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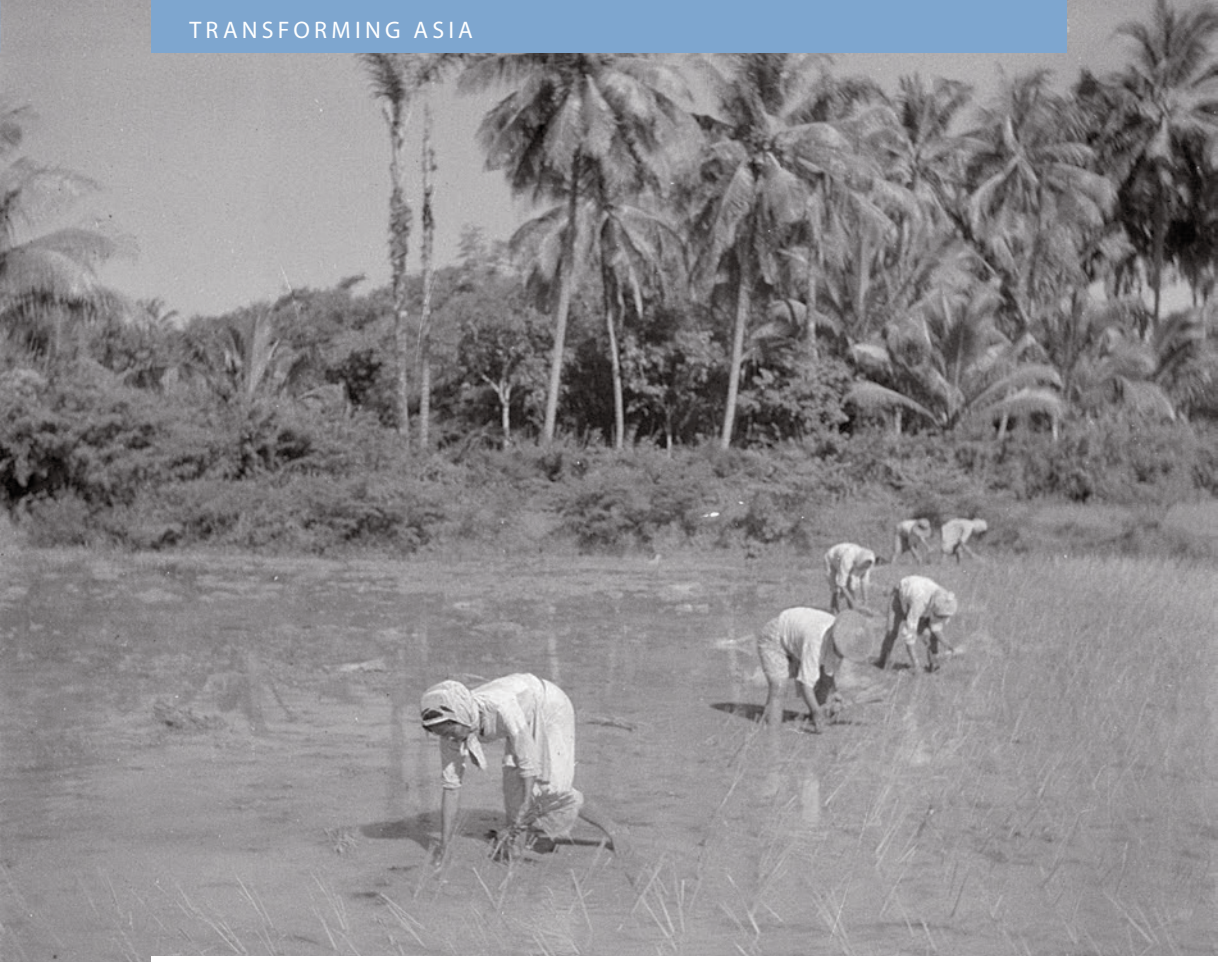

Anne Booth

Living Standards in Southeast Asia

Changes over the Long Twentieth Century, 1900-2015

Amsterdam University Press

Living Standards in Southeast Asia

Transforming Asia

Asia is often viewed through a fog of superlatives: the most populous countries, lowest fertility rates, fastest growing economies, greatest number of billionaires, most avid consumers, and greatest threat to the world's environment. This recounting of superlatives obscures Asia's sheer diversity, uneven experience, and mixed inheritance.

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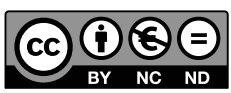

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Preface

This book has resulted from many years of thinking and writing about issues relating to poverty and inequality in Southeast Asia. I am very grateful to the many economists and statisticians, both in the region and elsewhere, who have shared with me their research findings, as well as their doubts and frustrations, over the years. The lengthy bibliography testifies to the extent of the work which has been carried out since the 1960s, and which is ongoing across Southeast Asia. In addition, I have benefited from my own and other work on the history of Southeast Asia in the last phase of European and American colonialism, and the on the often difficult transition to independence across what are now ten independent nations. I have always felt that an understanding of the legacies from the decades from 1900 to 1960 is essential if we are to grasp the complexities of more recent economic developments across Southeast Asia. Nowhere is this more true than when we address the issues tackled in this book.

I am especially grateful to the Lee Kong Chian Foundation, which granted me a fellowship to visit the Walter H. Shorenstein Asia-Pacific Research Center at Stanford University in 2015, and the National University of Singapore in 2016. In Singapore I was able to use the libraries of both the National University of Singapore and the Institute of Southeast Asian Studies-Yusof Ishak Institute. In London I have benefited greatly from access to the collections of both the School of Oriental and African Studies and the London School of Economics. I have also benefited from interaction with colleagues in London and elsewhere who work on issues relating to poverty and inequality in other parts of Asia, as well as in the Middle East and Africa. Their work has helped me to understand both the similarities and the differences between Southeast Asia and other parts of the world.

I am also grateful to two referees from Amsterdam University Press whose comments persuaded me to undertake a revision of the manuscript, which I hope has improved the final version. Lastly, thanks to Vicki Blud for her careful copy-editing.

Anne Booth
London, April 2019

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1 Assessing Changes in Living Standards in Southeast Asia in the Twentieth and Early Twenty-first Centuries

What Indicators Should We Look At?

Poverty and Development Indicators in Southeast Asia: An Overview

This book studies changing living standards in the ten Southeast Asian countries which are now members of the Association of Southeast Asian Nations (ASEAN), from the early years of the twentieth century to the early years of the twenty-first century. We know that in the second decade of the new millennium, these ten nations differed widely in terms of per capita gross domestic product (GDP). There was also considerable variation between them in other widely used development indicators such as adult literacy and life expectancy (Table 1.1). The Human Development Index (HDI), computed by the United Nations, is a weighted average of per capita GDP, life expectancy, adult literacy and years of schooling. This index ranked Singapore fifth in the world in 2015, while at the other end of the scale, Myanmar was ranked 145 (Table 1.1). In spite of these differences, most countries in Southeast Asia have experienced some improvement in their HDI score since the 1980s, and several have improved their ranking. All now fall into what is termed the medium human development group, or higher.

