

# *The Economics of Dignity*

---

This chapter is about the role that income plays in dignity but also about the relationship between economic development and dignity more broadly. It is hard to be dignified – or indeed to care much about dignity – when one is starving, or picking over garbage heaps to make a ‘living.’ For a society, a minimum level of welfare is surely a constituent of sustainable dignity. Furthermore, a minimum level of income is required to achieve that welfare, as we have seen. At the same time, as noted in an earlier chapter, the level of income required to achieve such welfare is, in global terms, low and falling, and the relationship between economic growth and welfare growth is very weak. Is the relationship between economic growth and the growth of dignity any stronger?

According to a number of measures that might be considered connected to dignity, the world has seen considerable improvement over the past 30–50 years. Measures of civil and political rights have gone up on average worldwide. The percentage of children aged 10 to 14 in the labour force declined from 24 to 10 percent 1960–2000. Between 1950 and 1999, the percentage of the world’s population that was literate increased from 52 to 81 percent. Income inequality within the average country declined slightly 1960–90, while gender equality, measured as a percentage of female literacy as a proportion of male literacy increased from 59 to 80 percent

between 1970 and 2000. As significant, and as with health measures discussed in a previous chapter, countries that were further behind on these measures of dignity have improved more rapidly than those which began further ahead – a result distinctly different from that for income per capita (C. Kenny, 2005b).

Nonetheless, it has been argued that widespread economic growth may be one factor behind a spread of dignity. This might be because income growth allows people to focus more on how much better they are doing than they were in prior years, rather than how they are doing compared to their peers. In turn, it has been argued, this creates a favourable environment for inclusive policies that aid the poor and disadvantaged (Friedman, 2005).

Of course, ensuring that incomes rise over each individual's lifetime does not require a growing GDP per capita. Indeed, there was no significant GDP per capita growth for most of the world over most of history, yet it is very likely that many individual people saw rising incomes over their lifetimes. As long as the young earn less than average, and the old more, a stagnant economy can preserve income progress for each individual.

This fact might help to account for the limited evidence in favour of the theory that faster economic growth increases contentment, as we will see in a later chapter. It may also help to explain the weak empirical relationship between developments that might be thought 'pro-dignity' and rates of economic growth. For example, Easterbrook (2005) points out that the thesis that economic growth leads to more inclusive societies faces some challenges from US history. The recession beginning in 1893 did not dampen the pressure for suffrage, Social Security was born in the midst of the Great Depression, and the last three decades have seen reduced evidence of discrimination in the workplace despite periodic episodes of low growth. Conversely, the Ku Klux Klan surged in the Roaring Twenties.<sup>1</sup>

---

[1] Furthermore, as noted by Friedman (2005) '[m]ost of the people who favor either increased or reduced school funding, or a more or a less progressive tax system, rarely if ever change their attitude.' This suggests

This chapter discusses measures of choice, value and prestige and their determinants. Choice might most closely be measured by indicators of overall civil and political rights. Value is connected to the manner in which one provides for the welfare of oneself and one's dependents. This is perhaps best illustrated by indicators regarding the nature of employment over time. Finally, prestige is connected with the ownership of 'positional goods' and will be significantly related, at the lower end of the scale, with the capacity to appear in public without shame.

### The Global Growth of Choice

There has been a dramatic extension of the rights of mankind over time. The proportion of the world's countries that might be broadly defined as fully democratic according to the United Nations Development Program's *Human Development Report* has risen from effectively zero in 1000 AD to 52 percent in 2002. About one third of the population of ancient Greek states was enslaved, and a similar proportion in Roman Italy in 28 BC. The US southern states saw a slightly higher proportion of slaves in 1750 (about 38 percent of the population). In the Caribbean, the proportion reached as high as 90 percent at times. Legal slavery died out in 1970, with the final emancipations on the Arabian peninsula (Engerman, 1995).

It should be noted, however, that there remain significant numbers of people living under regimes with little respect for human rights and others who are in situations of bonded labour or effective enslavement. Women, in particular, frequently lack liberty. Somewhere between 700,000 and 2 million women and girls are still trafficked across international borders each year (Watts and Zimmerman, 2002). The previous chapter noted that dignity was linked to the ability to choose one's cultural identity and social role when one comes

---

factors that change over short periods (not least economic growth) are not the keys to such attitudes. Sweden stagnant in will be more generous in terms of progressive taxation and school funding than the US growing whatever the (recent) year, while the US in deepest depression in the last or next few years would be more generous than the US rampantly growing in 1887 in terms of taxation and schooling.

of age. Women in very many countries are denied that ability. Not least, over 100 million women worldwide are estimated to have suffered genital mutilation which, apart from significantly increasing the risks of future childbirth, including maternal blood loss and infant death (WHO, 2006), forces on girls a significant and irreversible decision on how to live.

