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## The Pattern of Economic Growth, 1950-2000

Growth is good. Growth makes the world go around. Growth is a many-splendored thing. All you need is growth. Yes, but how do you get it?

Growth is the core of economics. Inequality may be its heart, but growth is its soul. Adam Smith talked about the wealth of nations; differences in wealth brought about by different *rates* of long-run growth. The world is divided into countries, and the preoccupation of every born-again economist, and politician, is how to achieve faster growth for *her* economy. Every country, irrespective of ideological persuasion, has worshiped at the altar of growth.

Growth is therefore the key to the kingdom. It brings about the wealth of nations, it can help bring about justice. Though one might argue about the importance of the nonmaterial things in life, it is clear that without growth on the table, such discussions will remain just that—armchair arguments. And without growth, concerns about poverty and inequality will only become greater concerns. The first concern, therefore, is with what happened to average incomes in different parts of the world during the past half-century, 1950-2000.

But how should levels of living be compared across countries? National accounts data are in local currency, and one needs an exchange rate to compare incomes. The conventional US dollar exchange rate provides one such method of comparing incomes across countries; though useful, this method is deemed incorrect mostly because governments intervene in foreign exchange markets and set exchange rates, and these exchange rates may not reflect comparable purchasing power. Exchange rates set by the “market” can and do go out of whack with distressing regularity.

It is unlikely that East Asia suffered a decline in average levels of living of 50 percent or so within a few months during the 1997 crisis.

Precisely in recognition of this problem, the International Comparison Programme<sup>1</sup> was initiated in the late 1960s by the United Nations and the World Bank. This project yielded a new currency—purchasing power parity or PPP—and several volumes of research. It is the bread and butter of practically every economist interested in cross-country analysis—among research *projects*, this one is *the* Nobel prize. But not everyone thinks the same, including the authors of some UN reports.<sup>2</sup>

For an evaluation of growth, two estimates are possible: growth in local currency terms and growth in PPP dollars. The two need not be identical. Most regions of the world show similar trends according to the two measures for the period 1960-80, and approximately 0.5 percent show *lower* growth for the PPP measure, 1980-2000. Thus, if PPP dollar estimates are used (as they are throughout, because intercountry comparisons of *levels* of living are made), it should be recognized that they are lower-bound estimates of the growth that citizens of the world enjoyed, and especially a lower bound for the second period, also called the globalization period, 1980-2000.

Two major conclusions emerge from the intertemporal comparison of growth rates. First, the world as a whole showed a mild acceleration of 0.15 percent a year in the second period, as the average annual *country* growth rate<sup>3</sup> increased from 2.5 to 2.65 percent. But second, the fruits of this extra growth were not shared equally; in particular, poor countries (also known as the developing world) increased their average growth by a full percent a year, while the industrialized world witnessed a large 1.7 percent decrease in its annual growth rate during the ostensibly pro-industrialized-world period of globalization—from 3.3 to only 1.6 percent a year. These data provide the first hint that the globalization era was a golden era for the average citizen of a poor developing country.

## Data and Methods of Estimating Growth

Given the large set of countries for which local currency and PPP data on incomes are available (between 160 and 180 countries), it is useful to summarize the data by regions. Thus, data are presented for several different classifications—the world, industrialized countries, the develop-

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1. Hence, the original term for purchasing power parity prices was ICP prices or Kravis dollars, named after the project leader, Irving Kravis (see Kravis et al. 1975; Kravis, Heston, and Summers 1982).

2. In the UN *Human Development Report 1999* for the national accounts estimates of purchasing power, the US dollar exchange rate—warts, overvaluation, and all—is preferred.

3. Unless otherwise stated, all levels and growth rates are weighted by population size.

ing world (this includes all countries not part of the industrialized world and not part of Eastern Europe or the former Soviet Union). Data are also reported for regions—Asia, South Asia, East Asia, sub-Saharan Africa, the Middle East and North Africa, Latin America, and so on.

In the interests of full disclosure, results are also reported for the developing world *excluding* India and China. The share in world population of these two countries is almost 39 percent, a level that has stayed constant since 1980. And as a proportion of the developing-world population, these two large countries constitute almost half, or 46 percent. Thus, it does not make much sense to look at the world while excluding India and China, or even worse to look at the developing world excluding India and China.<sup>4</sup> Nevertheless, statistics are reported because justified concern can be with what is happening in the world outside of these two economies—the *other* half of the developing world.

