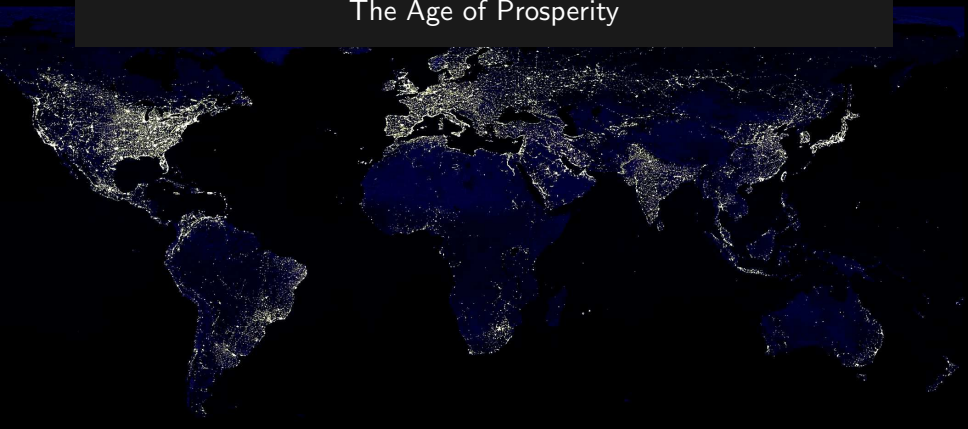


ECC2800/ENV4060/ENV5060 Prosperity,
Poverty & Sustainability
The Age of Prosperity



DEPARTMENT OF ECONOMICS
MONASH UNIVERSITY

Agenda

Understanding The Age of Prosperity

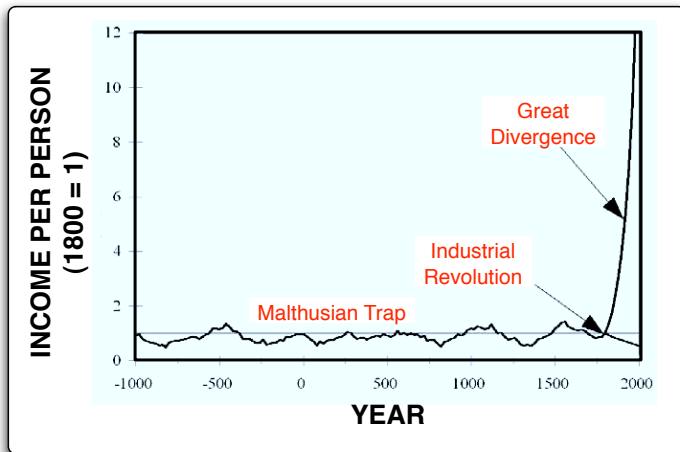
Now A minor detail ...

- 1 Now do you break the Trap?
- 2 Did the world do it, and when?
- 3 Has it happened everywhere?
- 4 How does growth happen? (we're not *quite* sure...!)

- 1 Classical: The Solow model of growth
- 2 Neo-Classical: Endogenous growth theory
- 3 New-Classical: The division of labour

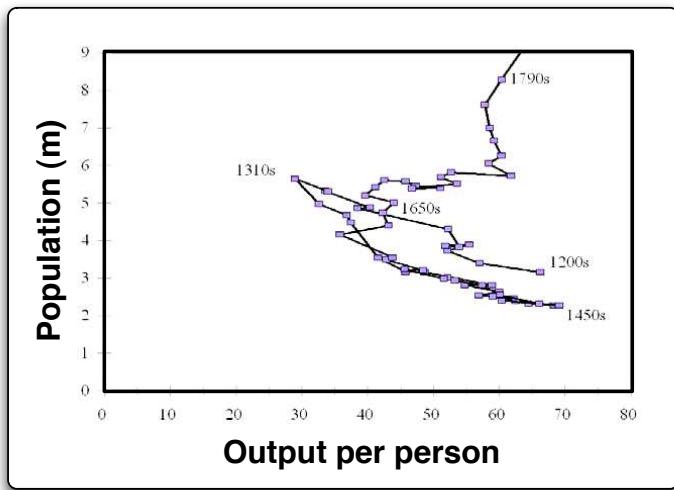
- 1 How does all of that apply to Development?

A minor detail ...



