

## **Were People in the Past Poor and Miserable?**

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### Abstract

Standard economic theory would suggest close linkages between income, broader measures of the quality of life and 'utility'. When we look at broader measures of objective and subjective wellbeing in both rich and poor countries today, however, the relationship to absolute income is perhaps surprisingly weak. Turning to the past, there is plentiful evidence that people in the past were nearly all absolutely poor and broadly worse off according to other objective quality of life measures, less evidence that these two were intimately linked, even less that everyone was miserable, and less again that those who did feel miserable felt so because they were absolutely poor.

JEL Codes: N30, I31.

JEL Summary: In the past, we know that most people were in an absolute income sense very poor, and faced a considerably lower broad quality of life using objective measures. However, the link between these two factors is not as straightforward as sometimes assumed. At the same time, from the preoccupations of political thinkers and others, it is not clear that absolute income was a significant concern with regard to ensuring a good life.

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## 1. INTRODUCTION

Economists tend to believe that you can't measure wellbeing (at least when defined as utility) directly. But, by studying people's 'revealed preferences,' one can make an informed estimate of what improves it. One outcome of this examination according to mainstream economics is that, other things being equal, more income will increase welfare. Adding strength to the theoretical claim for such a link, numerous studies within and across countries suggest that rich people not only have more goods, but also have superior access to services, better health, higher education rates and are less likely to die violently, for example (Pritchett and Summers, 1996, Gangadharan and Valenzuela, 2001, and McGilivray, 2004).

If the theory of a strong link from income to utility is correct, it has significant consequences for what we must think about the wellbeing of humanity in the past. We know, with certainty, that people had less income. The average GDP per capita in Western Europe in 0 B.C. was perhaps \$450 (Maddison, 2001). If the link between income and utility is strong, then, weeping, wailing and gnashing of teeth must have been the major preoccupation of 0 B.C. Europe, while laughter and contentment must surely post-date the industrial revolution.

And yet, a number of papers (including Easterlin, 1974, Graham, 2004, Kenny, 1999, 2005a and Easterly, 1999) have looked at the relationship between income and objective and subjective measures of wellbeing within and across countries over recent time periods, and suggest the links may be more complex than often assumed. This paper makes an attempt to push the analysis of links between income and objective and subjective measures of welfare further into the past and tries to evaluate if the evidence available fits the idea that income-poor people were considerably worse off in terms of measures of objective and subjective wellbeing because of income poverty itself.

## 2. WHAT IS POVERTY? DOES THE DEFINITION MATTER?

Poverty measures can be narrow and input-based (for example, income in dollars) or broad and output based ('functionings'), they also can be absolute (dollars a day) or relative (percentage of average income), objective ('accounting wealth') or subjective ('how wealthy do you feel').

The view of poverty that has become most widespread in development economics is an absolute dollar amount. All the same, many thinkers have suggested complementing or replacing income-only measures of poverty with measures that include elements such as food and shelter, economic and physical security, health, social acceptance and freedom of choice and action (Alkire, 2002)

Such broader measures are important, because there is plentiful evidence that income alone does not capture very well levels of wellbeing associated with factors such as health, education, security or freedom. Most quality of life variables, unlike income, are rapidly converging and significant improvements have occurred even in countries that have seen no economic growth (Kenny, 2005b). Easterly (1999) shows that there is no correlation between the speed of improvement in most quality of life variables and the speed of GDP per capita growth across countries in the recent past.

There is also evidence that relative income measures sometimes correlate better with objective wellbeing measures than do absolute measures. Relative income measures are frequently found to have a more significant impact on health outcomes than absolute income effects, for example (Thorbecke and Charumilind, 2002, who also note a strong relationship between income inequality and crime rates –although see Deaton, 2004).