But indicators such as per capita GDP, and composite indicators such as the Human Development Index are based on averages, and they tell us little about the distributional impact of economic growth. They cannot by themselves answer what is, for many students of human development, a crucial question: For any given rate of economic growth, or any given improvement in average life expectancy or educational attainment, who has benefited the most? Who has benefited the least? In order to answer these questions, we need evidence on the distribution of incomes and household expenditures. We also need evidence on the distribution of other indicators such as life expectancy and educational attainment by income or expenditure group, as well as by region and gender, and by social class. By the early twenty-first century, most ASEAN countries were collecting and publishing household survey data which allowed the calculation of a

Table 1.1: GDP and other social indicators: Selected Asian countries

Country	HDI rank	Life expectancy		MYS*	GNI per capita** ($PPP 2015)
	2015	1970/75	2015	2015	
ASEAN-10					
Singapore	5	69.5	83.2	11.6	78,162
Brunei	30	68.3	79.0	9.0	72,843
Malaysia	59	63.0	74.9	10.1	24,620
Thailand	87	61.0	74.6	7.9	14,519
Indonesia	113	49.2	69.1	7.9	10,053
Vietnam	115	50.3	75.9	8.0	5,335
Philippines	116	58.1	68.3	9.3	8,395
Lao PDR	138	40.4	66.6	5.2	5,049
Cambodia	143	40.3	68.8	4.7	3,095
Myanmar	145	49.3	66.1	4.7	4,943
Other Asia					
Hong Kong	12	72.0	84.2	11.6	54,265
Japan	17	73.3	83.7	12.5	37.268
Korea (Rep)	18	62.6	82.1	12.5	34,541
China	90	63.2	76.0	7.6	13,455
India	131	50.3	68.3	6.3	5,663

* Mean years of schooling for the population over 15 years.
** PPP data from the 2011 revisions; see World Bank (2014a).
Note: 188 countries are ranked according to a composite index; countries ranked from 52 to 105 are considered 'high human development' and those ranked from 107 to 147 are considered 'medium human development'. In the ASEAN group, no country is in the low human development group.
Source: 2015 rankings from UNDP (2016); Life expectancies: UNDP (2003: 262-5); UNDP (2016); MYS: UNDP (2016). Per capita GDP in current international dollars: UNDP (2016).

range of poverty and distributional indicators. National and regional poverty lines were estimated and used to calculate the proportion of the population below these lines, a measure usually referred to as the headcount measure of poverty. The estimates of the headcount measure prepared by national governments for early twenty-first centuries also showed, as would be expected, wide variation.

It was not always the case that the poorest countries in the region in terms of per capita GDP had the highest proportion of the population in poverty, using the poverty lines computed by their governments. In the Philippines, the official figures showed that 25 per cent of the population was poor in 2012, compared with 20.4 per cent in Cambodia in 2014, although per capita GDP was over twice as high in the Philippines (Tables 1.1 and 1.2). In Thailand, the government estimated that 12.6 per cent of the population was below

the official poverty line in 2012, which was higher than in Indonesia and Vietnam, although per capita GDP was considerably higher in Thailand than in either Indonesia or Vietnam. What explains these differences? It appeared that different countries across Southeast Asia were using different methods to estimate their national poverty lines, with the result that the poverty line was set higher relative to GDP in Thailand than in Indonesia or Vietnam. In addition, it was possible that the distribution of income was more skewed in Thailand and the Philippines than in some other parts of Southeast Asia, so that there were more people in the very poor segments of the population, and fewer in the middle.

Table 1.2: Estimates of the headcount measure of poverty using national and international poverty lines, 2010 and 2012

	National poverty lines		International poverty lines	
Country	**2010**	**2012**	**A**	**B**
Malaysia	3.8 (2009)	1.7	0.4	2.3 (2009)
Thailand	16.4	12.6	1.1	3.5 (2010)
Indonesia	13.3	12.0	28.0	43.3 (2011)
Philippines	26.3 (2009)	25.2	26.9	41.7 (2012)
Vietnam	14.2	11.1	22.4	12.5 (2012)
Laos	33.9	26.0	38.1	62.0 (2012)
Cambodia	21.1	18.9	25.4	41.3 (2011)

Note: International poverty lines: A refers to the poverty line of $1.51 per day, converted using PPP-adjusted exchange rates. This was used by the Asian Development Bank in their estimates for 2010 (Asian Development Bank 2014c: 11). B refers to the poverty line of $2 per day, converted using PPP-adjusted exchange rates, as reported in Asian Development Bank (2015: 211). Countries are ranked according to actual individual consumption expenditures per capita.
Sources: National poverty lines: Thailand: National Statistical Office (2015), Table 8.12; Indonesia: Central Board of Statistics (2015b: 175); Philippines: Philippine Statistics Authority (2016); Vietnam: General Statistics Office (2013: 739): 9. National headcount measures for Laos and Malaysia are taken from Asian Development Bank (2014a). Malaysian figures refer to 2009 and 2012; for Cambodia they are taken from Asian Development Bank (2014b: 4).

Because national poverty lines often reflect the economic, social and political concerns of national governments and are not comparable across countries, or even over time in the same country, efforts have been made by international agencies to establish 'international poverty lines' which are supposedly more comparable, both across national boundaries, and over time. The best known in recent decades are the dollar-based poverty lines, which have been published by the World Bank from the 1990s onwards, and are very widely quoted in the literature. These are estimated simply by

converting a poverty line set in American dollars into the currency of the particular country and then adjusting the resulting number for differences in the purchasing power of the national currency, relative to the American dollar. The World Bank used the 'dollar a day' line for some years; this was raised to $1.25, and more recently to $1.90. Higher poverty thresholds of $2, raised to $3.10, have also been used. These dollar-denominated poverty lines are converted into national currencies using the data on the purchasing power of the national currency relative to the dollar. These 'PPP adjustments' are derived from the International Comparison Project (ICP), carried out by the World Bank (Ravallion, Chen and Sangraula 2009: 168). The ICP estimates of purchasing power parities have in turn been subject to several revisions, the most recent in 2011. These revisions have in turn led to significant changes in the headcount measure of poverty in many Asian countries.

In the Asian context, the Asian Development Bank (ADB) has also carried out estimates of poverty levels which have produced rather different results from those of the World Bank. An important study published in 2008 used a different methodology for estimating the purchasing power of individual currencies, which relied on data on the prices paid by the poor. These were used to construct poverty lines and headcount measures of poverty (Asian Development Bank 2008). But this study was not repeated, and the estimates have not been updated. More recently, the ADB put forward a poverty line of $1.51, again converted into local currencies using exchange rates adjusted for differences in the purchasing power of currencies but using the World Bank PPP data. The estimates of the headcount measure of poverty using national poverty lines were often lower than the ADB results using the $1.51 poverty line (Table 1.2). This was especially the case for Laos, Indonesia and Vietnam. But in Thailand and Malaysia, the ADB estimate was much lower. The results for Indonesia were especially striking; according to the ADB estimates, 28 per cent of the population in 2010 was below the $1.51 poverty line, which was a higher figure than in the Philippines, Cambodia, or Vietnam in spite of the fact that per capita GDP in Indonesia was higher than in these three countries, at least according to the PPP data. Do these disparities reflect the fact that the cost of basic needs, especially foodgrains, was much higher in Indonesia than in these other countries? It is also possible that household expenditures were a much lower proportion of total GDP, or that the distribution of consumption expenditures were more skewed towards richer groups in Indonesia than elsewhere. Or do the data reflect problems in the household surveys on which the estimates were based? These questions are obviously important and will be taken up again in subsequent chapters.