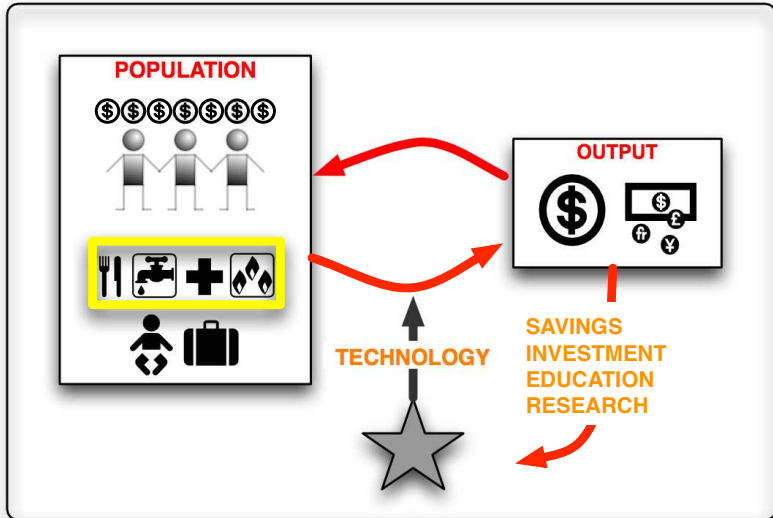
Source: [Clark2008]

Recall the Malthusian Period in England, 1200-1800...

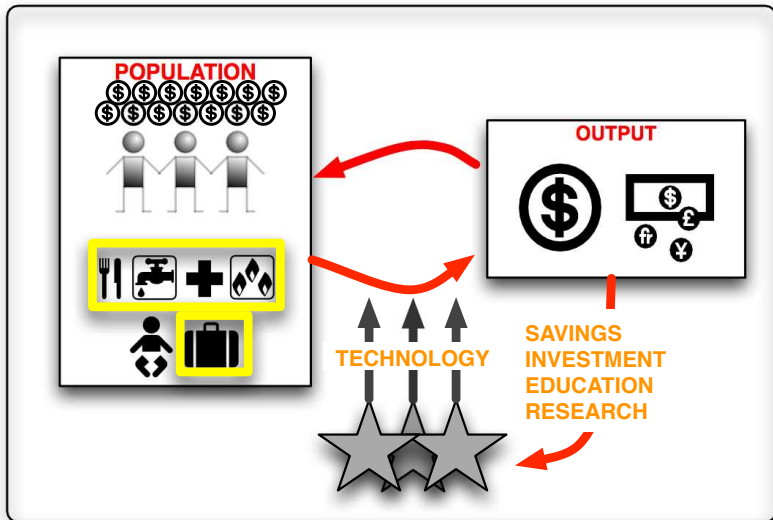


Source: Clark (2008)

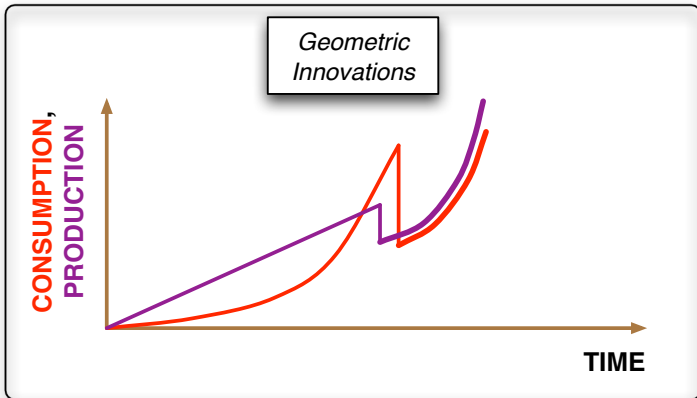
Breaking the Trap: Positive Real Incomes in the Social Economy



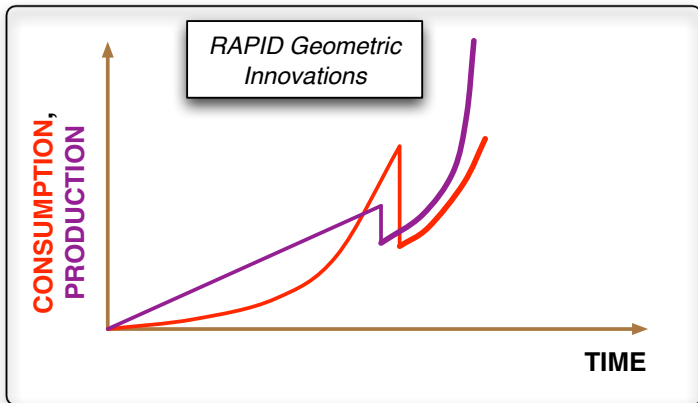
Breaking the Trap: Positive Real Incomes in the Social Economy