The status of women's dignity might be further illustrated by the percentages of women who accept that a man has a good reason to beat his wife if she does not complete housework. In Butajira province in Ethiopia, two thirds of women agree with this statement, and in Cusco, Peru the proportion is 44 percent. These figures are reflected in very high rates of domestic violence against women in the two provinces. At the same time it is clear that dignity related to gender is a multifaceted concept which cannot be reduced to a single measure or set of causal agents. The World Health Organization's (2005) fifteen-site, ten-country survey of women's health and domestic violence found that despite high rates of violence, Butajira's relative performance in terms of the control exercised over women by their partners was comparatively positive. For example, only 6.5 percent of women in Butajira reported that their partners kept them from seeing friends, the second lowest figure in the sample sites, and compared to 31 percent in first-ranked Samoa.

Whilst discrimination on grounds of ethnicity is frequently outlawed this, too, persists in rich and poor countries alike. Ethnic minorities often find themselves at the lower end of measures of living standards. Forty-five percent of people living below the national poverty line in Guatemala belong to indigenous households and 93 percent of indigenous people are poor, for example. In the US, black infant mortality rates are more than twice as high as the rate for whites. In the Czech Republic, unemployment among the Roma is between 70 and 80 percent. And there is plentiful evidence that this difference in status reflects active discrimination, not merely an inherited disadvantage in terms of socio-economic environment. Discrimination is itself part of a broader exclusion from society including factors such as that textbooks frequently omit refer-

ences to minority and indigenous histories and cultures (Stern et al., 2005).

There is significant evidence that, as with gender discrimination, ethnic discrimination can become self-reinforcing. This is suggested by a study of caste status on test performance in India. Mixed-caste and caste-segmented groups of Indian junior high school students were set the task of solving mazes for a small reward. In the first set of experiments, the caste of the participants in a mixed-caste group was not revealed to test-takers during the task. Performance did not vary by caste. In the second set of experiments the caste of the participants in a mixed-caste group *was* revealed prior to the task. The average number of mazes solved by the low-caste students fell by 23 percent. In a third set of experiments the group was made up purely of low-caste students, and this was revealed prior to the task. The average number of mazes solved fell even further (Hoff and Pandey, 2004). The way that people view themselves — their capacities and abilities, even the rights they feel entitled to — appears to be intimately related to the social status of their ethnic group or gender.

Whatever lies behind both the global spread of rights and remaining barriers to dignity of choice, it does not appear that income is central. As noted in a previous chapter, many writers throughout history have believed that greatly increased incomes were not required in order to ensure the dignity of choice for peoples. During the English Civil War, when incomes per capita averaged only a little above \$1,000, Lilburn called for a republic with universal suffrage and equality before the law. John Stuart Mill called for a full range of liberties including women's equality, and was building on Mary Wollenscraft's *Vindication of the Rights of Women* written in the previous century. Outside of Europe, Akhbar, the Mughal emperor in power at the turn of the Sixteenth century, issued edicts codifying rights including religious freedom from his capital at Agra. Gandhi felt that India was quite capable of guaranteeing a full range of rights at a point when India's GDP per capita was around \$600. More recently, a number of developing countries have developed and preserved systems that guarantee widespread civil

rights at low levels of average income including Costa Rica, Botswana, South Africa and India itself.

Looking at global data, Ferguson (2001) cites statistics from the Polity III database which suggest that the world was growing steadily more democratic from 1800 to 1925, and then grew steadily less democratic from 1925 through 1950 and again from 1950 to 1975. The 1925-50 period did include the Great Depression, but Ferguson argues that eight of the fourteen dictatorships set up in formerly democratic regimes between the World Wars were set up before the onset of the depression. After 1928, he argues, 'there is simply no correlation between the severity of the Great Depression ... and the ease with which dictatorships were established in the 1930s; if there had been, then Czechoslovakia and France would also have turned fascist...'

Turning to the post-war period, using data from the 'Polity II' database which scores countries from -10 (most autocratic) to 10 (most democratic), for the 71 countries with data for 1950, 1970 and 2002, the average score was 0.3 in 1950, -0.6 in 1970 and 5.5 in 2002. This is a welcome sign of growing political rights across the globe, but provides little support to the centrality of income in that process—economic growth worldwide was more rapid 1950-70 when rights were receding than it was 1970-2002 when rights were rebounding (C. Kenny, 2005). In other words, worldwide, faster economic growth has been associated with greater authoritarianism and slower growth with democratization.