The concern in empirical research is not whether any system, or method, reveals the “truth,” but whether it reveals the unknown truth better than any other available estimator. Errors of exaggeration (e.g., output and/or output growth being greater than the unknown reality) or errors of pessimism (e.g., prices or values being lower than the unknown truth) will be present with all estimators. So the choice is not between perfect and imperfect; it is between different approximations.

Two different sources of data provide this approximation, and each source has its advantages. PPP data allow for meaningful comparisons of absolute levels of income for different countries (i.e., the purchasing power of a person in India can be compared with that of a person in the United States). Local currency (national accounts) data allow for a more accurate representation of what happened within a particular country, at a point in time and over time. How comparable are the growth rates according to the two sources? (The levels of income, by definition, are not comparable.)

Table 2.1 presents results for the period 1960 to 2000.<sup>5</sup> Regardless of the region or the period, the local currency (sometimes referred to as system of national accounts, or NA) and PPP growth rates are close to each other for the period 1960-80. The average growth for the world is the same—2.50 percent a year (PPP) versus 2.48 percent a year (local currency). Two of the poorest regions, South Asia and sub-Saharan Africa, show divergence from the constancy pattern between the local currency

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4. It is important to remember that the two largest regions of the developing world (outside of Asia)—sub-Saharan Africa and Latin America—together have only *half* of the population of China plus India.

5. Though data are available for the period 1950-2000, the first decade is generally ignored in most (but not all) of the data presented. This choice was dictated by data accuracy considerations (for both national accounts and PPP) for the period 1950-59.

**Table 2.1 Annualized per capita growth rates according to various measures of GDP**

Region <sup>a</sup>	1960-80 period		1980-2000 period	
	1993 PPP <sup>b</sup>	National accounts	1993 PPP <sup>b</sup>	National accounts
East Asia	2.85	2.59	6.12	6.57
South Asia	0.55	1.11	3.00	3.42
Asia	1.98	2.02	4.86	5.29
China and India	1.74	1.84	5.75	6.11
Sub-Saharan Africa	1.29	0.85	-0.58	-0.29
Middle East and North Africa	3.21	2.73	0.15	1.22
Latin America	3.13	3.15	0.08	0.53
Developing world	2.12	2.07	3.11	3.60
Developing world, excluding China and India	2.51	2.33	0.69	1.18
Eastern Europe	4.03	4.04	-1.88	-1.43
Nonindustrialized world	2.32	2.27	2.84	3.33
Industrialized world	3.27	3.34	1.55	2.00
<b>World</b>	<b>2.50</b>	<b>2.48</b>	<b>2.65</b>	<b>3.12</b>

PPP = purchasing power parity

a. For the classification of regions, see appendix C.

b. Nominal PPP data, 1993 base, have been converted into constant PPP data, 1993 base, using the US GDP deflator, a practice followed in World Bank, *World Development Indicators*, 1998.

Note: Growth rates are in logarithmic terms. Regional averages are population-weighted means of individual country growth rates.

Sources: World Bank, *World Development Indicators*, CD-ROMs, 1998, 2001; Maddison (2001); Penn World Tables, various years.

and PPP estimates. For the second period, the PPP growth estimates are about 0.5 percent a year lower for almost all the regions.<sup>6</sup>

This relatively close correspondence between PPP and NA should not be surprising because NA estimates of growth are major inputs into the construction of PPP estimates. Therefore, accusations of relatively larger inaccuracy cannot be leveled against PPP estimates without doing the same against the NA estimates. What all this means is that one can proceed with a reasonable degree of confidence with the PPP estimates of both levels, and growth, of income per capita; and that one can use such estimates for both intertemporal and cross-country comparisons. Further, world poverty and world inequality calculations constructed with PPP

6. The reasons for the near uniform divergence between PPP and local national accounts estimates for 1980-2000 is beyond the scope of this book. A 0.5 percent annual difference translates into a 10.5 percent difference over 20 years. One explanation is provided by the fact that the US dollar depreciated with respect to PPP dollars by 9 percent from 1980 to 2000.

**Table 2.2 GDP of global regions, 1950-2000** (millions of PPP dollars per day)

Region <sup>a</sup>	1950	1960	1980	2000
East Asia	1,120	1,697	5,052	20,473
South Asia	1,019	1,522	2,697	7,369
Asia	2,139	3,219	7,749	27,842
China and India	1,425	2,091	4,146	18,022
Sub-Saharan Africa	537	846	1,907	2,640
Middle East and North Africa	506	924	3,230	5,089
Latin America	1,302	2,105	6,263	9,007
Developing world	4,900	7,773	20,584	45,561
Developing world, excluding China and India	3,475	5,682	16,437	27,539
Eastern Europe	1,896	3,002	7,986	6,591
Nonindustrialized world	6,381	10,097	27,135	51,169
Industrialized world	10,623	16,411	36,192	56,337
<b>World</b>	<b>17,004</b>	<b>26,508</b>	<b>63,327</b>	<b>107,506</b>

a. For the classification of regions, see appendix C.

