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Global good news

By Richard W. Rahn

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Humans as a species have just enjoyed their best year yet, 2005, on our little planet. By almost any measure, more people lived better lives last year than ever before. Global lifespans, literacy and real incomes all reached record highs, and more people lived in free or at least partially free countries than at anytime in human history.

The state of humankind from the dawn of civilization to roughly the year 1800 was correctly described both as one of war, pestilence and famine or nasty, brutish and short. Real income per person had only increased about 50 percent for the entire period from the year 1 to 1800. Two hundred years ago, the typical human had an income of about 7 percent of what he (or only 2 percent of what the typical American) enjoys today.

In the Year 1, when both the Roman and Chinese empires flourished, it is estimated the 230 million people then on the planet produced about \$100 billion in goods and services.

Last year, the 6.5 billion of us produced an estimated \$55 trillion (Gross World Product or GWP) in goods and services. Thus output has risen 20 times faster than population growth, and just about all that has occurred in the last two centuries.

Not only have per capita incomes been growing but, more encouraging, the rate of per capita income growth has been accelerating over the last two decades. For the last five years, growth in GWP has averaged more than 4 percent yearly (it was about 4 1/2 percent in 2005). The average citizen of the world now has a real income about threefold what he or she had only a half-century ago.

The share of world income has fluctuated greatly among the regions of the world. Back when most people lived close to subsistence, share of global product simply reflected shares of world population. For instance, China had about a 30 percent share of GWP in 1800 and about 35 percent of the world's people. China's share of GWP fell to a low of about 5 percent in 1975 at the time of the Cultural Revolution. With the shift in economic policies, it is now up to about 13 percent, but still well short of its population share. Africa has watched its share of the world's economic pie decline for a thousand years to only 3 percent today, despite being home to 14 percent of the world's people. The U.S. accounts for 21 percent of GWP, but only has 4.6 percent of the world's population.

Western Europe, the home of the industrial revolution, presents an interesting case study in the rise and fall of economic power. By 1870, Europe accounted for a third of GWP;

but as a result of wars, it had declined to 26 percent by 1950; and because of economic mismanagement during the last two decades, it is now down to only 20 percent of GWP, despite having a much larger population than the U.S.

Perhaps most remarkably, of the approximately 200 countries in the world, only two, Zimbabwe and the Ivory Coast, had negative growth rates in 2005. More than 99 percent of the world's people lived in countries whose economies were growing, many of them rapidly. That is a world record in which all can take pride.

The lessons are clear: The pessimists have been wrong for 200 years. Malthus and Ricardo argued population would grow faster than food supplies and real wages would fall. Just the opposite has happened. The world is awash in food, and obesity is a greater global health problem than hunger. (This is not to lightly dismiss the real problem of pockets of hunger in Africa and elsewhere, but these are due to government mismanagement and distribution, not a global food shortage.)

Only three decades ago, "The Club of Rome" and other doomsayers claimed the world would run out of resources, and population growth would destroy us. Again, the facts are that productivity growth is accelerating, and that most goods in real terms have been getting less and less expensive. Population growth rates are sharply falling in almost every country. Many are more concerned about depopulation than population.

The "end of the world" crowd has always been with us and, perhaps, always will be. But I for one do not plan to give up my possessions or my freedom (either voluntarily or through increased taxation or regulation) because of "global warming," or "bird flu," or whatever the next great crisis is, because I trust my fellow man (but not my government) to be endlessly inventive in overcoming adversity.

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