At the country level, Acemoglu et al. (2005a) find that the strong cross-country link between income and measures of democracy at any one time disappears when they control for historical determinants of economic and political development. They also find no significant link between changes in income and changes in measures of democracy over time (See also Easterly, 1999).<sup>2</sup> For example, one of the fastest growing countries in the world over the 1980-2000 period was China, where it is hard to argue that democracy was an immediate result.

---

[2] A second paper finds education irrelevant using a similar technique—Acemoglu et al., 2005b.

Regarding political participation by women in particular, on average, the percentage of women in parliamentary bodies is slightly lower in low-income countries than in high-income economies. At the same time, the fact that South Africa has 30 percent women parliamentarians and Costa Rica has 35 percent female representation –far higher than the average for OECD countries – suggests that the relationship is a weak one.

As we have seen with welfare and as we shall see with measures of contentment, it is quite plausible to argue that any causal relationship between dignity and economic growth runs from dignity to growth, not the other way around. Early development theorists suggested that greater inequality and an authoritarian state might be necessary to promote rapid economic development. Looking at the post-war economic performance of the Soviet Union, for example, the general view amongst economists of Soviet planning was that ‘it might be brutal, and might not do a very good job of providing consumer goods, but it was very effective at promoting industrial growth’ according to Paul Krugman. More recent evidence suggests, however, that a basic level of rights and lower measures of inequality might actually spur faster growth, and the earlier they are introduced, the better.<sup>3</sup> Similarly, measures of education have appeared in numerous cross-country studies as an important determinant of economic performance (Easterlin, 1981). If the strength of the positive relationship is open to debate (Kenny and Williams, 2001), at least there is little evidence of a negative relationship between education, civil rights and GDP per capita growth, suggesting no sense of or need for a tradeoff between them.

### **A Life of Value – the Dignity of Education and Dignity at Work**

To the extent that education itself is part of the package of goods that might be thought to comprise value dignity, it is worth noting that here again the link with income growth is weak. There is no statistically significant relationship between

---

[3] For example, Fay, 1993, Svensson, 1994, Clarke, 1995, Bourguignon, 1996, Seabright, 1997, Brunetti, 1997.

growth in gross primary or secondary enrollment and growth in income per capita globally or for a subsample of countries with incomes per capita below \$3,000 over the 1975-2000 period. Over a longer timeframe but a smaller group of countries, there is no relationship between growth of literacy and income growth 1913-1999. Indeed, if anything, countries that have grown faster have seen slower rates of improvement in education (C. Kenny, 2006). Between 1950 and 1990, Angola, Nicaragua, Mozambique and Bolivia all saw declining real incomes per capita. Over the same period, they all saw dramatically increasing literacy and primary school enrollment. In Angola, where income per capita fell from \$986 to \$654 over the forty-year period, primary enrollment as a percentage of the population increased from 0.3 to 11.7 percent (it was 12.4 percent in the US in 1990) (Kenny, 2005b).

Conversely, the limited impact of education even in many of the richest countries suggests that even they have some distance to go in ensuring even a basic level of skills. One in four adults in the UK are functionally innumerate (they cannot figure out change from a simple shopping transaction) and one in five functionally illiterate—they cannot find the entry for plumbers in an alphabetical listing in the Yellow Pages (Westwood, 2002).

As with health, that per capita income increases are weakly related to improvements in levels and quality of education is likely to be connected to the fact that universal basic education is very cheap to provide. Budget scarcity is not a significant barrier to expanded enrollment rates, as suggested by Adam Smith in the *Wealth of Nations*, who noted that widespread education could be provided 'for a very small expense.' The barriers to enrollment, and learning once enrolled, are only in small part created by limited absolute income.

Child labour is an issue connected to dignity both directly and because it reduces opportunities for education. The International Labor Organization estimates that there were 206 million child labourers in 2000. But it appears that the relationship between economic growth and child labour rates is not straightforward. Indian state level data suggests that while child labour rates have been decreasing over time, states that



saw faster growth rates over the 1982-93 period saw higher rates of child labour in 1994 (allowing for a range of other factors including income, education and religion) (Kambhampati and Rajan, 2006). A similar story can be told regarding trafficked children. Studies in Benin and Burkina Faso suggest that a range of factors beyond income are important. The presence of televisions and soccer clubs in the village, the death of a parent and the search for better educational opportunities all increase the supply of children for trafficking while the use of children for commercial sexual exploitation is one factor increasing demand (Fitzgibbon, 2003).

