. It could also lead us to look at alternatives that have repeatedly failed to improve the living standards of the world's poorest throughout the twentieth century.

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