Conceptual and Measurement Issues

Before embarking on an analysis of trends in poverty and living standards over time in Southeast Asia, it is necessary to say something more about both conceptual and measurement problems, which have been extensively discussed in the literature. In recent years there has been much debate over how economic progress should be measured, and especially how changes in the standard of living should be captured in quantitative terms. It has already been noted that in recent years, development banks have published estimates of poverty based on income and expenditure data derived from household surveys. But other studies have cautioned against too much reliance on income-based measures. In a number of influential writings, Sen argued against using income data as the principal way of estimating changes in poverty. He put forward the alternative concept of capabilities. His argument can be summarized as follows (Sen 1999: 87-88; italics in the original):

> 1. Poverty can be sensibly identified in terms of capability deprivation; the approach concentrates on deprivations that are *intrinsically* important (unlike low income, which is only *instrumentally* significant).
> 2. There are influences on capability deprivation – and thus on real poverty – *other* than lowness of income (income is not the only instrument in generating capabilities).
> 3. The instrumental relation between low income and low capability is *variable* between different communities and even between different families and different individuals (the impact of income on capabilities is contingent and conditional).

Sen's work was very influential in the construction of the Human Development Index (HDI), the results of which for countries in Asia were reported in Table 1.1. The HDI has been used since the 1990s, both internationally and also in regional studies in a number of countries in Southeast Asia. More recently it has been argued that it should be possible to create new, and much broader composite indicators which include more non-monetary data. Ranis, Stewart and Samman (2006) suggested new composite indicators which include up to 40 quantitative measure on mental well-being, gender empowerment, political freedom, social relations, community well-being, inequality, work and leisure conditions, economic stability, political security and environmental conditions. Many of these indicators have been incorporated in the Multidimensional Poverty Index, which is discussed

further below. By incorporating a broader range of non-monetary indictors. it is argued that more satisfactory ranking of countries in terms of human development can be achieved. Critics of the HDI point out that the non-monetary components of the index (life expectancy, literacy, educational attainment) are highly correlated with per capita gross domestic product (GDP), and so the composite index produces a ranking of countries at a point in time which is little different from that which would be obtained by using per capita GDP alone. This may be true, although the correlation, while high, is not perfect.[1] One of the advantages of the HDI is that it does make clear which countries, and regions within countries, have done well in terms of the non-monetary indicators in spite of relatively low incomes, and which have done badly in spite of relatively high incomes.[2]

Another argument in support of composite indicators such as the HDI is that they tend to give a different, and indeed a more optimistic picture of human progress over time than national income figures alone. As is well known, the historical national income figures compiled by Maddison (2003, 2007) show growing disparities between countries over the nineteenth and twentieth centuries, a trend which Pritchett (1997) referred to as 'divergence big time'. But because there has been a rapid decline in mortality and considerable improvements in access to education in almost all parts of the world over the last 50 years, especially in Asia and Africa, composite indicators such as the HDI show a greater degree of catch-up than do the national income data (Crafts 2002: 404). A more recent survey of well-being indicators confirms the finding that inequality in health and education indicators declined over the the twentieth century, and argues that this 'challenges the idea that per capita income provides a good predictor of welfare trends' (Escosura 2018: 24).

A further argument in support of composite indicators as a measure of change over time is that historical national income series can, when extrapolated across decades and even across centuries, give rather misleading results. Inevitably measurement errors are cumulated over time, and the imposition of modern price structures on historical economies, which were producing very different goods and services from contemporary ones, is

1 Ranis, Stewart and Samman (2006) have argued that many of the indicators they suggest are not highly correlated with per capita GDP.

2 Although it is often thought that composite indicators are a relatively recent innovation, some economists were estimating them as early as the 1950s. Bennett (1951) ranked 31 countries according to a range of non-monetary indicators in 1934-1938. He included calorie consumption, infant mortality, doctors per capita, household energy consumption, transport facilities and school attendance. His results will be discussed in more detail in Chapter 2.

highly problematic (Allen, Bengtsson and Dribe 2005: 9). Indeed, even over relatively short periods of two or three decades, indicators of growth of GDP can be misleading. Both the World Bank and other development agencies have published very high estimates of Chinese economic growth since the reforms of the late 1970s and early 1980s. And yet in the early twenty-first century, per capita GDP in China was lower than in Malaysia, and lower than Thailand if PPP data are used. If the growth estimates are broadly correct, China must have had a very low per capita GDP in the 1970s, not just relative to Thailand and Malaysia but also relative to India. As Sen (1987: 34) pointed out, that is at odds with other evidence on Chinese GDP in the pre-reform era.

It can of course be argued that the non-monetary indicators of capabilities favoured by Sen, such as life expectancy, infant and child mortality rates, literacy and educational enrolments are also subject to measurement error, and in many parts of the world cannot easily be extrapolated backwards over time. Usually they are prepared by national statistical offices, which in turn rely on population censuses, and a range of household surveys, or registration of births and deaths. All these estimates contain inaccuracies, and in some cases it is possible that governments have put pressure on statistical agencies to manipulate the figures. Furthermore, like the GDP data, they refer only to national averages and often disguise very substantial variations by region, gender and social class. This point has been made by Therborn (2013: 48-49), who argued that inequalities in health-related indicators by region and social class are often considerable even in the European welfare states, let alone other parts of the world. It is important for countries to prepare more disaggregated indicators of infant mortality or literacy broken down according to region, gender, income class or ethnic group. Such data have become more abundant for many parts of Southeast Asia over the past three decades, and are now being analysed by several scholars. Their results are discussed in Chapter 7.

The poverty estimates shown in Table 1.2 are prepared not from national income statistics but from household income and expenditure surveys which by the 1990s were being conducted in all the ASEAN countries with varying degrees of regularity. These estimates do try to capture distributional aspects of changes in household income and expenditure over time. But the surveys from which poverty measures are derived have been the target of considerable critical scrutiny, in Southeast Asia as in other parts of the world, which are examined further below. However reliable the figures might be, it is difficult to estimate similar indicators for most parts of the region further back than the late 1960s. Only the Philippines conducted national household income and expenditure surveys in the 1950s, and the few surveys

which were carried out before 1940 by colonial statistical authorities used small samples, and were often restricted to particular localities. To explore trends in poverty and indeed other measures of living standards during the colonial era, we have to use other, perhaps less reliable, indicators.[3]

If historical national income series are unreliable guides to changing living standards, and poverty estimates can only be estimated for the past four or five decades in many parts of the world, what other indicators are available? One indicator which has been widely used in a number of studies is the real wage. It has been argued that the real wage is a 'distributionally sensitive' indicator in that it measures the purchasing power of incomes accruing to the less well-off (Allen, Bengtsson and Dribe 2005: 9). To what extent is this really the case, especially in pre-industrial economies? The next section examines the problems associated with using real wage data to monitor living standards in Britain in the nineteenth century, and the lessons which the British debate offers more recent studies.