Furthermore, what is viewed as ‘sufficient’ income is largely determined by one’s own income and that of one’s community (Stutzer, 2004). Even in communities with very low absolute incomes there can be considerable divergence between subjective and objective measures of income poverty. A survey reported in Kenny (2005c) regarding Tanzania found that relative income effects played a considerable role in that country. In areas around Lindi, where household incomes averaged \$330 a year, the proportion of people who felt poor or very poor was *lower* than the proportion who felt poor or very poor around the city of Arusha, where the average household income was \$2,120 (see also Laderchi, Saith and Stewart 2002, on Peru). In Jamaica, a model including actual measures of consumption was only able to explain 12 percent of the variation in the self-perceived consumption adequacy of survey participants (Pradhan and Ravallion, 2000). These results suggest that subjective views of poverty are connected more to

social status than the lack of a particular basket of goods common to all societies –and this is the case even in poorer economies (Geremek, 1997, Sahlins 1972).

Moving even further from narrow, objective, income-based measures of poverty, we can look at subjective wellbeing –‘self-measured utility’ as it were—as captured in answers to happiness surveys of the type ‘taking your life as a whole, do you consider yourself unhappy, somewhat happy, or very happy.’ Survey results suggest that income is significantly related to subjective wellbeing, but the impact is small and the evidence for a link between income growth and subjective wellbeing growth is particularly weak. There is also evidence that what impact income does have is based on its relative, not absolute, level (see Frey and Stutzer, 2002a and Layard, 2005 for reviews of the literature). Within the United States, it appears that differences in income account for perhaps two to five percent in the variation in subjective wellbeing across people at a single time (Ahuvia and Freidman, 1998), with a dramatic decline in the marginal utility of income (Helliwell, 2002).

At the same time, what causes subjective wellbeing is itself in part a social construct. The subjective welfare impact of unemployment is greater where there are stronger norms of living off one’s own income. Furthermore, right-wingers are upset more about inflation than unemployment, while left-wingers feel the reverse (Frey and Stutzer, 2002b). Europeans are made considerably more unhappy by inequality than are most Americans (the US exception is rich left-wingers –see Alesina, Di Tella and MacCulloch, 2004). Indeed, as we change our positions in life, what makes us happy or unhappy can change fairly rapidly. Preferences can be re-anchored up and down and adaptation to new environments and situations can be rapid (Cummins et. al., 2002).

Similar results appear to hold for poor countries. That Nigeria reported average happiness on a ten-point scale of 6.82 in 1995 while Japan’s average was 6.61 and South Korea’s was 6.69 (Frey and Stutzer, 2002b) suggests that there may be a lot more to happiness than income. Graham (2004) concludes that her work in Russia and Peru suggests that “our results strongly support the important role played by relative income differences, reference norms, and other non [absolute]-income factors... Indeed, for the most part, the determinants of happiness were very similar in the developing economies [to determinants] in the advanced economies.” Age, income,

education, marriage, employment and health effects were all broadly the same (see also Graham and Felton, 2004). The other thing that appears similar about the results is the small percentage of the subjective wellbeing variation explained by all of these factors put together –R-Squareds of 0.08 (or 8 percent of variation explained) in the US suggest that income and other variables actually explained more of the variation in subjective wellbeing in this rich country than it did in the available middle-income samples, where only seven percent in Latin America and four percent of the variation in Russia was explained by income, health, marriage and other factors all together (see also Cummins et. al., 2002. Rojas, 2002, Vitterso et. al. 2002, Graham et. al., 2004).

The definition of poverty does matter, then, in determining who, and how many, are the poor in developed and developing countries alike. Nonetheless, it is important to note at this point that the poorest of the poor in the developing world live lives of deprivation by anyone's standards and lack of income is directly associated with malnutrition, inadequate healthcare and limited educational opportunities in those cases. In such situations, it would be surprising indeed if more incomes did not improve physical quality of life and lead to higher subjective wellbeing. Evidence from the slums of Calcutta does indeed suggest that, at this level of deprivation, increased absolute income does notably improve subjective wellbeing (Diener and Oishi 1997). Turing to the history of the West, perhaps one question is what percentage of people in European history lived lives similar to those faced in Calcutta's slums and how much further would additional income have taken them from such conditions?

### 3. INCOME AND OBJECTIVE QUALITY OF LIFE IN HISTORY

In the last few hundred years for parts of the World, and in the last 100 globally, a range of objective measures of the quality of life have improved. Global GDP per capita averaged perhaps \$444 in 1 AD, and a little less 1000 years later. But by 1820, it had risen to \$667, with Western European GDPs per capita averaging about \$1,232. In 1998, global incomes averaged \$5,709, with OECD countries averaging well above \$20,000 (Maddison, 2001). In 1820, perhaps 84 percent of the World's population of 1 billion lived on below a dollar a day. By

1910, this had dropped to 66 percent of a population of 1.7 billion. In 1992, just 24 percent of a population of 5.5 billion lived on below a dollar a day (Bourguignon and Morrisson, 2002).