Note: Nominal purchasing power parity (PPP) data, 1993 base, have been converted into constant PPP data, 1993 base, using the US GDP deflator, a practice followed in World Bank, *World Development Indicators*, 1998.

Sources: World Bank, *World Development Indicators*, CD-ROMs, 1998, 2001; Maddison (2001); Penn World Tables, various years.

data are also reliable and indeed are *overestimates* of “true” poverty (measured in local currency) and “true” inequality.

## Global Levels of Income and Growth

Tables 2.2, 2.3, and 2.4 (and figures 2.1 and 2.2) present results on global and regional levels of living and growth (all PPP 1993 data). The pattern suggests that considerable progress has been made since 1950. Per capita income in the developing world has gone up almost fourfold (269 percent, or by a factor equal to 3.69), and the industrialized world has lagged behind by about 40 percentage points. The time pattern, though, is quite different. The golden age for the industrialized world was in the *preglobalization* phase, with developing economies more than catching up in the past 20 years. In the 1980s and 1990s, per capita growth in developing countries was double the rate experienced by the industrialized world (3.11 vs. 1.55 percent; table 2.1). The net effect of the favorable impact of globalization on the fortunes of the developing world can also be gauged from the following statistic: In 1980, the mean incomes in developing economies were 12.6 percent of those of the industrialized world; in 2000, these relative incomes had increased to 14.0 percent.

**Table 2.3 Population of global regions, 1950-2000 (millions)**

Region <sup>a</sup>	1950	1960	1980	2000
East Asia	958	942	1,422	1,894
South Asia	471	562	903	1,355
Asia	1,430	1,503	2,325	3,250
China and India	1,107	1,102	1,669	2,284
Sub-Saharan Africa	177	223	381	662
Middle East and North Africa	102	132	227	375
Latin America	166	218	362	519
Developing world	1,942	2,159	3,408	4,937
Developing world, excluding China and India	835	1,057	1,739	2,653
Eastern Europe	276	315	385	414
Nonindustrialized world	2,150	2,392	3,679	5,219
Industrialized world	545	630	752	852
<b>World</b>	<b>2,695</b>	<b>3,022</b>	<b>4,321</b>	<b>6,071</b>

a. For the classification of regions, see appendix C.

Sources: World Bank, *World Development Indicators*, CD-ROMs, 1998, 2001; Maddison (2001); Penn World Tables, various years.