Another important source is demographic evidence. As we have seen, life expectancy at birth is one component of the HDI, and together with infant and child mortality, this indicator has been widely used in comparative studies of living standards across regions and countries. But such indicators can only be estimated with any degree of accuracy if reasonably comprehensive population census or survey data are available, or if accurate registration procedures are in place for births and deaths. This has not been the case everywhere in Southeast Asia over the twentieth century. Similar problems emerge with data on literacy and educational attainment. Some recent researchers who advocate including a measure of educational attainment in a composite indicator of human development base their arguments not just on efficiency or 'human capital' grounds. They also point out that education endows people with a greatly enhanced capacity to participate in, and enjoy, leisure, cultural and community activities as well as making them more productive workers (Sen 1999: 128-129). But as with demographic data, figures on literacy and school attendance are only available from official records on school attendance, or from censuses and surveys. These are not always very reliable, even for recent decades.

It has also been argued that the proportion of total consumption expenditures devoted to basic commodities with low-income elasticities of demand, such as foodgrains or cotton cloth, are also good indicators of living

3 Leigh and Van der Eng (2009) used income tax data to estimate trends in inequality in Indonesia in both the colonial and postcolonial eras, paying particular attention to the income share accruing to the top 1 and 5 per cent of the population.

standards of the poorer classes of society in many societies. This reasoning is based on Engel's law, originally put forward in the mid-nineteenth century on the basis of German consumption data, although analysis of data from several European and Asian countries in the 1930s showed that a fall in the proportion of consumption expenditures devoted to food only occurs at quite high levels of household expenditure (Zimmerman 1936: 99-107). When people are struggling to survive at a very basic level of subsistence, it is likely that a large part of any increment in income will be spent on more food, clothing and shelter.[4] Once a certain threshold level of income is reached, increments in income are more likely to be spent on better quality food and clothing, and semi-luxuries such as more household furniture and utensils, consumer durables, or improvements to housing. Thus an increase in per capita availability of basic foodgrains is likely to indicate a fairly broad-based improvement in income among the lower groups in the overall distribution, while a fall may signal the onset of serious stress. On the other hand, some economists also consider a decline in the proportion of total household income spent on food as a sign of improvement in living standards, especially if it is sustained over long periods of time.

It is also important to bear in mind that in many parts of the world severe distress has been caused to large numbers of people by sudden increases in prices, especially of basic foods. Sen's work on famines has demonstrated that it is possible to have a rapid, indeed catastrophic, increase in mortality without there being any evidence of a decline in per capita food availability for the country or region as a whole. This was the case in Bengal in 1943, and could have also been the case in parts of Southeast Asia, both in the 1940s and in earlier times. During the Japanese occupation, inflation accelerated in many parts of Southeast Asia with serious consequences for food consumption and mortality, especially in poorer regions, and among poorer households. In more recent times, there is evidence from Southeast Asia that sharp increases in food prices have caused an increase in the headcount measure of poverty.[5]

4 Shammas (1983) has argued that Engel's law, and the theory that has been built up around it, was developed at a time when the proportion of household income devoted to food was falling in Europe and elsewhere. She pointed out that it does not hold for all time periods; her time series for English households suggests little change until well into the twentieth century.

5 Bengtsson (2004: 49) produced a table based on his research on villages in southern Sweden in the nineteenth century; he argued that high food prices affect different socio-economic groups in very different ways. The worst affected were those who depend on wages paid in cash for part or all of their income; those most likely to benefit were freeholders who paid a fixed money tax and sold part of their output.

Given both the problems of defining living standards, and those of measuring changes over time, I would argue that any study must draw on a range of indicators, both monetary and non-monetary. In the context of Southeast Asia in the twentieth century, there is a wide range of material to draw on, although inevitably both the quantity and the quality diminishes in the early part of the century compared with the decades from 1970 to 2000 and beyond. If it can be demonstrated that a particular country or region has experienced falling infant mortality rates, improved school attendance, and increased consumption of basic foodstuffs, sustained over a period of years, or decades, can we say that living standards have improved, even if there is little evidence of growing per capita GDP, or increases in real wages? The answer is probably yes, although the case for an improvement in living standards would be stronger if these indicators were supplemented with evidence that real GDP and per capita consumption expenditures had increased, that inequality had not worsened, and that the headcount measure of poverty had also declined. Such evidence can only be obtained from national income statistics and household expenditure surveys, although in Southeast Asia, as in other parts of the world, such data have been subject to considerable critical scrutiny over the years.

Standard of Living Debates in Economic History: The British Debate

Anyone embarking on a study of changing living standards in any part of the world over the last century would do well to study some of the debates among economic historians about the consequences of accelerated economic growth and structural change on living standards in other parts of the world economy. The most famous, and longest running, of these debates concerns the impact of the Industrial Revolution on living standards in Britain over the nineteenth century. Controversies about the impact of economic change in Britain on living standards extend well back into the nineteenth century, but the modern debate was started by exchanges between Hobsbawm and Hartwell in the 1950s and 1960s. Both these authors re-stated their views in Taylor (1975). Subsequently important contributions have been made by Lindert and Williamson (1983), Crafts (1997), Mokyr (1988), Huck (1995), Szreter and Mooney (1998) and Feinstein (1998). In essence, the empirical part of the debate has revolved around which indicators are the most appropriate for estimating changes in the standard of living in an industrializing society, and how these indicators can best be estimated. In addition to the

empirical discussion there was also some discussion about the theoretical underpinnings, especially of the pessimist case that there was in fact little improvement until the second part of the nineteenth century. It is useful to evaluate both these strands separately.

As far as the empirical part of the debate was concerned, the evidence reviewed dealt specifically 'with real incomes or consumption, such as information about wage-rates, earnings, prices, household expenditure, actual consumption and other relevant data such as unemployment etc.' (Hobsbawm 1975: 179). Inevitably some of these data were easier to obtain than others, but most participants in the debate did try to review more than one indicator. The 'super-optimist' case put forward by Lindert and Williamson (1983) was based on a new series for the real wages of adult males which, according to the authors, nearly doubled between 1820 and 1850. It was argued that this implied substantial gains in real household incomes. Critics such as Mokyr (1988) pointed out that it was difficult to reconcile this result with evidence that per capita consumption of commodities such as sugar, tea and tobacco grew little over these decades. In his review of the controversy, Feinstein (1998) produced new estimates of nominal full-employment earnings, and also a new deflator. His results showed only a 'very moderate rate of improvement' in real earnings adjusted for changes in employment (Feinstein 1998: 642).

Other participants in the debate have looked at demographic evidence, in addition to that on incomes and expenditures. Huck (1995: 546) found that 'the biological evidence of life expectancy and average height provide evidence of stagnation in living standards after 1820, although they show improvement earlier'.[6] Szreter and Mooney (1998: 110) found the super-optimist case difficult to reconcile with the 'serious deterioration in the standard of living of the growing proportion of the population recruited into the urban industrial workforce'. This deterioration, according to their analysis, was reflected in low and in some cases declining life expectancies in most industrial cities. According to their estimates, while the average life expectancy for England and Wales was 41 in the 1850s, it was only 32 in Manchester and 31 in Liverpool. The low life expectancy figures in the large industrial cities reflected the very unhealthy conditions under which most people lived and worked, compared with smaller towns and rural areas; these conditions persisted until the end of the nineteenth century,

6 Huck (1995: 536-537) used parish records to support his argument that levels of infant mortality were higher in cities than in rural districts. He suggested that infant feeding practices were often better in rural areas, in part because women worked less outside the home.

and beyond. To the extent that the populations of large cities were growing faster than those in more healthy rural and small town environments, it could be argued that living standards for many were declining.