Regarding the dignity of work for adults, Amartya Sen (2000) notes the importance of employment itself to social dignity, an idea echoing Aristotelian concerns that the happy life is one of reason concerned with action. Beyond its impact on income, Sen notes that losing employment leads to social exclusion and fewer opportunities to make decisions as well as a weakening of social values including the growth of cynicism about the fairness of social relations. Concerns with dignity might help to explain why millions of legitimate welfare claimants in the UK do not make claims (Sen, 1995).

Over time, it appears that the social stigma attached to unemployment has changed considerably. As noted in the previous chapter, there have been times when the wealthy have found it demeaning to work. At the other end of the scale, views of pauperism and begging have also changed. The tax list of Augsburg for 1475 noted 107 taxpayers (out of a total 4,485) whose profession was listed as begging. Indeed, there was a widespread idea of the nobility of poverty and reliance on others, reflected most obviously in the life and following of St. Francis (although that example points out that the *nouveaux pauvres* were perhaps more worthy than the poor who had always been with us).

During the sixteenth century the view of begging began to change as the work ethic took root (Geremek, 1997). Porter (1999) argues that rocketing population growth combined with the spread of disease and famine after 1500 changed the view of beggars from 'God's holy ones' to dangerous rogues requiring discipline. The spread of pauperism overwhelmed

traditional means of assistance, creating agitation against the 'undeserving poor'. Economic change which increased growth may, then, have worsened the social stigma of unemployment.

Edwin Chadwick, who ended his career convinced that poverty was the result of the declining health of poor people living in urban decay, had a prior incarnation as a key figure in the design of the new British Poor Laws during the Industrial Revolution as Secretary to the Poor Law Commission. At that point, he was a firm believer that the old system was too generous and encouraged waste and idleness (Porter, 1999). The Poor Law Amendment Act of 1834 was largely a result of his work. This stipulated that authorities should not give help to able-bodied individuals outside of a workhouse. Workhouse food, bedding and so on should be of a lower standard than those available to the lowest-paid labourer, and groups of paupers should be separated (including husbands and wives). Notices posted on workhouse doors suggested that 'By work I am nourished, by work I am punished' and that the building was 'For the Poor and the Wicked' (Geremek, 1997).

Regardless of the harshness of relief systems, the risk of being thrown into unemployment during the Industrial Revolution was considerably larger in growing urban areas than rural areas (Fernandez-Armesto, 2001) and partially as a result, pauperism expanded dramatically, as we have seen.

In the more recent past, official attitudes towards unemployment have softened with the introduction of unemployment benefit. But the link between low unemployment and income growth in wealthy countries has remained weak. Overall, employment rates were higher in the 1950s and 1960s in both the US and Europe when GDP per capita was considerably lower than it is today. And unemployment in the UK over the last twenty five years has remained stubbornly higher than in previous decades in times of high and low growth alike.

For those employed, Adam Smith was concerned that the simplifying of tasks by division of labour would cause the spread of work that was tedious in the extreme and far from what Aristotelians might consider rewarding employment:

The man whose whole life is spent in performing a few simple operations... generally becomes as stupid and ignorant as it is possible for a human creature to become ... But in every improved and civilised society this is the state into which the laboring poor, that is the great body of the people, must necessarily fall, unless government takes some pains to prevent it (Smith, 1910).

Smith saw education as the primary policy remedy, but this does not seem to tackle the problem identified by him that tasks simplified by the division of labour make for tedious jobs. Smith himself noted that agriculture, where the division of labour was far more limited, made for considerably more interesting employment, suggesting that tedious work was a problem that the industrial revolution exacerbated. In 1700, agriculture accounted for 56 percent of British employment and industry for 22 percent. By 1890, agriculture accounted for 16 percent, and industry for 43 percent (Maddison, 2001). In 1848, Mill complained that the Industrial Revolution had developed as predicted by Smith: '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' (Mill, 1985).

Since the 1700s we have also seen a dramatic rise in service jobs, which now account for over 70 percent of employment in the UK. These jobs, too, are increasingly made up of a series of frequently repeated, highly regimented tasks – not least after Ray Kroc brought assembly-line practices to the fast food industry. Approximately a third of the British workforce believes that their jobs require no skills or qualifications (Westwood, 2002). Overall job satisfaction in the UK, measured by the percentage of people completely or very satisfied with their jobs overall fell from 52 to 45 percent 1992–2000.