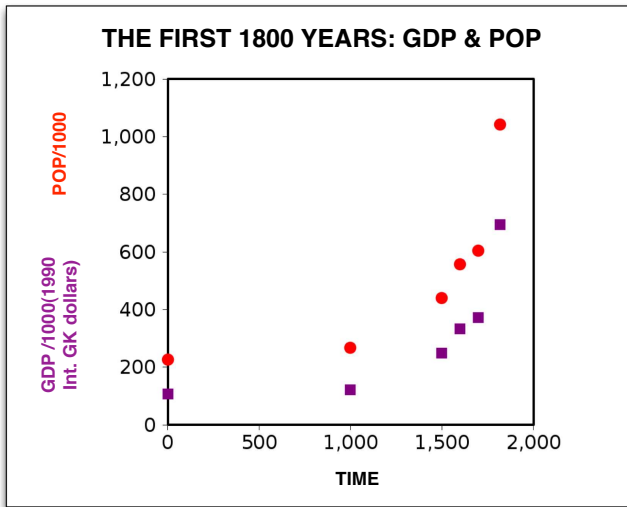
How would the Breakout Look in the Data?



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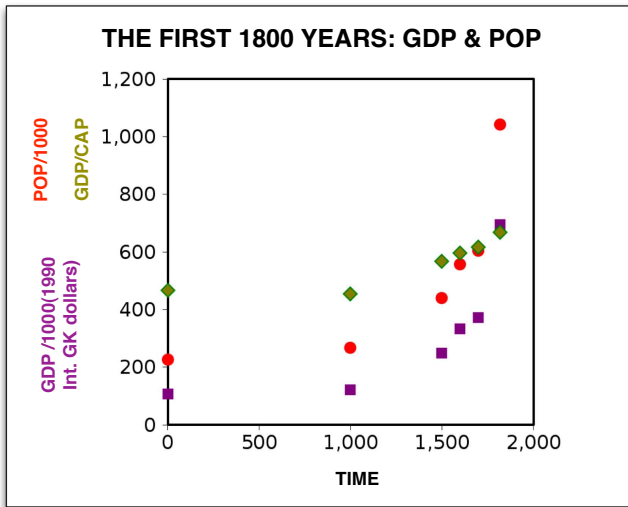


So, what do the Data Tell Say? The First 1800 Years...



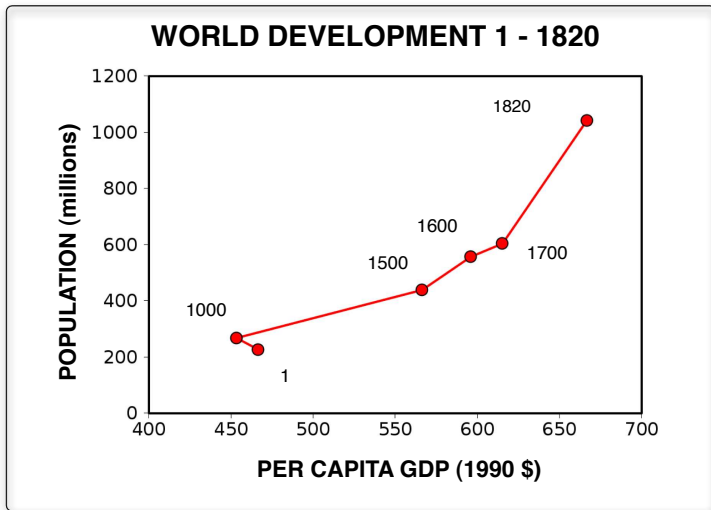
Source: Maddison (2003)

So, what do the Data Tell Say? The First 1800 Years...