Other studies using demographic and educational data have not confirmed the pessimists' case. Crafts found a considerable improvement in the Human Development Index for Britain from 1760 through to 1850, due to increases in per capita GDP, life expectancies, literacy and years of schooling. Admittedly, there was little improvement in life expectancy after 1820, but on balance he argued that the HDI estimates were consistent with 'a fairly optimistic assessment of aggregate trends in well-being during the industrial revolution' (Crafts 1997: 625). Indeed, the main lesson from the long-running British debate would seem to be that different indicators produce different results. Certainly it is rash to draw strong conclusions on the basis of one indicator alone.

There has also been controversy about reliance on wage rates. Critics have argued that estimating trends in annual real incomes on the basis of daily or weekly wage rates is fraught with problems, as data on hours worked per year tend to be scarce or unreliable, even for industrial workers, let alone those in less stable employment in agriculture, construction, trade and transport (Feinstein 1998: 649). Simply multiplying daily or weekly wage rates by some arbitrary number produces unreliable results about annual household incomes. In addition, wage and earnings trends can differ markedly by region, as can prices. Much care needs to be taken in estimating deflators for wage earnings, especially where consumption patterns may be changing over time because of changing relative prices, or changing tastes.

A further criticism of studies which rely largely or solely on wage rates has been made by Horrell and Humphries. They compared trends in male wage rates with trends in household incomes and found that in the first part of the nineteenth century, family incomes grew less rapidly and were subject to more fluctuations than male wage rates, so 'welfare gains imputed from the latter may overstate actual improvements' (Horrell and Humphries 1992: 872). They also found that the family income data showed that industrialization brought with it greater inequality than was shown just by wage series alone. Their evidence indicated that in periods when nominal wages for males fell, such as the 1840s, the earnings of women and children also fell, and their ability to contribute to family incomes never recovered. In a further study, these authors also found that from the mid-nineteenth century onwards, participation rates and relative earnings for women in many parts of England tended to decline, leading to the rise of the male breadwinner family (Horrell and Humphries 1995).

Recent work on the impact of industrialization on household budgets has confirmed the argument advanced by Thompson (1968: 347) that the 'controversy as to living standards during the Industrial Revolution has perhaps been of most value when it has passed from the somewhat unreal pursuit of the wage-rates of hypothetical average workers and directed attention to articles of consumption: food, clothing, homes: and beyond these, health and mortality'. This advice should be borne in mind when we turn to other debates on differences in historical living standards across countries and continents.

The Debate over the Great Divergence

Over the past decade there has been much discussion among economic historians as to when, and why, the 'great divergence' between 'the West and the rest' occurred. As with the debate on living standards in nineteenth-century Britain, an assortment of indicators have been used by participants in this debate, although several studies have relied heavily on wage evidence. One of the main participants in this debate has compared indicators of living standards between China and Europe, and argued that there is 'little reason to think that most Europeans – even northwestern Europeans – were uniquely well-off, even as late as 1750' (Pomeranz 2000: 42). He bases this assertion mainly on calorie consumption and demographic indictors. Elsewhere he has argued that in the lower Yangtze Delta calorie consumption could have been as high as 2,400 per adult equivalent per day (Pomeranz 2005: 24). This is lower than estimates for Sweden during the eighteenth century and roughly comparable with estimates for England. It is certainly higher than the estimates for France by Toutain in the nineteenth century, and higher than estimates for parts of Italy, Germany and Belgium (Das Gupta 1979: 37). Pomeranz (2005: 25) has also suggested that the supply of foodgrains in the Yangtze Delta was relatively stable, although this might not have been the case in other parts of China.

Other scholars have relied more on real wage data to compare trends in living standards across countries and continents. This 'real wage revivialism', to use Maddison's (2005: 24) not entirely complimentary term, is due mainly to the increasing scholarly awareness of data on both wages and prices for many parts of Europe, the Mediterranean lands and also parts of Asia, not just for the twentieth century but for earlier periods as well. Several researchers have used their results to support often quite strong claims about trends in output and living standards in, for example, Europe and

parts of Asia prior to the nineteenth century (e.g. Parthasarathi 1998; Allen 2005; Allen et al., 2005).[7] Williamson (1998, 2000) has used a large data set to answer a broad set of questions regarding the emergence of disparities in income and living standards within Asia in the years from 1870 to 1940. Ozmucur and Pamuk (2002) have used their evidence on wages in various cities in the Ottoman Empire to make comparisons in living standards not just within the Ottoman economy but also between it and the economies of other parts of Europe. De Zwart and Van Zanden (2015) estimated a series on real wages from 1680 to 1914 for urban free workers in Java, which they used to compare with wage trends in other parts of Asia and Europe. They found that over the eighteenth century, real wages of 'free coolies' in urban Java were high in comparison with Bengal and Beijing and even cities such as Leipzig, although over the nineteenth century they declined.

While this work is certainly producing interesting and provocative results, it sometimes appears to rest on rather fragile foundations. Several key issues relating to the reliability of the data, and the extent to which meaningful comparisons can be made across countries and continents over long periods of time, are either not addressed at all by many authors or only in an ad hoc fashion. Some authors using wage data make no attempt to examine the underlying dynamics of the labour markets from which the wage data are extracted. There seems to be an assumption that markets for various types of labour operate in accordance with the simple supply-and-demand model, that they clear quickly and efficiently and that wages equal the marginal product of the workers participating in that particular labour market. It is also assumed that workers have good information about the availability of jobs, and are free to move from their home regions to where wages are higher, or where more jobs are available. Problems such as nominal wage rigidity in the face of severe price shocks, or ethnic and regional segmentation of labour markets, are often ignored. So are issues relating to the role of markets for wage labour in the wider economy. The valuable insights of Horrell and Humphries on the divergence between trends in male wage rates and household expenditures are also often ignored.

In addition, many studies of living standards outside Europe have ignored, or underestimated the role of women in household production. Pomeranz (2000: 98-106; 2003: 132-141) discussed the role of women in household

7 A more cautious analysis of wage data in England, India and China is given in Broadberry and Gupta (2006). They conclude that the most prosperous parts of Asia between 1500 and 1800 look similar to the stagnating southern, central and eastern parts of Europe, rather than the developing northwestern parts.

production in China. He argued that although Chinese women were important in home production of textiles, they rarely organized or marketed their production by themselves, but were usually supervised by husbands or mothers-in-law. Most were expected to stay at home; there were no markets for the labour of single women as there were for men. This contrasts with historical evidence from parts of Southeast Asia which shows that women not only produced goods within the home but were actively involved in trading and other activities outside the home (Reid 1988: 162-172). Bearing in mind the important role which women have played in both production and marketing of goods in parts of Southeast Asia, it could be argued that trends in male wages by themselves are not a wholly reliable indicator of trends in living standards of the population as a whole. Certainly claims by authors such as Williamson (2000: 19) that 'living standards of ordinary workers as captured by real wages are a better indicator of the economic well-being of the vast majority in any society' than per capita GDP in Asia in the early part of the twentieth century need to be treated with caution.