The 'new economy' does not appear to be creating many more of the types of jobs that Aristotelians would see as comparatively dignified, or that Marx imagined for the post-revolutionary period (where one would 'hunt in the morning, fish in the afternoon, rear cattle in the evening, criticize after dinner' according to the *German Ideology*). One example is the

call center, where there is very high staff turnover and employees complain about monotony, frustration and stress. Indeed, measured levels of stress match those experienced by coal miners (Wallace et al. 2000). Three quarters of women in call centers have been victims of verbal abuse (Chappell and Di Martino, 2006).

Harassment remains a considerable problem across job types. 53 percent of all employees in the UK report having been a victim of bullying at work. Furthermore, many service jobs are particularly prone to incidents of harassment and bullying. In the European Union, hotel and catering workers are three time more likely than the average worker to suffer sexual harassment, and public administration workers are 50 percent more likely to suffer bullying (Chappell and Di Martino, 2000, 2006).

Across countries, using a measure of 'decent work' that encompasses employment status, pay, hours of work, gender equality in employment and pension measures, Ahmed (2003) concludes that while GDP per capita is related to these measures, 'high levels of decent work can be achieved without high incomes and ... high incomes do not guarantee high levels of decent work.'

### **Non-Income Determinants of Choice and Value**

We have seen that it is possible to achieve high school enrollment levels, civil rights and comparatively strong levels of dignity at work even in countries with low incomes, whilst high income or income growth are by no means a guarantee of progress in these areas. Instead of a close link to economic change, it may be that expansion of civil and political rights as well as educational opportunities is part of a process of social change. As a result, improvements appear to be a matter of long-term development. For example, it appears that one of the best predictors of democratic status in the future is demo-

cratic status in the past. This is an idea that Persson and Tabellini (2006) label 'democratic capital'.<sup>4</sup>

Similarly, Michael Clemens (2004) has found strong evidence of an 'adoption curve' regarding education. He shows that it is easy and accurate to predict how many children will be in school in twenty years time by looking at how many children are in school today. Across countries and over time, there appears to be a standard path of progress from low levels of enrollment to high levels. Initially slow rates of progress increase exponentially to an inflection point, and then the rate of increase in enrollment slows as education reaches ubiquity. One can imagine why this might be the case. It takes time to expand stocks of physical capital supporting education (schools, roads to schools). More importantly, parents who have been to school are far more likely to send their children to school. And a larger number of educated young adults provides for a larger pool from which to draw the next generation of teachers.

Amongst other causal factors, cross-country research suggests that urbanization and expanded civil and economic rights might both drive enrollments to some extent.<sup>5</sup> Given our discussion of the importance of relative income, it is also notable that income *inequality* correlates with lower measures of both educational attainment and democracy, as well as a number of other measures related to dignity across countries (Thorbecke and Charumilind, 2002, Gradstein and Milanovic, 2002).

Regarding liberty, at the same time as differing institutional determinants at the national level have played a role, it is clear that global change has played an important part, in a process akin to the technological advance that has propelled improvements in welfare. The global acceptability of totalitarianism has fallen, in part because of its atrocious record in improving welfare outcomes, in part because of the end of the Cold War.

The time at which governmental institutions started their development towards providing greater political and educa-

[4] It should be noted that Persson and Tabellini do also find GDP per capita related to democratization in their study.

[5] Esposto and Zaleski, 1999, Moore et al., 1999, Baldacci et al., 2004.

tional opportunities might in part have been determined by climate and disease burdens which shaped the initial nature of the institutions themselves. The physical and environmental conditions present in colonial areas had a significant impact on the nature and extent of colonial settlements and resulting political and economic structures. In the Southern colonies of the Americas, for example, soils and climates were better suited to lucrative crops grown on large farms with cheap labour (usually slaves). Tropical climates created disease burdens which deterred large settler populations and thereby encouraged extractive models of economic institutions (slavery, resource extraction) rather than models focused on local accumulation. In contrast, further North disease burdens were lower while climate and soils favoured mixed farming on smallholder plots better suited to large settler populations, frequently made up of immigrants that were already educated to some degree.

Areas dominated by small settler populations, in a desperate race to extract wealth before they succumbed to diseases, developed extreme economic, educational and political inequalities. Areas where settlers made up a considerable proportion of the population and where settlers intended to stay for the long term developed more equitable conditions. In the early 1900s, 75 percent of adult US males living in rural areas owned land, compared to 2.4 percent in Mexico. In 1870, over 80 percent of US adults were literate, compared to 16 percent in Brazil and Jamaica. Around 1880, three percent of Chileans had the vote compared to 18 percent of US citizens (Acemoglu et al. 2001, Engerman and Sokoloff, 2005). This 'institutional deficit' dating back to the colonial period might help to account for lower levels of institutional development today, due to the later start in terms of progress in liberty and educational outcomes.