World life expectancy has increased from an average of 24 years in 1000AD to 31 in 1900 and 66 in 1999 (Maddison, 2001). There has also been a dramatic extension of the rights of man over time. Engerman (1995) reports estimates that about one third of the population of ancient Greek states were slaves, and a similar proportion in Roman Italy in 28 BC. In the US Southern States in 1750, 38 percent of the population were slaves, while in the Caribbean, the proportion reached as high as 90 percent. Legal slavery died out in 1970, with final emancipations on the Arabian peninsula. The percentage of the world's states that are broadly democratic has risen from effectively zero in 1 AD to 52 percent in 2002 (UNDP, 2002). The risk of criminal violence outside of war has also fallen, with annual murder rates in the UK declining over the period from the 13<sup>th</sup> Century until today from around 20 homicides per 100,000 people to under one per 100,000 (Chesnais, 1995).

Along with recent and dramatic improvements in the objective quality of life, there is also a good deal more human life around. The population of the planet has increased from four million 10,000 years ago to one billion in the Nineteenth Century and to six billion today (Simon, 1995).

At the same time, the link between economic advance and broader quality of life advance has not always been straightforward. Even at the dawn of history, civilization was hardly an unmitigated good for the masses. Vernon Smith (1987) notes that early hunter-gatherer societies had reliable—frequently abundant—food supplies, and life was far from brutish. Looking at nine foraging and shifting-cultivation societies extant today, they produce an average of nearly twice the kilocalories per worker-hour than did an English farm worker in 1800, and (partly as a result) work only about 60 percent of the hours (Clark, 2005). The adoption of arable farming worldwide allowed for population expansion and the birth of cities, but also disease, deficient diet and an increased workload. A move from hunter-gathering to farming in parts of North America in the Twelfth Century AD led to a fourfold increase in iron-deficiency anemia, a threefold rise in bone lesions from infectious diseases a 50 percent rise in enamel defects indicative of malnutrition and a seven year drop in life expectancy (Diamond, 1987). Overall, early farmers had to work harder and had a higher rate of starvation and of chronic disease than

their hunter-gatherer forebears (Fernandez-Armesto, 2001, see also Harlan, 1992). Based on available data, heights prior to 0 BC were greater than the average for Eighteenth Century England and the Netherlands. The people of Tahiti in 1769 (two years after European discovery) were living a stone-age existence –and yet they were as tall or taller than the British who discovered them (Clark, 2005). As Table One makes clear, the stone age Tahitian would have been a similar height to the average Briton 100 years later, as well. Modern Greeks and Turks are yet to regain the stature of the hunter-gatherers that lived in the same area at the end of the last ice-age (Diamond 1987) –in sum, there is *something* to the noble savage model, at least compared to most civilization.

Looking at the impact of globalization, while it is probably responsible for much of the rapid improvements in the worldwide objective quality of life that we have seen in the past Century, its record was not always so positive. Perhaps 90 percent of the Mexican Indian population was wiped out by the arrival of "the white man and his fellow-traveling pathogens" as Landes (1998) puts it. Meanwhile, only ten million African slaves reached the New World out of probably over 20 million who left Africa (Fernandez-Armesto, 2001). In Northern Europe, average heights fell from 173 cm in the 800-1000AD period to 166 cm in the Seventeenth and Eighteenth Centuries, partly as a result of imported diseases (Steckel, 2001). Overall, what did less than nothing for the average European in the 'age of discovery' also did immense harm to those who were conquered and enslaved.