In most parts of Southeast Asia, data on sources of household income only became available in the 1960s, or later. But other evidence can be collected which gives important insights into how household members reacted to the challenges presented by growing domestic and global demand for tropical products in different parts of Southeast Asia in the nineteenth and twentieth centuries. By the 1930s, population censuses were gathering information on labour force participation by both men and women in British Malaya, Burma, the Philippines and Indonesia. These data together with other evidence show that some of the arguments about the divergence between the West and the rest put forward in the recent literature do not always apply in Southeast Asia. Female labour force participation rates were high in some parts of Southeast Asia in the 1930s; in Thailand the census carried out in 1937 found that women accounted for around 47 per cent of the total labour force. The percentage was lower in other parts of the region, although in parts of Java the 1930 census found high female labour force participation rates, with women employed in a range of non-agricultural occupations (Booth 2016: 171-174).

Theories of Immiserizing Growth

Having examined the various indicators which have been used in debates over trends in living standards in both Europe and Asia, it is useful to look at some of the theoretical approaches which have been used to explain why

economic growth, to the extent that it occurred, did not always result in improved living standards for large segments of the population. Inevitably in the Southeast Asian case, analyses of 'immiserizing growth' have become intertwined with debates over the impact of Western colonialism. For around a century, from the middle decades of the nineteenth century to the decade after 1946, most parts of Southeast Asia were under the control of foreign powers. The Dutch had occupied Java and some parts of Eastern Indonesia since the sixteenth century, and over the nineteenth century they consolidated their control over Sumatra, Kalimantan and Sulawesi, often by co-opting local rulers.

The British also kept local rulers in place in much of peninsular Malaya although the Straits Settlements (Singapore, Malaka, the island of Penang and the adjoining hinterland) were directly governed, with the island of Singapore being transformed into a major port and naval base which served as an entrepôt not just for British Malaya but also for western Indonesia. From the mid-nineteenth century the French gained control over Vietnam, Cambodia and Laos, which they governed as Indochina. The Spanish had had a presence in the Philippines since the sixteenth century; after the defeat of Spain by the USA at the end of the nineteenth century, the Philippines became an American colony. Burma was also under the control of the British, but ruled until 1937 as part of British India. Only Thailand remained an independent kingdom, but its economic policies were influenced by pressures from both Britain and France, especially by resident British financial advisers.

Given these diverse experiences, it might be expected that economic policies and outcomes across Southeast Asia diverged considerably in the century up to 1940. To some extent this was the case, but for many indigenous people who participated in the struggle for national independence across the region in the first part of the twentieth century, it was widely believed that the economic policies of the colonial regimes had a number of common features. The main goal of colonial governments, in the eyes of many nationalists, was to extract profits from the exploitation of the region's abundant agricultural and mineral resources, which were then remitted abroad. It was further argued that the various colonial regimes had little interest in providing education or public health facilities for the indigenous populations they controlled; neither did they promote the growth of modern industry, except for a limited amount of agricultural and mineral processing. These concerns were shared by some colonial officials who, especially after 1900, were worried that the policies pursued by their governments were not leading to improved 'native welfare'.

One consequence of colonial rule in Southeast Asia was clear by the early twentieth century. Indigenous populations across the Southeast Asian region were growing fast in comparison with most other parts of Asia. The population of Southeast Asia was probably no more than 35 million in 1800, and grew by around 1 per cent per annum through the nineteenth century (Boomgaard 2014: 133). By 1931, when reliable census data became available for most parts of the region, the population was estimated to be around 134 million. The growth rates through the nineteenth and into the early twentieth century were thus much faster than in China or the Indian subcontinent. By 1931 the population of Southeast Asia was around 40 per cent of British India (excluding Burma) and 27 per cent of that of China. After 1950, population growth rates in Southeast Asia were about the same as in the Indian subcontinent, but faster than in China, with the result that by 2018 the population of Southeast Asia was almost 47 per cent of that in China (Table 1.3).

Table 1.3: Population of Southeast Asia as a percentage of China, and the Indian Subcontinent, 1881-2018

Year	China	India+
1881	21.2	30.4
1931	27.2	39.6
2018	46.5	37.3

Note: 1881 and 1931 population data refer to British India excluding Burma; in 2018 data refer to India, Pakistan and Bangladesh.
Sources: British India, 1881 and 1931: Visaria and Visaria (1983: Table 5.7), Davis estimates; China: Maddison (2003: 160-162); Southeast Asia: Boomgaard (2014: 133). Data for 2018 from Population Reference Bureau (2018).

The evidence of rapid population growth, combined with slow improvements, or even declines in food availability, was by the early twentieth century causing concern on the part of colonial officials in the more densely settled parts of Southeast Asia, about the possibility of 'Malthusian traps'. It was argued that increasing populations on limited supplies of agricultural land were leading to diminishing returns to agricultural production, and a growing number of people living at bare subsistence. In addition, the influx of cheap manufactures from Europe, and after 1920 from Japan, was thought to be destroying traditional handicrafts which in earlier times had provided many households with extra sources of income. Paradoxically, these worries were often combined with the conviction that in the less densely settled regions, the development of agricultural and mineral resources was being

held back by small populations, most of whom had access to land under some form of traditional tenure, and did not wish to become involved in wage labour markets, where wages were considered low and the conditions of employment humiliating.

One solution was to encourage in-migration from the huge population reservoirs of China and India; another was to encourage migration of workers from densely settled areas within the colonies to regions where local populations were sparse. The latter option was particularly appealing to Dutch officials, who by the early twentieth century were worried about what they viewed as the problem of overpopulation in Java. They sought to promote both agricultural intensification in Java and out-migration, especially to the rapidly developing estate regions in northeast Sumatra. The French, worried about population pressures in Northern Vietnam, also encouraged people to move southwards. Over the 1930s, both French and Dutch officials also became more preoccupied with policies to promote non-agricultural employment, especially through industrial development.

A second argument concerning 'immiserizing growth' which has been advanced in the literature, both in the colonial era and more recently, concerns the impact of growing involvement in international trade on living standards in Asia and Africa. That exports from Southeast Asia grew rapidly in the century from 1830 to 1930 has been well documented; as with the population data, a comparison with both China and India is instructive. Between 1830 and 1937, the value of exports from Southeast Asia increased from only 9 per cent of the Asian total to 37 per cent (Table 1.4). The percentage share of both China and India declined; by 1937 exports from China comprised only 9 per cent of the Asian total. Southeast Asian exports as a percentage of total exports from the tropical world also increased rapidly between 1883 and 1937 (Booth 2004: Table 3). Over much of the nineteenth century, it has also been estimated that the net barter terms of trade improved for several countries in the region (Williamson 2011: 37).