**Table 2.4 Per capita daily income of global regions, 1950-2000 (dollars per day)**

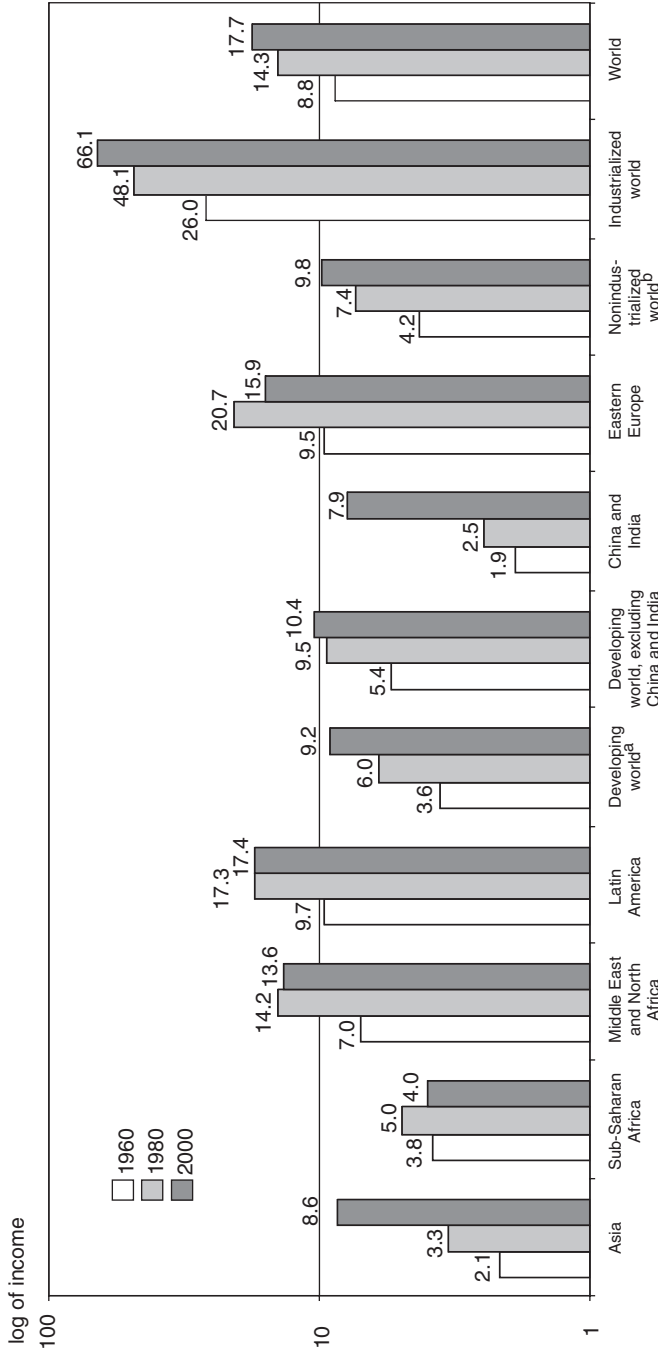
Region <sup>a</sup>	1950	1960	1980	2000
East Asia	1.17	1.80	3.55	10.81
South Asia	2.16	2.71	2.99	5.44
Asia	1.50	2.14	3.33	8.57
China and India	1.29	1.90	2.48	7.89
Sub-Saharan Africa	3.03	3.79	5.01	3.99
Middle East and North Africa	4.96	7.00	14.23	13.57
Latin America	7.84	9.66	17.30	17.35
Developing world	2.52	3.60	6.04	9.23
Developing world, excluding China and India	4.16	5.38	9.45	10.38
Eastern Europe	6.87	9.53	20.74	15.92
Nonindustrialized world	2.97	4.22	7.38	9.80
Industrialized world	19.49	26.05	48.13	66.12
<b>World</b>	<b>6.31</b>	<b>8.77</b>	<b>14.29</b>	<b>17.71</b>

a. For the classification of regions, see appendix C.

Note: Income is in 1993 purchasing power parity (PPP) dollars. Nominal PPP data, 1993 base, have been converted into constant PPP data, 1993 base, using the US GDP deflator, a practice followed in World Bank, *World Development Indicators*, 1998.

Sources: World Bank, *World Development Indicators*, CD-ROMs, 1998, 2001; Maddison (2001); Penn World Tables, various years.

**Figure 2.1 Average per capita daily incomes of global regions, 1960, 1980, and 2000 (1993 purchasing power parity dollars)**



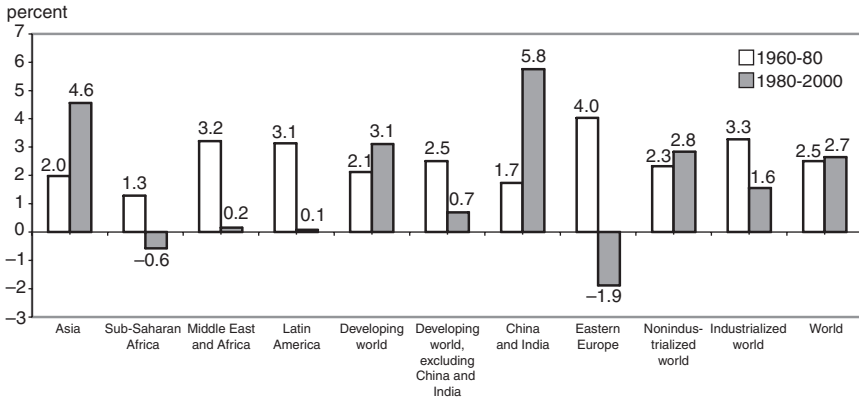
a. The developing world is the world excluding the industrialized world and Eastern Europe.

b. The nonindustrialized world is the world excluding the developed industrialized world.

Note: For the classification of regions, see appendix C. The bars represent logs of average incomes; the numbers above each bar indicate the average per capita per day income in that region in 1993 purchasing power parity dollars.

Sources: World Bank, *World Development Indicators*, CD-ROMs, 1998, 2001; Maddison (2001); Penn World Tables, various years.

**Figure 2.2 Annual per capita income growth before and during the globalization era (percent)**



- a. The developing world is the world excluding the industrialized world and Eastern Europe.
- b. The nonindustrialized world is the world excluding the developed (industrialized) world.