Source: Maddison (2003)

Or, in 'Development' Space



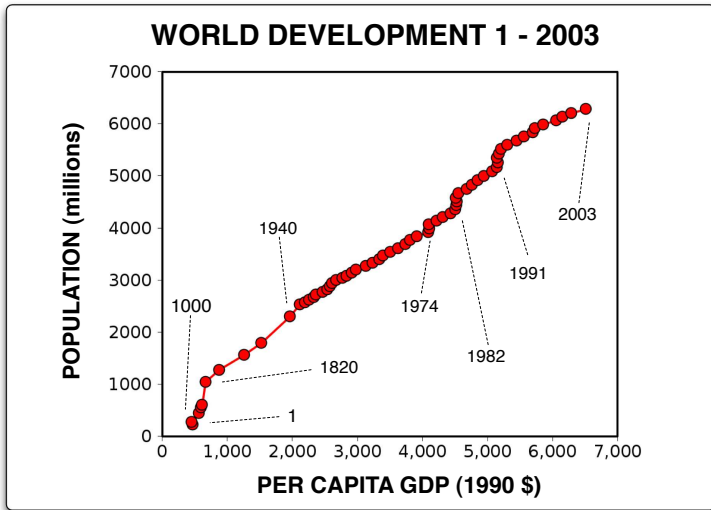
Source: Maddison, 2008

Pause – the Long Wait

Summarising the First 1800 years of Development

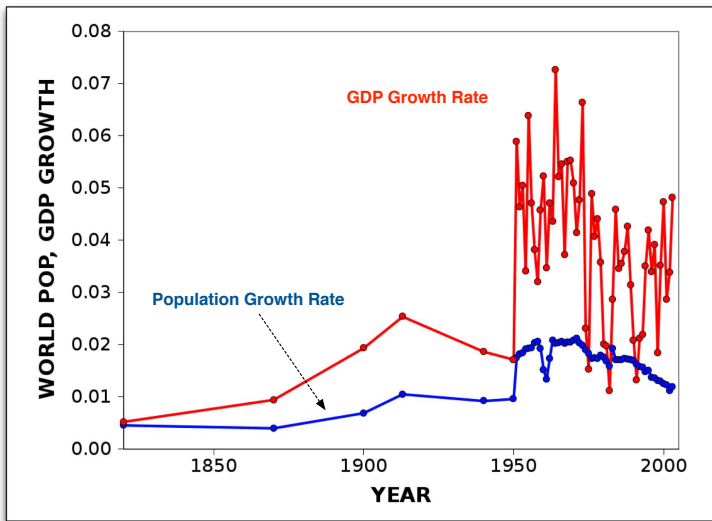
- 1 *Malthusian World* lasted on a global scale until approx. 1000 AD;
- 2 *Apparent break* from this world occurred thereafter, but *extremely slow*;
- 3 Total gains made in 1800 years of development were:
 - 1 800 million more people provided for;
 - 2 Each person's income (on average) increased by 50% (!);