Regarding the rights of man and the threat of violence, it does not appear that income growth is causally linked to democratization across countries (Acemoglu et. al., 2005). Furthermore, while modern states have proven more competent in preventing unsanctioned murder, civil war and state-sponsored killing have more than filled the gap. Looking at the Nineteenth and Twentieth Centuries, data from Matthew White suggests that between four to five percent of all deaths in the Twentieth Century worldwide were 'overtly caused by other people' in genocides, wars, and other large acts of state-sponsored violence. In the Nineteenth Century, this same data suggests estimates of 0.9 percent.<sup>1</sup>

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<sup>1</sup> See data at <http://users.erols.com/mwhite28/>

Turning to the last five hundred years in the United Kingdom, we can take a closer look at the link between income, health and education in recent history. Table One suggests that the quality of life using a number of indicators has been improving in the UK since as early as the 1500s. Income indicators really began to take off in the early Nineteenth Century, with health and other indicators following towards the end of the same century. Nonetheless, a cursory examination of the evidence in the table suggests that the link between income change and improvements in health is not straightforward.

Doubts about quality of life improvements fostered by economic change in the Nineteenth Century were rife at the time and are confirmed by available data. Adam Smith thought that the great majority of Britain's population was able to afford the absolute necessities of life prior to the Industrial Revolution (Smith, 1982). A little further into the Revolution Malthus' *Essay on Population* (1798) was arguing that "the increasing wealth of the nation has little or no tendency to better the conditions of the labouring poor. They have not, I believe, a greater command of the necessaries and conveniences of life..." Mill, in the *Principles of Political Economy*, written some fifty years later (1848, this edition 1985) argued that "it is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being. They have enabled a greater proportion to live the same life of drudgery and imprisonment."

Average rates of consumption during the Industrial Revolution did not begin to rise until the late 1840s (Mokyr, 1988), and this during a period of growing inequality. Lindert (1986) estimates that the income share of the top ten percent of the population in England and Wales rose from 44.1 percent in 1688 to 48.8 percent by 1803 and 53.4 percent by 1867. Furthermore, the risk of being thrown into absolute destitution in the growing urban areas appears to have been much higher than in rural communities (Fernandez-Armesto, 2001). Poor relief records from the village of Compton and the town of Shefford in Bedfordshire suggest that expenditures in both communities approximately trebled between 1794 and 1830, reflecting a considerable rise in the number of paupers (as much as a quadrupling in Shefford, approximately a doubling in Compton) (Williams, 2005). Malnutrition increased and debilitating hunger became seen by medical authorities as a major cause of workers' susceptibility to disease (Fogel, 1995 and Fernandez-Armesto, 2001). To add to the burden, those with employment were forced to work

harder. Working hours rose from under 3,000 in 1750, to over 3,200 hours per year by 1800, and did not fall below the 1750 level again until over 100 years later (Voth, 2003).

**Table One**

<i>Historical Indicators of UK Quality of Life</i>						
<b>Date</b>	<b>Income (\$)</b>	<b>Stature (cm)</b>	<b>Life Expectancy</b>	<b>Infant Survival (per 1,000 live births)</b>	<b>Calorie Intake</b>	<b>Literacy</b>
<b>1300</b>		172				
<b>1363</b>			24.3			
<b>1500</b>	714					
<b>1543</b>			33.7			
<b>1600</b>	974					
<b>1700</b>	1250				2095	
<b>1738</b>			34.6			
<b>1750</b>		165			2168	
<b>1756</b>			37.3			47.5
<b>1776</b>			38.2			49.5
<b>1800</b>		167	35.9		2237	56.5
<b>1811</b>			37.6			51.5
<b>1820</b>	1707		39.2			54.0
<b>1830</b>			40.8			58.0
<b>1840</b>			40.3	846		59.2
<b>1850</b>		166	39.6		2362	61.9
<b>1866</b>			40.3			74.2
<b>1870</b>	3191		41.3	840		76.9
<b>1900</b>		167	48.3	846		
<b>1913</b>	4921			892		
<b>1931</b>			60.1			100
<b>1934</b>					3042	
<b>1950</b>	6907	175	69.0	970		
<b>1970</b>			72.1		3316	
<b>1973</b>	12022					
<b>1990</b>				992	3282	
<b>1998</b>	18714					
<b>1999</b>			77.0			100

Source: Kenny, 2005b except stature 1300 from Steckel, 2001, life expectancy 1756-1970 estimated from Floud and Harris, 1996 and literacy from Floud and Harris, 1996 (dates are within one year).