Note: For the classification of regions, see appendix C. The “globalization era” is defined as 1980-2000, and the “preglobalization” period as 1960-80. Period growth rates are logarithmic terms. Regional averages are population-weighted means of individual country growth rates.

Sources: World Bank, *World Development Indicators*, CD-ROMs, 1998, 2001; Maddison (2001); Penn World Tables, various years.

That China and India are important players in the developing-world growth sweepstakes is not surprising—excluding them for 1980-2000 reduces the average growth rates by 2.4 percentage points to a rate of only 0.7 percent a year. For Eastern Europe, the globalization period was one of hard adjustment; per capita income levels today are less than three-fourths of the levels prevailing in the mid-1980s. However, some countries have actually benefited from the radical change in their economies—the Czech Republic, Hungary, and Poland, to name a few. This is on the economic side; all of Eastern Europe has benefited enormously in political freedom.

There is considerable diversity in development. It is interesting to go back to the 1960 levels of income. That was the time of the “Asian Drama.” Economists were pessimistic on this the poorest region in the world—yes, poorer than even sub-Saharan Africa, and poorer by a wide margin; the average African had twice the income of the average Asian in 1960. Globalization has been extraordinarily good to Asians. The average Asian’s income has grown fourfold (this is not in nominal PPP dollars!) since 1960, an annual increase of 3.7 percent per capita. The inhabitant of the industrialized world could only increase her income by 2.3 percent a year.

These “simple” calculations do not even hint at the suggestion that globalization has been bad for poor people; the poor Asian’s rate of growth



of income was 4.9 percent during the period 1980-2000, a rate of annual growth approximately two and a half times the preglobalization average of 2.0 percent a year. Today, Asians make up half of the world's population, and more than two-thirds of the population of the developing world.

The other third of the developing world was not so lucky with globalization. The globalization period was not good for either Latin America or Africa. After almost doubling per capita income from 1960 to 1980, Latin American economies barely maintained their 1980 levels, and that too over a 20-year period. Africa did worse, as its per capita incomes declined by 12 percent during the past two decades.

In 1960, the average Asian had an income equal to half that of an African, and one-fifth of a Latin American. In 2000, the Asian had incomes almost double that of an African. The incorporation of the Asian experience lends credence to the "conditional convergence" hypothesis, a hypothesis according to which "poor" countries grow at a faster rate than "rich" economies (e.g., an Asian economy grows at a faster rate than an African economy, because it was substantially poorer at the "beginning" in 1960). But that should mean that an African economy should grow faster than a Latin American economy—clearly something that did not happen. But that is because the hypothesis pertains to *ceteris paribus* conditions, and what is being stated is a *mutatis mutandis* phenomenon!

Thus, there are several "mixed" answers to the single question of what has happened to developing-world economies during the past 40 years. Nor do the answers get simpler if the examination is done on the basis of two 20-year periods. A mixed conclusion is the correct conclusion. The average country showed a mild acceleration (0.15 percent a year) in the era of globalization, but the pattern of this increase was mixed. Further, the developing-world growth rate exceeded that of rich nations by an average of 1.6 percent a year, in contrast to a deficit annual growth rate of 1.1 percent in the 1970s and 1980s. The positive swing with globalization was therefore a large 2.7 percent a year during the period 1980-2000.

What seems clear, therefore, is that the period of globalization was associated with a *relative* improvement in the living standards of poor countries. It is likely, therefore, that the poor also benefited in considerable measure from this extra growth. However, the differing pattern of this growth in various countries, and the different inequality experiences within poor countries, make it impossible to state with any precision what happened to poor *individuals* in poor *countries*.

## Globalization: Divergence

In striking contrast to the above result, several "divergence" studies have concluded, with little ambiguity, that things have worsened for the poor economies of the world and, by extension, for the poor people of the world.

The conventional wisdom at present is that global income inequality has worsened during the past decade or two; this deterioration is a reversal of the previous presumed trend toward equality; and this reversal is causally related to globalization. The punch line of this new wisdom is that divergence runs counter to the expectation of the natural, normal “capitalist” trend of growth and development—that is, runs counter to the expectation of convergence.

The most popular version of the convergence hypothesis states that poor nations will have a *natural* tendency to steadily *approach* the income levels of industrialized countries; this “approach” implies a higher growth rate. Why? Because eventually—in a world with the free movement of goods, capital, and labor—factor prices (and hence wages, and hence income levels) will have to equalize. The only way this can happen is for nations with lower productivity to grow at a faster rate for consistently long periods of time (i.e., catch-up). And if catch-up is a natural phenomenon, then poor nations will grow at a higher rate, and the world will have a tendency to become more equal.