The impact of increased participation in global trade on living standards among the indigenous populations of Southeast Asia was, and remains, a contested issue. Williamson (2011: 231-234) has argued that three factors reduced the benefits of trade for the poorer countries in Asia and Africa through the nineteenth century and up until 1914, and led to the widening gap in incomes between the West and the rest. They were deindustrialization, rising inequality and volatility of primary product prices. To what extent did these factors affect living standards in the economies of Southeast Asia? Is there persuasive evidence of an absolute decline in living standards in

Table 1.4: Asian and third world exports, 1830 to 1937

Year	Asia as a % of third world
1830	44.0
1860	47.4
1900	47.8
1912	47.9
1928	49.9
1937	44.5

Percentage of the Asian total

China	India	Southeast Asia
20.6	43.8	9.8
19.1	47.9	16.9
15.1	46.8	21.8
15.0	44.0	30.2
16.5	32.3	35.4
7.3	29.3	37.0

Note: Asia includes the Middle East, as well as China, Korea, Hong Kong and Southeast and South Asia. India includes Ceylon, Burma, and other parts of British India. Southeast Asia includes French Indochina, British Malaya, Indonesia and the Philippines. Data refer to three-year averages centred on the years shown.
Source: Booth (2004: Table 2).

Southeast Asia, as distinct from a growing gap between the region and other parts of the global economy, both before and after 1945? Was there indeed a growing gap, or was there some catch-up, especially with the leading industrial economies? These questions are complex, and the answers vary both across colonies and within colonies over time. They will be investigated in more detail in subsequent chapters, but a few preliminary points can be made.

The first concerns deindustrialization, where the evidence is mixed, but increasingly many historians are casting doubt on the idea that de-industrialization occurred, if the term is defined as a decline in output of mining, manufacturing, construction and utilities as a percentage of total output. In fact, the evidence from national income accounts shows that the industrial sector at least maintained its share of national output in most parts of Southeast Asia in the years from 1913 to the late 1930s, and in some colonies it increased (Booth and Deng 2017: Table 3). The evidence for the nineteenth century is mixed but several scholars have challenged the view that indigenous textile industries declined over the nineteenth century; Meerkerk (2017) has examined the evidence for Java. Other industries in

sectors such as agricultural processing grew rapidly, while the construction sector developed as a result of both public and private investment in infrastructure and buildings. While it is true that no government in Southeast Asia actively promoted industrial growth until the 1930s through protectionist policies or other means, and exchange rate policies were often harmful to traded good producers, that does not mean that the industrial sector stagnated or declined.

It is possible that inequality rose in some parts of Southeast Asia from 1870 to 1940, although the evidence is not very robust. Williamson (2011: Table 9.1) provides estimates of the Gini coefficient for Java in 1880 and 1924 which shows a decline, although it is not clear how the estimates were derived. Williamson (2011: Table 9.4) also gives estimates of the ratio of wages to rents in Burma and Siam from the 1870s to the 1930s; in both countries there was a steep decline. But the mechanisms through which such a decline could have led to a rise in income inequality are not made clear, and, in addition, the wage data which he used are problematic. I return to this issue in Chapter 2. Williamson (2011: Chapter 10) also argues that volatility in the terms of trade was also a drag on growth in many Asian, African and Latin American countries between the 1860s and the 1930s. While it true that the terms of trade were more volatile over these decades in the periphery than in the core industrial economies, it is not clear that this necessarily affected either economic growth or income distribution. For many producers across Southeast Asia of crops such as rice, timber, rubber, vegetable oils, sugar, coffee, tea, spices and minerals, the net barter terms of trade improved until 1913, and the income terms of trade in many cases increased until the depression of the early 1930s. Volume increases more than compensated for falling prices. While it is true that higher prices would have led to higher incomes for most producers, whether large companies or smallholders, the evidence does not support the argument that volatility in the terms of trade led to absolute falls in output of traded goods, or to lower incomes for producers, at least until the 1930s.

Indeed, it is difficult in the Southeast Asian context to reconcile the Williamson arguments with the evidence that in several Southeast Asian colonies, per capita GDP grew more or less in step with that in the metropolitan power from the late nineteenth century to 1940. In Indonesia, per capita GDP was around 27 per cent of that in the Netherlands in 1870: it fell to 23 per cent in 1913 and then increased until by 1939 the ratio was little different from 1870 (Table 1.5). A sharp fall in per capita GDP relative to the metropolitan powers only occurred after 1950. This was also the case in the

Philippines and Vietnam. The only colonies in Southeast Asia to experience a significant degree of catch-up with the former colonial power after 1960 were Malaysia and Singapore. The reasons for this are complex and will be investigated in more depth in subsequent chapters, but it is clear that, in several parts of Southeast Asia, economic policies were pursued after 1950 which proved more damaging to economic growth than those imposed by the colonial powers from 1870 to 1940.

Table 1.5: Per capita GDP in Indonesia, Philippines, Vietnam, Singapore and Malaysia as a percentage of the metropolitan power, 1870 to 2016

Year	Indonesia/ Netherlands	Philippines/ USA	Vietnam/ France	Singapore/ UK	Malaysia/ UK
1870	26.7	12.2 (1902)	28.7	25.2	29.5
1913	23.1	14.9	19.0	19.3	24.1
1929	28.1	16.4	n/a	30.7	39.0
1939	25.2	17.6	n/a	31.6	32.5
1960	13.7	9.9	13.0 (1950)	19.7	20.7
1990	12.6	10.0	4.9	64.5	35.3
2016	21.3	13.6	15.6	171.5	57.9

Source: Bolt et al. (2018).

The Argument in Brief

It seems clear from Table 1.2 that, at the end of the first decade of the new millennium, poverty was still a serious problem in several ASEAN countries, according to estimates produced by both national governments and international agencies. According to the Asian Development Bank estimates published in 2014, well over 100 million people in Southeast Asia in 2010 fell below the $1.51 poverty line. Many of these people were located in three countries: Indonesia, the Philippines and Vietnam. The more recent estimates produced by the World Bank using the 2011 PPP data, and a poverty line of $1.90 also show that Indonesia and the Philippines have the highest number of poor people, around 26 million people in 2015/16 (Table 1.6). But the total number of poor, using the $1.90 poverty line, was much lower than 2010, in spite of the fact that the estimates used an aparently higher poverty line. Is it really the case that such a large fall in poverty occurred over five or six years? Or is the apparent fall the result of different estimation procedures? These questions are addressed in Chapter 7.

Table 1.6: Headcount measures of poverty in Southeast Asia using the $1.90 poverty line and national poverty line

Country	$1.90	National	Numbers of poor (millions)	
			2015/16*	2010**
Malaysia (2016)	0	0.4	0.0	0.1
Thailand (2016)	0	8.6	0.0	0.8
Indonesia (2016)	6.8	10.9	17.6	67.2
Philippines (2015)	8.3	21.6	8.4	25.1
Vietnam (2016)	2.0	7.0	1.8	19.4
Laos (2012)	22.7	23.2	1.5	2.4
Myanmar (2015)	6.4	32.1	3.4	n/a
Cambodia (2014)	n/a	14.0	n/a	3.6
China (2014)	1.4	(4.5)***	19.2	n/a
India (2011)	21.2	21.9	256.6	n/a

* Using the $1.90 threshold
** Using the $1.51 threshold
*** The national poverty line may not include the whole country
Sources: Asian Development Bank (2018); Asian Development Bank (2014c).