At the same time, there are significant limits to such an interpretation. The differing outcomes we have seen between North and South Korea, Taiwan and mainland China, Haiti and the Dominican Republic, Botswana and Zimbabwe or East and West Germany all suggest the need for considerable caution in suggesting that climate is destiny in any strong sense. In some

cases, climate may have been one factor in determining institutional development, but there are a number of others. Climatological determinism is a poor excuse for abuse of basic civil rights or denying educational opportunities.

### Income and Prestige in History

In 1714, Bernard Mandeville, in *The Fable of the Bees* discussed the nature of conspicuous consumption:

The Druggist, Mercer, Draper and other creditable Shopkeepers can find no difference between themselves and Merchants, and therefore dress and live like them. The Merchant's Lady, who cannot bear the Assurance of those Mechaniks, flies for refuge to the other End of Town, and scorns to follow any Fashion but what she takes from thence. This haughtiness alarms the court ... the contrivance of fashion becomes all their Study, that they may have always new Modes ready to take up, as soon as those saucy Cits. shall begin to imitate those in being (quoted in Mason, 1998).<sup>6</sup>

The control of a fashion arms race between the classes was long an important area of public policy. Sumptuary laws were often introduced as a way to avoid widespread expenditures on fripperies, but increasingly they became a way to ensure that distinctions of social class were preserved in the face of the growing wealth of the lower orders. The express purpose of Elizabeth's sumptuary laws were to prevent 'the disorder and confusion of the degrees of classes' (although it is not clear to what extent limiting silk underwear to knights' wives controlled this disorder, at least in public) (Baldwin, 1926).

Adam Smith felt that the pursuit of riches was primarily driven by 'regard to the sentiment of mankind... to be observed, to be attended to, to be taken notice of...' (quoted in Hirschman, 1977). He found it 'a means most vulgar and most obvious' (Smith, 1910), but felt nonetheless that the pursuit of income was a good way of channeling men's desires in a manner that did more good (or at least less harm) than any other

[6] Cf. Veblen (1987): 'A satiation of the average or general desire for wealth is out of the question ... no general increase of the community's wealth can make any approach to satiating this need, the ground of which is the desire of every one to excel every one else in the accumulation of goods.'

(Fitzgibbons, 1995). Because income was largely pursued as a source of regard, Smith noted that there was a tradeoff to be had between jobs with high income and those to which high honor was attached, independent of their pay scale. ‘Honor makes a great part of the reward of all honorable professions. In point of pecuniary gain, all things considered, they are generally undercompensated’ (Smith, 1910).

At the other end of the scale, as we have seen, Adam Smith felt that the minimum wage should cover the purchase of goods that ‘the established rules of decency have rendered necessary.’ Sadly, his idea was not adopted and the Industrial Revolution did little in the UK to improve the dignity of the working poor.<sup>7</sup> The income share of the top ten percent of the British population rose from 44 percent in 1688 to 49 percent in 1803 and to 53 percent in 1867 (it is about 27 percent today) (Lindert, 1986). The atrocious nature of life in British urban slums was a cause of the growing class divide—the *Communist Manifesto* was based in part on Engels’ experience of Manchester.<sup>8</sup>

---

[7] As a result of declining inequality and changing prices, it is worth noting one way that the rich at least in the UK are notably worse off than they were in mid-nineteenth-century Britain—today’s pound doesn’t buy you nearly as many butlers as it used to. In 1857, a household with an income of 500 pounds would tend to have a cook, house-maid, parlour-maid and a butler, according to Burnett (1974). 500 pounds translates to about 30,000 pounds in today’s money (according to the CPI calculations at <http://www.pierre-marteau.com/currency/indices/uk-02.html>). Sadly, 30,000 pounds is no longer enough to hire even one decently experienced butler. The Prince of Wales’ household staff (which includes two butlers, a master of the household, an assistant master of the household, a full-time and part-time equerry, a valet, four chefs, two chauffeurs and twenty three and a half other staff (in full-time equivalents) costs him approximately 73,000 pounds per person, for example ([www.princeofwales.gov.uk/about/annualreview\\_2005.html](http://www.princeofwales.gov.uk/about/annualreview_2005.html)).