Given greater destitution, longer work hours and growing urbanization it is unsurprising that the health impact of the Industrial Revolution was also negative. In the early Nineteenth Century, rapidly expanding English and Welsh provincial cities saw declining life expectancies –between the 1820s and 1840s these dropped from 35 to 30 years –to ten years behind the national average (Easterlin, 2004). Easterlin (1995, 2000) argues that national average life expectancy in the late

Nineteenth Century was very similar to levels reached in Elizabethan England. The life expectancy figures reported in Table One also suggest very slow progress in health indicators in the first half of the Nineteenth Century, with rapidly increasing per capita GDP in the middle of the century accompanied by stagnant life expectancies and declining statures (see also Komlos, 1998). Furthermore, as with income inequality, health inequality also increased. Fogel (2004) suggests that from the beginning of the industrial revolution to the end of the Nineteenth Century, the gap in life expectancy between rich and poor expanded by about ten years.

Technology and institutional advance (rather than more income) played the major role in reversing the health declines associated with industrialization and then fostering the Twentieth Century explosion in life expectancy. Only with the sanitation and health reforms of the later 1800s did the rural-urban life expectancy gap decline, reaching four years in the UK by the 1890s (see also Komlos, 1994 and Steckel, 2001). Deaths from infectious disease in particular in the UK fell from accounting for 31 percent to 6 percent of the total over the period 1870-1951 as a result of public health advances. In the period 1880-1900, causal agents for typhoid, leprosy, malaria, tuberculosis, glanders, cholera, streptococcus, diphtheria, tetanus, pneumococcus, Malta fever, gas gangrene, plague and dysentery were all discovered. In the 40 years 1890-1930, vaccines for diphtheria, cholera, pertussis, tuberculosis, tetanus, yellow fever and typhoid fever were developed (Easterlin, 2004). The dominant role of technology and institutions in determining outcomes is clear from the fact that it takes one tenth the national income to achieve the same average life expectancy in 1999 than it took in 1870 (Kenny, 2005b).

What might we conclude regarding the history of income and objective measures of quality of life? Certainly, in terms of health and education, the last 150 years has seen revolutionary improvements worldwide, in some part fostered by developmental states and global technological progress, even while the ability of the state to murder millions has also dramatically increased. But the link between economic advance and advance in these broader areas of objective wellbeing has sometimes been tenuous and sometimes negative –especially prior to the era of sustained economic growth. Overall, it is clear that technologies and institutions have been required to improve the broader quality of life –not only, nor primarily, income.

#### 4. HAPPINESS AND INCOME IN THE HISTORY OF THOUGHT

And what of the link between income changes, objective quality of life changes and *subjective* feelings about that quality through history? Better objective health measures, education and civil liberties are correlates with happiness in rich countries today –and these variables have all improved over time. At the same time, some correlates with subjective wellbeing have declined (including church attendance, see Frey and Stutzer, 2002b), suicide rates have risen dramatically (Chesnais, 1995) and we have seen that correlates of wellbeing themselves can change over time and across cultures. Furthermore, while it seems reasonable to assume that greater health and other benefits of technological progress should have some impact on welfare, it might be odd if our nature was so designed that subjective wellbeing in particular required something we didn't have for most of our history (and have had for only a fleeting instant of our evolutionary existence). Given this, it might be worth examining what historical writers actually said and what historical cultural norms appear to suggest about the good life and in particular its link with income.

There is a limit on relativism in respect to the good life. Health, a peaceful death, plentiful food and a limit to toil are all elements of the quality of life that have both long been present and we can still understand. Hesiod (8th Century BC) provides an early example of the perfect life: “Nothing for toil or pitiful age they cared/ but in strength of hand and foot still unimpaired/ they feasted gaily, undarkened by sufferings/ They died as if falling asleep...” (translation from Claeys and Sargent, 1999). The universality of social peace and of the perfect society satisfying *simple* needs are also currents in utopian visions from very early on. Furthermore, some historical literature does also suggest income or broader progress was an important goal. The fountain of eternal youth and the idea of turning lead into gold both suggest preoccupations with ‘modern’ concerns of longer life and greater wealth.