Putting it in Perspective: The Age of Prosperity



Source: Maddison, 2008

Or, in other words ... The Population — Output trade-off



Source: Maddison, 2008

Pause II – The Golden Age

Summarising the Next 200 (only!) years of Development

- 1 The *Malthusian World* is well and truly **over** for the global average;
- 2 The *real break* from this world occurred at around 1820;
- 3 Total gains made in 200 years of development (1800-2000) were:
 - 1 **5,000 million more people** provided for;
 - 2 Each person's income (on average) **increased by 930% (!!!)**;
- 4 **Recall:** Total gains made in 1800 years of development were:
 - 1 **800 million more people** provided for;
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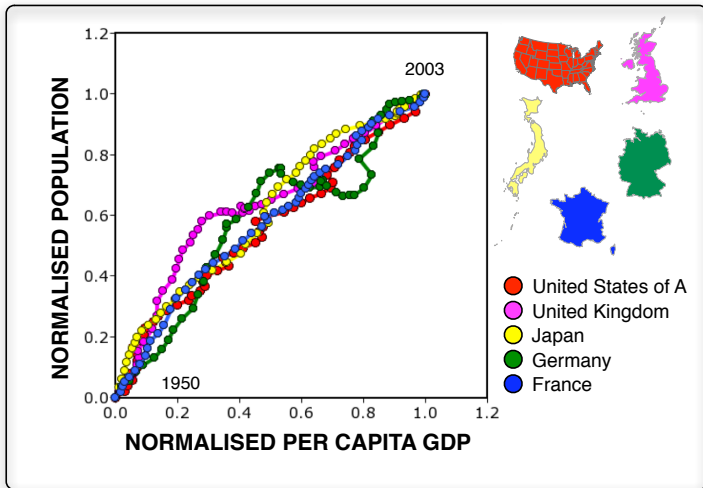
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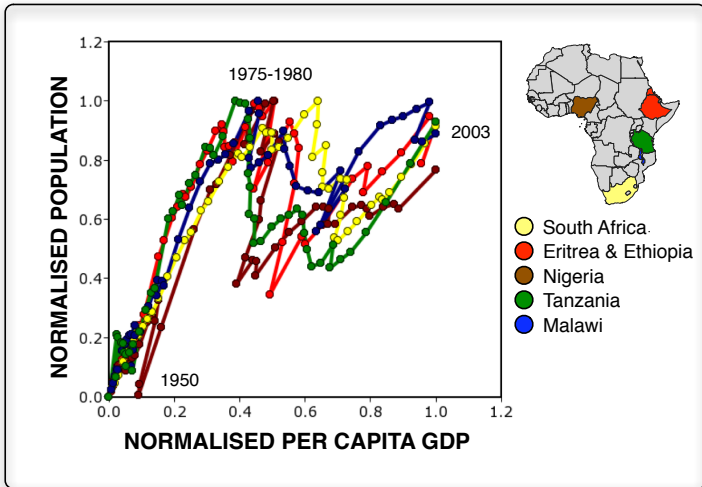
Caution! Question: Has this growth been uniform?

Growth in the Group of 8 Industrialised Countries



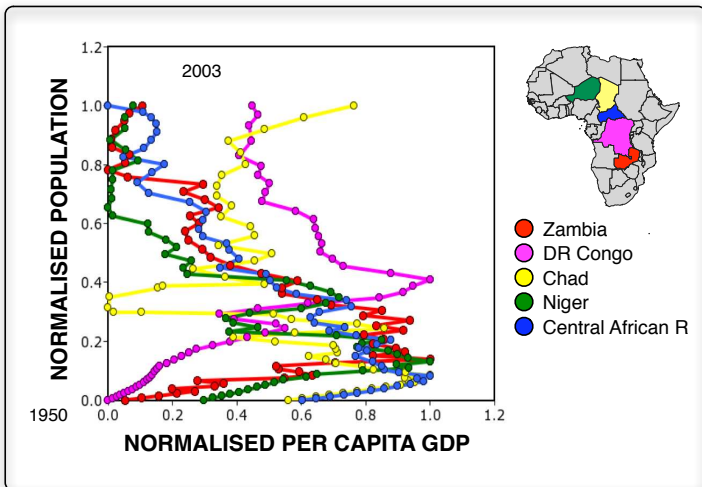
Source: Maddison, 2008

Hard Cases in Africa 1: politics & disease



Source: Maddison, 2008

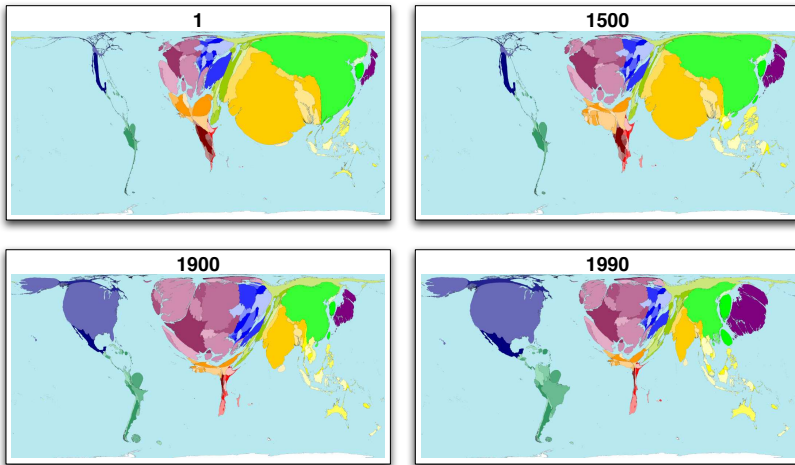
Hard Cases in Africa 2: the Malthusian world ... today



Source: Maddison, 2008

Battle-Global – US & Japan: 1, China & India: zero

WEALTH (GDP, US\$PPP)



Source: [Worldmapper2006]