[8] British philanthropist David Urquhart blamed the growth of class antagonism on the fact that the rich had begun bathing while the poor increasingly stank. His prophylactic solution to revolution was to build Turkish baths in poor neighborhoods (A. Kenny, 1997). This was an interesting reversal of a previous trend. Public steam baths were in fact fairly widespread as early as the thirteenth century, but they were used for more than just personal hygiene and lost favour during the syphilis epidemic from the end of the fifteenth century (Porter, 1999).



### **Income, Poverty and Prestige in the Modern World**

The stigma attached to poverty and the regard attached to wealth has remained firmly in place. Frank (1997) argues that concerns with status help to account for wage distributions within firms that are more compressed than we would expect were it not for relative income concerns, and (echoing Smith) that there is a strong negative correlation between the extent to which an employee's occupation is viewed as being socially responsible and their annual earnings. The status importance of income is also demonstrated in people's responses to relative income concerns. A survey of Harvard students found that the majority of students asked if they would rather earn \$100,000 while others got twice as much, or \$50,000 while others got half as much, chose lower absolute income and higher relative income (\$50,000 whilst others earned \$25,000) (Dowling, 2005). Indeed, so important is relative income that in experiments where people can pay some of their own money to reduce the amount of money that other (richer) subjects have been given, two thirds of subjects will 'burn' richer subjects' money (Zizzo and Oswald, 2000). The (continuing) relative definition of wealth may help to explain why less than 0.5 percent of Americans are willing to label themselves as rich (Myers, 1992) and only 9 percent of those with a net worth between \$1 to \$4 million admit to being rich (Coniff, 2002).

The relative status of wealth and poverty is also clear from the relationship between perceptions of poverty and average incomes. 'Absolute' poverty lines are designed to measure the level of income necessary to avoid poverty in a manner supposed to take no account of the wealth of others or relative income concerns. Fisher (1995) notes that there is an impressive body of empirical evidence from the United States, Britain, Canada and Australia that successive poverty lines developed over time which were designed to be absolute in fact show a pattern of increasing as fast as average incomes were rising. These 'absolute' poverty lines tend to have remained roughly equal to a constant proportion of average incomes (an exception, of course, has been the official US poverty line since the 1960s). Over time, 'subsistence baskets' in

the United States, for example, have expanded in both quantity and extent. The minimum acceptable weight of high-protein foods for a family of four per week increased from 22 pounds in 1908 to 55 pounds in 1960. In addition, between 1908 and 1960, allowances for electricity were added as well as the cost of 520 car journeys (all of this expanding basic needs to cover lighting, refrigeration, ironing and transport).

Popular definitions of what is required to 'get along' have been rising considerably, as well. Today, more than half of Americans say that they cannot afford everything that they really need (Graham et. al. 2004).<sup>9</sup> This is because the impression of what people 'really need' has been expanding. In the UK between 1983 and 1999, the percentage of people who thought that having a friend or family member visit for a meal was something that 'everybody should be able to afford' increased from 32 to 65 percent. The percentage who thought a telephone was a necessity rose from 43 to 72 percent. Other items increasingly seen as necessary included computers, video recorders, dishwashers, cars and going out for a meal (C. Kenny, 2005).

Similar findings hold around the world. Across countries, Cantril (1965) found an anecdotal definition of what was required for a decent standard of living that was highly correlated with income. Regular surveys asking Philipppinos if they are poor have seen no downward trend as the Philippines gets richer (Ravallion and Lokshin, 2001). A survey of rural people living near six towns and cities in Tanzania provides some evidence of the relative nature of poverty even in a country where the majority of people subsist on less than two dollars a day. Survey respondents were asked to classify themselves into very poor, poor, average, rich and very rich. None classified themselves as very rich, although nearly one percent classified themselves as rich (a higher proportion than in the US).

Of the six districts, the area around Lindi had the lowest household income—around \$330 per year. The areas around Arusha and Dar es Salaam had the highest average household

[9] This despite the fact that between 1958 and 1999, personal disposable per capita income in the US rose 131 percent, and personal consumption expenditures increased 140 percent (Redmond, 2001).

incomes of the six regions—\$2,000 for Dar es Salaam and \$2,120 for Arusha. But the percentage of people who felt rich was almost exactly the same in Lindi and Arusha, and the proportion of people who felt poor was actually higher in Dar es Salaam than in Lindi. Perhaps unsurprisingly, when asked to categorize what counted as an average, rich or very rich income, the respondents in the area of Lindi suggested incomes that were about one half of those proposed by people living near Dar es Salaam.<sup>10</sup>

Indeed, even the global community's definition of 'what is a poor country' appears to change over time to reflect growing incomes worldwide. Rosenstein-Rodan's paper for the *Review of Economics and Statistics* in 1961 provided academic backing for the emerging consensus around a 0.7 percent aid target for rich countries. He calculated the investment needs of 'underdeveloped' countries in order to meet specific growth targets, the gap between current investment rates and those required to meet the growth target, and the percentage of 'rich world' income required in investment transfers in order to fill that gap. The figure came to approximately 0.7 percent of rich country GNP. The problems with such an approach are legion, but what is of more interest here is what Rosenstein-Rodan considered a 'rich' country—one that should be donating money in order to help 'poor' countries grow.