Nonetheless, some people in the past did manage to have a good time –or at least write about good times –even without considerable wealth. To take but one example, can anyone really imagine Chaucer's Wife of Bath as an unhappy soul? “Far from sacred or gloomy, the mood portrayed in much of the popular literature of the Middle Ages is jollity” argues Jacques Barzun

(Barzun, 2000). It is also clear that the entire world did not share a “culture of poverty” as Lewis (1959) would have it –lack of integration with major institutions, minimal organization, weak family structures, feelings of helplessness. This despite all being incredibly poor in any modern Western monetary sense of the term.

Furthermore, the story of Midas is an indication that people have long been aware of weaknesses in assuming wealth will lead to happiness. Indeed, it is difficult to find the thinker, from Ancient Greece to the birth of the Industrial Revolution, who views increases in absolute wealth above some relatively low level as a vital element in happiness. Instead, it appeared to be an early and common view that, to quote Samuel Taylor Coleridge “Show me one couple unhappy merely on account of their limited circumstances and I will show you ten who are wretched from other causes.” It may be that historical thinkers were ignoramuses in this regard, but it might also be that they were happy ignoramuses. Instead, most people were not considered absolutely poor, poverty was early seen as a social status not an absolute lack of the necessities of life, and excess wealth has long been seen as a problem.

Early conceptions of ‘absolute’ poverty and the different social rules that applied to it also suggest that, throughout history, most people were not considered ‘absolutely’ poor. Twelfth Century theological debates reveal the view that theft in order to fend off starvation was not a crime but the exercise of a right, for example (Geremek, 1997). Smith, in the *Wealth of Nations* (1910), suggests that escaping poverty (only) required that people are ‘tolerably well fed, clothed and lodged.’ Mill also argued “only in the backward countries of the world” was increased production “still an important object” in order to ensure everyone had access to necessities (quoted in Easterlin, 2000).

Beyond absolute poverty, many pre-industrial authors felt that minimum wages should ensure not only the absolute necessities of life, but also the items that had become necessities purely because of economic advance. In other words, the idea of poverty as a social status rather than a status of absolute deprivation is an early one. Adam Smith said the minimum wage had to be set higher in England than in Scotland because in England not wearing shoes was a clear sign of poverty –so the minimum wage had to be large enough to allow those on it to buy shoes and thereby avoid social stigma. (Rothschild, 1995). Necessities for Smith thus included ‘not only

those things which nature, but those things which the established rules of decency have rendered necessary...' (Smith, 1910). Smith apparently understood the idea of a 'hedonic treadmill' – items once considered luxuries (where the pleasure was in having them) becoming necessities (where the pain was in being without them).

Indeed, the idea that *less* concern with the trifles of civilization might be a good thing is surprisingly old. Plato is an early exponent of the noble savage (Bronk, 1998), later proponents included Columbus, Michel de Montaigne and Rousseau (See Landes, 1988, Claeys and Sargent, 1999 and Rousseau, 1984). Related to the concept of the noble savage was the nobility of poverty (or at least simplicity) within society preached by many religions and thinkers including St Francis and Calvin (Barzun, 2000). So important was the idea poverty to the social fabric of Europe that the tax list of Augsburg for 1475 listed 107 taxpayers whose profession was begging –suggesting a very different view of begging than that of today. It was only during the sixteenth century that the view of poverty began to change as the work ethic took root (Geremek, 1997).

Concerns about excesses of income and consumption again appear to have been present from the earliest political writings. Plato's Republic is concerned with the problems created by both poverty and excess wealth (Lowry, 1979). Aristotle found accumulation of money through trade --'wealth-getting'-- morally objectionable. (Des Neves, 2000). Such feelings remained widespread enough that sumptuary laws were introduced in the Roman Empire, in many parts of medieval and early modern Europe and in the later feudal economies of China and Japan (Mason, 1998). In France, for example, a lord could purchase but four costumes a year, one only for summer wear (Bernstein, 2004). The original bonfire of the vanities, the incineration of a 60-ft high pile of luxury goods, was lit by a Dominican friar in Florence in 1497. Similarly, the re-emergence of communist ideas throughout history suggests modern popular concerns with reining in excess wealth as well as excess poverty build upon older concerns. Parliamentarian soldiers in the English Civil War were calling for no duke, earl or marquis to have more than 2,000 pounds a year,<sup>2</sup> and demands for all goods to be held in common were widespread (Hill, 1991).