This central idea of convergence deserves emphasis. Growth theory (both new and old) tells us that countries with lower technology and incomes will, via openness and sharing of the same global technology, grow at a faster rate than rich economies; that is, their productivity growth will be higher, often considerably more than that experienced by the “frontier” industrialized economies (e.g., the United States). The assertion that globalization *should* lead to greater global income equality is therefore admitted to by most Washington Consensus economists.

This conclusion holds when world income is defined as the incomes of individuals (and households) in the world. Lack of data on these individual incomes has forced researchers to couch their convergence tests in terms of the only unit of observation that is easily available, namely a country. And if average growth rates of countries are not weighted by population (as they should be), “odd” results are easily obtained.

Baumol, Nelson, and Wolff (1994), in one of the first detailed analyses on the subject, conclude thus about what one should expect from a converging world:

Thus, convergence, in one or another of its senses, is surely a key matter for our evaluation of the world economy’s well-being. A world of convergence is in a felicitous state, with poverty eroding and international disparities declining. If not offset by detrimental developments of other sorts, it is a desirable condition and a state of affairs in which one of the most intractable of economic problems, inequality among countries in the distribution of income, is improving. (p. 5)

Baumol and his colleagues, being experts on the subject, are not ambiguous; and their forecast is that globalization will lead to a decline in international inequality, and a faster decline in poverty.

But the fear of several people (some of them perhaps unfairly called antiglobalizers) is that there is an increase in world inequality, and perhaps even an increase in absolute poverty. At best, it is feared that the decline in absolute poverty is not commensurate with the increase in per capita incomes that the developing world has experienced. As is suggested by table 2.4, the developing world experienced an increase of 53 percent in per capita incomes during the 1980-2000 period. For the 1987-99 period, this increase is 30 percent. But according to World Bank figures, absolute poverty declined by only 5 to 6 percentage points during these 12 years. And according to Milanovic (1999), world inequality increased between 1988 and 1993. So what happened to convergence?

There are very few people who argue that the industrialized world is getting richer and that the developing world is getting absolutely poorer. Whether world inequality has increased or decreased is the concern of a major part of this book; this chapter will discuss some indirect evidence on the subject, with the idea of assessing what our a priori assumptions should be, given what we know or intuitively feel about world growth and globalization and world inequality. In other words, the assessment (for now) will be at an intuitive level, rather than at a relatively intractable level of inequality among the citizens of the world and the trends in this inequality (questions to which some answers are given in the next two chapters).

## Evidence of Convergence or Divergence

Although the evidence on levels of average income suggested a confusing picture (some poor nations grew fast, some showed a decline in real incomes), other sets of evidence point to a consistent divergence interpretation of the experience of the past 50 years. This evidence, popularized by Pritchett (1997, 2001), consists of looking at *relative* incomes of the richest and poorest countries at different points in time. Using data on per capita incomes for several countries, he documents the reality of not only no convergence but of divergence, and divergence that he claims has most likely increased:

First, divergence in output per person across countries is perhaps *the* dominant feature of modern economic history. The ratio of per capita income in the richest versus the poorest country has increased by a factor of 6 and the standard deviation of (natural log) GDP per capita has increased between 60 percent and 100 percent. The increasingly sophisticated econometric testing of conditional convergence with the thirty or so years of conveniently available, internationally comparable data should not obscure that fact. (Pritchett 2001, 3)

Because of its elegant simplicity, this procedure has found many followers and deserves to be examined in a serious fashion. The Pritchett method

and data are summarized in figure 2.3. If the United States is taken as a “representative” rich economy, if not the richest, then the trend in the ratio between its per capita income and that prevailing in a poor economy is indicative of convergence, or its lack.<sup>7</sup> The statistics on divergence are frightening. If the poorest economy is taken as a reference, then an average American was about 50 times richer in 1950 and 1960; today, she is more than 70 times as rich. If instead of the poorest country the 10th-poorest country is taken as reference (a crude attempt to remove outliers) the American is less relatively rich, but still becoming richer. Indeed, by this yardstick, a greater trend in divergence is observed—the ratio was about 23 in 1960, and today, at 45, is almost double that relative level.