Rosenstein-Rodan suggested that any country with an income per capita of \$600 ought to be a donor. He attempted to calculate internationally comparable measures of income allowing for the different purchasing power of a dollar in his potential donor countries, and calculated that in 1960 GNP per capita for Italy was around \$900 in 1960 US dollars, for example. Using US inflation data, this is approximately equal to

---

[10] C. Kenny, 2005c, see also Laderchi, Saith and Stewart, 2002, on Peru and related work by Pradhan and Ravallion, 2000 on Jamaica. It may be that who the comparators are changes over time, not least with the introduction of new communications technologies. Myers (1992) reports that there was a strong correlation between the introduction of televisions in US cities and the increases in rates of theft. Where TV became available in 1951, thefts jumped in that year, where it became available in 1955, thefts jumped then (although one wonders if it was only that people were stealing TVs).

\$4,240 in 2000 US dollars. Given his suggested cut-off was two thirds of Italy's per capita income, this suggests that any country with an income per capita of above \$3,000 in 2000 dollars should be considered a 'rich' donor country. If this standard were adopted today, the pool of donor countries would be significantly larger than it is. Amongst at least 74 new donors would be China, Indonesia, Nicaragua, Egypt, the Philippines, Cape Verde, Paraguay, Peru, Namibia, Brazil, Russia, Mexico and Malaysia. What it is to be poor isn't what it used to be at the international level, either.<sup>11</sup>

What drives changes in relative income across time within countries? Cross-country studies have some difficulty in determining robust relationships, in part because levels of inequality usually change so slowly (Dollar and Kraay, 2002). Having said that, at least in the case of wealthy countries, it may be possible to make a judgment based on patterns of change in inequality over the recent past. In the 1920s, the top 0.1 percent of the population in the US, the UK, France and Japan earned between 6–8 percent of total income. From 1950 to 1980, this share dropped to around two percent in all four countries. But in the next twenty years, the US top earner share climbed back to nearly eight percent while the UK rose above 3 percent (Piketty and Saez, 2006). This suggests that more generous welfare arrangements, progressive tax regimes and tougher labour laws may have played a role in holding down inequality.

At the same time, Krugman (1994) notes that more generous unemployment benefits correlate with higher unemployment rates across countries at any one time, suggesting that there may be some tradeoffs involved in preserving different elements of dignity. Krugman argues that different benefit packages do not help to explain far higher unemployment rates in Europe in the 1980s onward than these countries faced previ-

---

[11] An alternate approach produces similar, if less dramatic results. The Penn World Tables suggest that Italy's purchasing power parity per capita GDP in 1960 was \$6,890 in 2000 US dollars, and therefore suggests a 'cut-off' of \$4,600 for developing countries. This still suggests that countries such as Paraguay, Colombia, Algeria, Tunisia, Iran and Belarus should be considered developed.

ously (in 1973, European Union average unemployment rates were below three percent). Instead, he suggests that rapidly growing inequality in the US and rapidly growing unemployment in Europe are both driven by technological change which has penalized unskilled workers. He suggests no easy fixes for this problem. Subsidized employment, that had apparently worked in Sweden until the 1990s, began to fail (and become ruinously expensive) after that, for example.

### **Conclusion**

There has been global progress in the spread of dignity. Civil rights, and in particular women's rights, may be more widespread today than at any point in history. Levels of child labour are falling, whilst levels of education are increasing, worldwide. Nonetheless, there remain many countries where basic civil rights are not respected. There are considerable gaps in gender and ethnic equality. The quantity and quality of work remains low in countries rich and poor. Significant numbers lack sufficient relative income to avoid social stigma. If the story of improvements in dignity is in considerable part an institutional one, however, this suggests that progress in such indicators is likely to be incremental, because institutions develop very slowly. Furthermore, at least in the area of employment and relative income, it may be that we lack the policy tools to achieve considerably better results, at least without facing tradeoffs.