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<sup>2</sup> About 150,000 UK pounds in today's money, using the CPI figures from [www.pierre-martineau.com/currency](http://www.pierre-martineau.com/currency).

Early distaste for the fripperies of civilization also led to calls for a reduction in commerce and broader economic activities. In Louis Sebastien Mercier's utopian vision of 2500, written in 1771, international trade had been abandoned, because local production "satisfies the wants of man, but not his pride.... It may be very agreeable to sip chocolate, to breathe the odour of spices, to eat sugar and anas, to drink Barbadoes water and to be clothed in the gaudy stuffs of India. But are these sensations sufficiently voluptuous to close our eyes against the crowd of unheard of evils that your luxury engendered..." (quoted in Claeys and Sargent, 1999).

While not sharing a moral disapproval of relative wealth, Adam Smith did see a natural limit to the growth of and desire for absolute income as well as seeing limited utility to that income. In *The Wealth of Nations* (1910) he suggested that once a country acquired the 'full complement of riches,' for which it had use, the wealth of the nation would cease to expand –and already, in wealthy nations "all are often abundantly supplied" he argued. He felt that large land-holdings were inefficient because the large landholder could have no real need or desire for more money (and so would not improve the land). Smith suggested that the invisible hand created only the *deception* that the rich man owns more means to happiness than the poor and took a skeptical view of material goods and wealth themselves as sources of contentment (Gilbert, 1997).

Smith believed that the invisible hand distributed life's necessities fairly equally. The rich, by employing the poor "make nearly the same distribution of the necessities of life... had the earth been divided into equal portions" he argued in the *Theory of Moral Sentiments* (Smith, 1982). As a corollary to that, he suggested that vanity not necessity was the driving force behind accumulation. 'The whole industry of human life is employed,' he argued, in satisfying 'the nicety and delicacy of our taste' (Lectures on Jurisprudence, quoted in Brewer, 1997). Because of the limited bodily needs of mankind, the primary purpose of the pursuit of riches is 'regard to the sentiment of mankind... to be observed, to be attended to, to be taken notice of...' (quoted in Hirschman, 1977 p. 106-108).

Smith *did* argue that desire for luxury brought down feudalism "commerce and manufactures gradually introduced order and good government, and with them the liberty and security of individuals." (1910). Indeed, Smith saw the invisible hand as a method for creating more perfect citizens (the 'doux commerce' thesis, see Frey, 1986). In the *Wealth of Nations* he argued that

“an augmentation of fortune is the means by which the greater part of men propose and wish to better their condition. It is the means most vulgar and most obvious...” However, to repeat, Smith did not focus solely or indeed even primarily on the ability of increased income to improve the quality of life, but on the *pursuit* of income to improve *morals* (Fitzgibbons 1995).<sup>3</sup> While income may have some ill effects (commerce leads to men growing ‘effeminate and dastardly’) its pursuit improves probity and punctuality.

Related to Mokyr’s (1990) thesis that invention is the mother of necessity, the idea that greater absolute income was a potential road to the good life appears to post-date the industrial revolution. George Painter, writing in the *American Journal of Sociology* on the “Idea of Progress” in 1922, noted that “the present century seems to glory in material progress as nothing else” –one has to wonder which is cause and which is effect. It was only as the industrial revolution moved onward, that we moved from visions of utopia based on ideas and political structures alone to visions, while still based on those ideas and structures, also incorporating economic elements.

The centrality of material progress to utopia is clear in Marx, where technology determines social relationships, and material advance will lead inevitably to communism. But even Marx (1977) saw that material progress as a means to an end: “Mankind always sets itself only such problems as it can solve; since, looking at the matter more closely, it will always be found that the task itself arises only when the material conditions for its solution already exist...” And Marx thought mid-Nineteenth Century wealth was enough to spark revolution, the dictatorship of the proletariat, and the post-dictatorship utopia.