There clearly is a problem with the comparison between the richest and poorest countries. Consequently, *World Development Report 2000/2001: Attacking Poverty* advocates a comparison between the richest 20 countries and the poorest 20 countries. No matter—the divergence story still holds. The ratio for the richest to poorest 20 countries increases from 23 in 1960 to 36 in 2000. However, if the calculation is done on the *same* set of countries as constituted the poorest and the richest in 1960 (keeping the sample constant in statistician’s terms, or comparing apples to apples), a radically opposite result is observed. Instead of divergence, there is sharp convergence. The ratio of richest to poorest declines markedly between 1960 and 2000—from 23 to 9.5 (i.e., the rich-country inhabitant is less than half as relatively rich in 2000 as she was in 1960).<sup>8</sup> This is not divergence (figure 2.4).

But if this last piece of evidence is ignored (we will come back to it in chapters 11 and 12) then these numbers document in simple terms the kind of divergence that has taken place. A 50 percent increase in relative incomes over 20 years implies an excess growth rate of 2 percent *each year*; that is, the industrialized-world resident had an (average) extra growth of this amount for each of the past 20 years.<sup>9</sup> It will not be an understatement to state that this statistic (relative income of an American with that of the poorest or poor country) has caught the imagination of several researchers, especially those at think tanks and international organizations.

This imagination and reasoning were echoed by the United Nations *Human Development Report 1999* (p. 3):

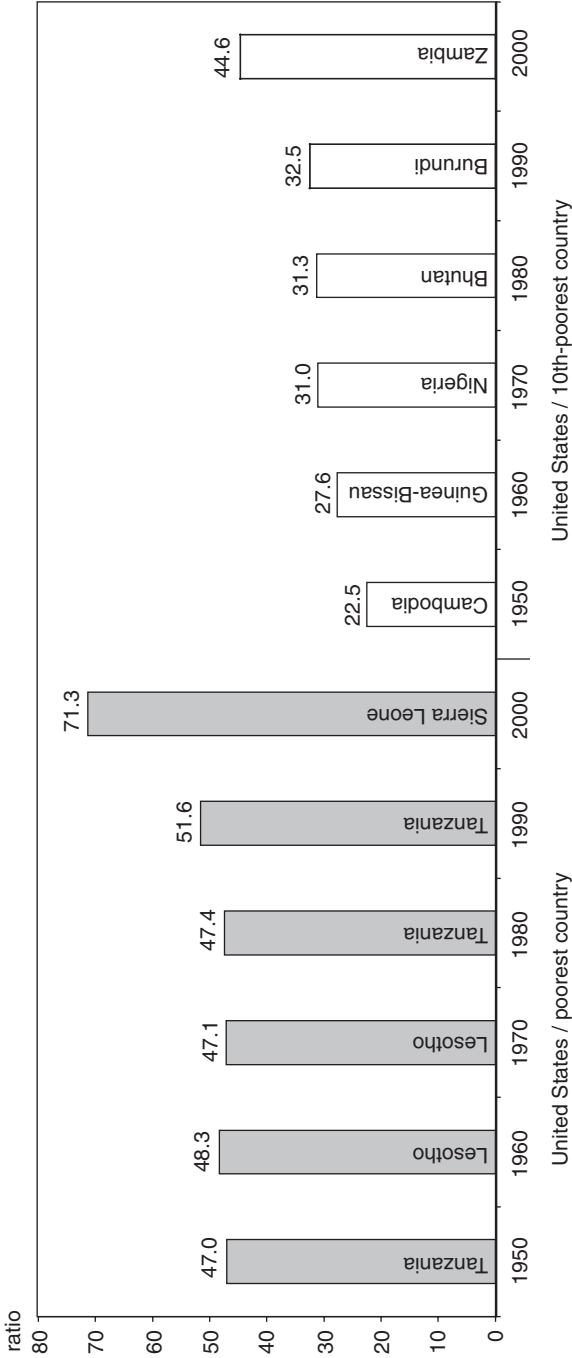
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7. This automatically follows from the fact that the level of income at any point in time is a function of growth from a prior given initial level of income.

8. Clearly it matters for this calculation whether large countries like China and India are among the 20 (China is; India is not). That is precisely the problem with the (mis)calculation of convergence/divergence. The correct calculation has to be for a constant *fraction* of people, something attempted in the second half of this book.

9. But the data given in table 2.1 suggest just the opposite, i.e., that the developing-world resident had an excess annual growth rate of 1.7 percent!