Given the problems which surround estimates of poverty and inequality based on monetary data, there have been renewed attempts to produce estimates based on non-monetary data, including attempts to measure poverty using a method which 'shows whether people satisfy a set of specified basic needs, rights, or – in line with Sen's capability approach – functionings' (Alkire and Santos 2014: 251). As with the Human Development Index, the Multidimensional Poverty Index (MPI) has been used to rank low- and middle-income countries according to a composite index. But the MPI excludes monetary indicators. The rankings for seven Southeast Asian countries together with China and India are given in Table 1.7. The rankings differ in several respects from those derived from the headcount measures of poverty produced by the World Bank and the Asian Development Bank. Cambodia, which had a lower headcount measure of poverty compared to Indonesia and the Philippines in 2010, according to the ADB data, ranks below all the other countries in the table except Laos and India according to the MPI index. The Philippines ranks above Indonesia according to the MPI index, although its headcount measure of poverty was above Indonesia's according to the World Bank's $1.90 measure (Table 1.7).

The divergence between the headcount measures of poverty, and the rankings according to the Multi-dimensional Index (MDI) suggests that

Table 1.7: Countries ranked according to Multidimensional Poverty Index (MPI) and headcount measure of population in multidimensional poverty

Country	Index	Headcount	Data source/year
Thailand (21)	0.003	0.9	MICS 2012
China (37)	0.017	4.0	CFPS 2014
Vietnam (46)	0.029	7.1	MICS 2013/14
Philippines (52)	0.052	11.0	DHS 2013
Indonesia (55)	0.066	15.5	DHS 2012
Myanmar (66)	0.134	30.1	DHS 2015/16
Cambodia (69)	0.146	33.0	DHS 2014
Laos (73)	0.174	34.1	n/a
India (76)	0.191	41.3	IHDS

Note: Figures in brackets give rankings: 113 countries were ranked. A score closer to zero means that the country was ranked higher. For full details on how the rankings were compiled, see Alkire and Robles (2017a)
Source: Alkire and Robles (2017b: Table 1.1 [Main MPI Results]).

some countries in Asia appear to be doing worse on a range of non-monetary indicators than their poverty estimates, and indeed their GDP numbers, would suggest. Indonesia stands out as the country where its score on the Multi-dimensional Index is low given its relatively high per capita GDP. Does the low Indonesian result for the MDI reflect low levels of government spending per capita on health and education over several decades? By contrast, Vietnam scores well on both the headcount measure of poverty and the MDI, given its relatively low per capita GDP. The use of multi-dimensional indexes remains controversial, although these indexes were given somewhat grudging approval in the report of the Commission on Global Poverty, published by the World Bank in 2017. But they do serve to strengthen the argument that countries should track progress on a range of both monetary and non-monetary indicators rather than relying simply on headcount measures of poverty, derived from social survey data which may not be very accurate.

If particular countries have performed badly on estimates of poverty based on either monetary or non-monetary indicators, what are the reasons for their failures? Does the poor performance of Indonesia, for example, result from an unfavourable colonial legacy, or from the inability of post-colonial governments to tackle deep-seated problems of deprivation and inequality? Chapters 2 and 3 review the evidence on poverty and changing living standards in the various colonial territories of Southeast Asia, and comparisons are made with colonies in other parts of Asia. Particular

attention is paid to the question of how growing populations found employment, both in agriculture and in other sectors of the economy, in the context of both the land-scarce and land-abundant regions in Southeast Asia, and the consequences of these employment patterns for the living standards of the indigenous populations. Chapter 4 examines the consequences for living standards of the Pacific War, and the difficult transition to independence in many parts of Southeast Asia after 1945. Evidence is presented that most countries in Southeast Asia in 1960 were, in terms of per capita GDP, behind many countries in Africa and the Middle East. Chapter 5 examines the research on poverty and inequality which was carried out in Southeast Asia in the years from the 1950s to around 1980, including work by international agencies including the World Bank and the International Labour Organization.

The period from the mid-1960s to the mid-1990s is often seen as a golden era of accelerated economic growth in Southeast Asia, although the rapid growth was confined to Singapore, Malaysia, Thailand and Indonesia, while others stagnated or struggled to overcome the legacies of prolonged conflict. Chapter 6 addresses the sometimes contentious evidence concerning the impact of growth on poverty decline and improved living standards in the countries which achieved rapid growth. It also examines the evidence in those countries which were falling behind. In the latter part of 1997, several currencies in the ASEAN region including the Thai baht, the Malaysian ringgit and the Indonesian rupiah all underwent substantial devaluations relative to the dollar and other major currencies. These devaluations were the result of massive capital outflows which in turn caused not just a slowdown in economic growth in the affected economies, but actual declines in national product in 1998. The impact of these declines on poverty and living standards is also discussed in Chapter 6.

Chapter 7 examines the sometimes contentious evidence on trends in poverty and income distribution after 2000. Has the return to economic growth led to a sustained reduction in poverty across the region, and an improvement in non-monetary indicators, including health and education, in all regions and for all social classes? What was the impact of the financial crisis which erupted in the USA and parts of Europe in 2008? Did the Southeast Asian countries escape this crisis without serious effects on living standards, and if so why? Chapter 7 also reviews recent controversies on the measurement of poverty which have intensified, especially after the release of new poverty measures from the World Bank, based on new estimates of purchasing power parities (PPP) data prepared in 2011. The new PPP data was used to estimate new headcount measures of poverty,

shown in Table 1.6. These estimates caused considerable surprise among the development community, and in 2017 the World Bank published a substantial report, prepared by a committee chaired by Professor A. Atkinson of Oxford University, which reviewed the methodology used by the World Bank to estimates poverty across countries and over time, and made recommendations for change. The implications for poverty measurement in Southeast Asia of these recommendations are discussed in Chapter 7.

In most parts of Southeast Asia since the 1950s, governments have been implementing a range of policies designed to reduce poverty. Chapter 8 examines the impact of a number of policy interventions, which began in the 1950s, including, land reform and land settlement policies, employment creation through public works, government intervention in food markets, and, more recently, targeted cash transfers. Most of these policies have been adopted by several countries in Southeast Asia. What impact have they had on the incomes and living standards of the poorest groups in society? Is there a case for using budgetary funds to expand these programmes in the future?

One question which has been raised repeatedly in the literature on economic growth since the 1970s concerns the relationship between economic growth, poverty reduction and inequality. An influential school of thought, in both Southeast Asia and other parts of the world, argues that economic growth is not just a necessary condition for poverty decline but also a sufficient one. Policies which promote growth should focus on open trade and investment policies, infrastructure development and human resource development. It has been argued that the countries in Southeast Asia which have followed such policies, such as Singapore, Malaysia and Thailand and, more recently, Vietnam, have all had improvements in living standards, shared by the great majority of their populations. An implication is that targeted government policies intended to reduce poverty are probably unnecessary, and can even be counterproductive. Chapter 9 reviews the evidence for these arguments.

Chapter 9 also draws together the various arguments made in the book by addressing three questions. First, can we say with confidence that the evidence supports the view that living standards have improved across Southeast Asia, not just in the past three or four decades but over the past century? Second, to the extent that some countries and regions have been left behind, what are the reasons? Is it possible to sort out the contributions made by agricultural and rural development on the one hand, and urban-industrial development on the other? What has been the role of demographic change? Third, to the extent that governments across the region have been

implementing policies which are intended to reduce poverty, and bring about broad-based improvements in living standards, which policy interventions have been most successful and why? Answers to these three questions should help both national governments and international agencies to frame more effective policies for egalitarian growth in future decades.