At the same time, the Nineteenth Century saw the cottage industry of complaint against economic progress turned into a significant manufacturing enterprise, Dickens alone producing output in the millions of words. Economic growth created not only the desire for more of it but also the fear of it, all at the same time. In short, prior to the Industrial Revolution, there was not the widespread sense that most people lived lives of absolute deprivation, nor that a better life would take considerably more income. And even after the industrial revolution, greater material

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<sup>3</sup> This interpretation of Smith is disputed. See Heilbroner (1995).

progress was seen by most thinkers as a (frequently unpleasant) means rather than an end in itself.

It would seem likely that if ‘absolute poverty’ was so crushingly burdensome on all throughout most of history, freedom from such poverty would be uppermost in the minds of those thinking how to improve society. Was it that they could not envisage a system where material needs were met? –apparently they could. Could they imagine a system where everyone had a lot more? --Smith certainly could, for example. Perhaps it was that they really did not see a great deal more average absolute wealth as that central in the good life.

Instead, the overwhelming concern was with social and political arrangements that would foster security, peace, sometimes liberties, frequently religious observance. Mill’s *On Liberty* (1986), for example, seeks utility maximization through a system of rights, not the development of an industrial policy. Hobbes’ *Leviathan* would deny many rights in the name of security –but again, it would do little to expand the manufacturing base. Even visions of the perfect country prior to the Industrial Revolution lack considerable economic advances. Thomas Moore’s *Utopia* is advanced in certain elements of animal husbandry, but does not appear otherwise economically superior. Instead, it is significant institutional innovations (such as the introduction of women priests) that make it a better country (Adams, 1949). Given the weak link between national income and quality of life, this focus on institutions may well have been –and may well remain—the correct one.

## 5. CONCLUSION

William Petty, living in Seventeenth Century Britain, felt compelled to write a book aimed at those multitudes who were sure that “the whole Kingdom grows every day poorer and poorer, that there is no Trade nor Employment for the people...” To counter these arguments, he took the “not very usual” approach of eschuing “comparative and superlative Words and intellectual Arguments” and instead utilizing “Number, Weight or Measure.” (quoted in Simon, 1995). David Hume complained in 1777 that “[t]he humour of blaming the present, and admiring the past, is strongly rooted in human nature, and has an influence even on persons endued with the

profoundest judgement and most extensive learning” (quoted in Simon, 1995). Julian Simon’s own *The State of Humanity* was a 1995 attempt to make the same point as Petty’s –that, despite an outpouring of negativity about the state of the nation (and the planet), life was actually getting better according to a raft of statistical indicators. Perhaps, however, that Petty’s case, bolstered by growing reams of statistics over three centuries on the improvements in the objective physical quality of life of the World’s citizens, is not yet considered a banality, suggests there may be something incomplete about it in terms of people’s own views of their wellbeing?

The global quality of life today is better than it was in the past in ways that it is hard to dispute. Whatever one’s misgivings about the advantages of the color-screen gameboy over the spinning top in terms of the better life, it is hard to argue against fewer mothers dying in childbirth and fewer infants dying soon thereafter as an important change. However, while few if any historical thinkers would say that lower infant mortality was *bad*, they didn’t apparently associate greater general wealth with lower average mortality. Furthermore, at least when it came to contentment, they could clearly imagine it at levels of material and physical wellbeing not too dissimilar to those which actually prevailed.

Historical thinkers may also have been right that historical levels of income, correctly disbursed, were quite enough to support the good life. Institutions, technology and will is what is required, not necessarily more money.<sup>4</sup> Even most recent defenses of the free market, for example, do not belabor its potential relationship with economic growth (contentious at best, see Kenny and Williams, 2001) instead, they are concerned with liberty (Hayek, 1944).

From an objective standpoint, the history of ‘development’ appears largely the history of technology, not income. From a subjective standpoint, the concept of ‘economic development’ as a whole might need to be reconsidered. The great mass of historical thinkers on the good life had little to say about the role of absolute income increases, the great mass of responses to subjective wellbeing surveys worldwide support the idea that absolute income has little role – perhaps it is time to re-examine the economic models which suggest otherwise.

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<sup>4</sup> Easterlin (2004) argues that “even in the poorest countries” 2% of GDP would cover the costs associated with major improvements in life expectancy, for example –what has changed since the Nineteenth Century is that the technologies behind these improvements have been developed.

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