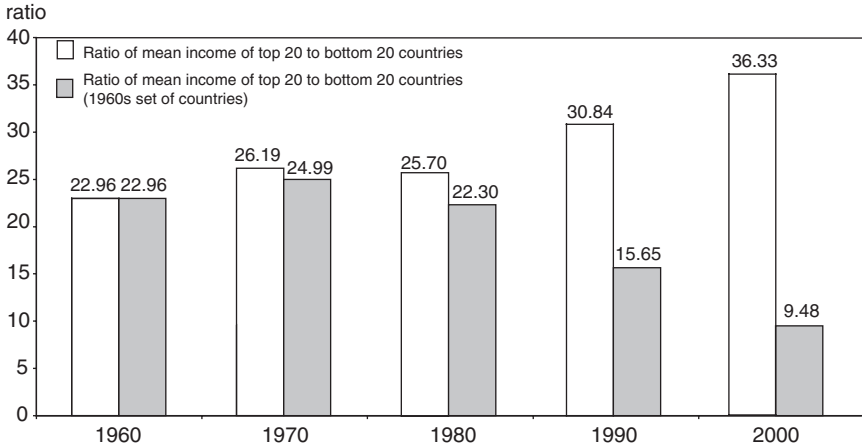
**Figure 2.3 Ratios of mean income of the United States and of the poorest country**



Note: Mean incomes are in constant purchasing power parity (PPP) dollars, 1993 base. The poorest and 10th-poorest countries were chosen on the basis of per capita income, 1993 PPP, for the selected years.

Sources: World Bank, *World Development Indicators*, CD-ROMs, 1998, 2001; Maddison (2001); Penn World Tables, various years.

**Figure 2.4 Convergence or divergence? It depends**



Note: For each year, the unshaded bar represents the income ratio of the mean-to-20 poorest countries in that year; the shaded bar represents the constant set of 20 richest and poorest countries in 1960.

Sources: World Bank, *World Development Indicators*, CD-ROMs, 1998, 2001; Maddison (2001); Penn World Tables, various years.

Inequality between countries has also increased. The income gap between the fifth of the world's people living in the richest countries and the fifth in the poorest was 74 to 1 in 1997, up from 60 to 1 in 1990 and 30 to 1 in 1960. In the nineteenth century, too, inequality grew rapidly during the last three decades, in an era of rapid global integration: the income gap between the top and bottom countries increased from 3 to 1 in 1820 to 7 to 1 in 1870 and 11 to 1 in 1913.

And they were echoed by the International Monetary Fund (IMF 2000, 2):

The gaps between rich and poor countries, and rich and poor people within countries, have grown. The richest quarter of the world's population saw its per capita GDP increase nearly six-fold during the century, while the poorest quarter experienced less than a three-fold increase. Income inequality has clearly increased.

And further echoed by Stewart (2000, 27):

The impact of globalization seems to have been unequalizing between nations as well as within them.

And also echoed by the World Bank in *World Development Report 2000/2001*:

The average income in the richest 20 countries is 37 times the average in the poorest 20—a gap that has doubled in the past 40 years. (p. 3)

On page 51 of *World Development Report 2000/2001*, two contradictory statements about trends in world individual inequality are made. First:

“Available estimates indicate that there have been some *increases in worldwide inequality between individuals* in past decade.” (emphasis added). Second, a paragraph or two earlier, an equally definitive statement is made: “Trends in worldwide inequality between individuals reflect trends in both inequality between countries and inequality within countries. . . . In China for example, rapid growth from a very low base has helped a fifth of the world’s population halve the gap in average per capita incomes with the world as a whole, significantly *reducing worldwide inequality between individuals*” (emphasis added).

Divergence stated differently, but equivalently, means an increase in inequality. Data on divergence per se cannot indicate whether poor people are getting poorer in absolute terms. For that to be determined, data on both the distribution and level of income are needed, an exercise reported in chapter 11. For the moment, it is important to note that the data marshaled by various experts, *all* the quasi-governmental organizations, and several academics are strongly suggestive of divergence. Although the average developing-world resident experienced a faster growth than her rich-country counterpart (as predicted by the theory of convergence), it is suggested that this may not have been the experience of the poorer residents of the developing world.

It is suggested that an increase in inequality was a concomitant of this faster growth. So the globalization period probably was associated with an increase in the size of the pie (something good) but a worsening in the shares that accrue to different sets of people (possibly a bad outcome). And if distribution worsened enough, then the case of the poor being absolutely worse off, despite growth in average incomes, is no longer theoretical.

Given this overwhelming “evidence” for divergence, it is not surprising to note that the concern should be shifted from one of poor people getting rich at a slower pace (the strict implication of divergence) to poor people getting poorer in absolute terms. One antiglobalization leader said this just before the World Trade Organization meeting at Doha in November 2001. When asked about why demonstrations were being planned, she stated, and I paraphrase: “Globalization leads to the North getting richer, and the South getting poorer. . . . This is a direct consequence of globalization, and we need to stop this from continuing.”