How Poverty Fell[*]

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November 30, 2024

Abstract

The share of the global population living in extreme poverty fell dramatically from an estimated 44% in 1981 to 9% in 2019. We describe *how* this happened: the extent to which changes within as opposed to between cohorts contributed to poverty declines, and the key changes in the lives of households as they transitioned out of (and into) poverty. We do so using cross-sectional and panel sources that are representative or near-representative of countries that collectively accounted for 70% of global poverty decline since 1990. The repeated cross-sections show that all birth cohorts experienced the decline of poverty over time in parallel, such that poverty decline can be viewed as a primarily within-cohort phenomenon. The panels show substantial within-cohort churn: gross transitions out of poverty were much larger than net changes, as many households also lapsed back into poverty. The overall picture is of a "slippery slope" rather than a long-term trap. The role of sectoral transitions varied across countries, though progress within sectors generally played a larger role than transitions between sectors.

JEL codes: I32, N30, O12

Keywords: poverty, poverty dynamics, structural change