
Report No.	HIAS-E-35
Title	Purchasing Power Disparity: Who Could Consume More before 1914?
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Abstract	<p>Economic historians' Divergence debates since 2000 have asked a different question from that asked by Angus Maddison. The issue has become "when did countries' contemporaneous purchasing powers diverge", not "when did countries' productivity grow at different rates?" The two questions have different answers, especially before 1914. Using pre-1914 current-price comparisons of real purchasing powers on six continents, this article sketches some historical geography of the departures from the conventional Maddison estimates.</p> <p>The underlying reason for the divergence between projections back from 1990 and current-price comparisons from long ago is that before the great 1870-1914 wave of trade globalization, consumer staples were not traded over great distances, and regions specialized in narrow luxury trade. Inter-continental price ratios for subsistence goods thus varied more widely than since 1914.</p> <p>The new measures open up a new economic history of international and intra-national differences in purchasing power before 1914. Northwest Europe was further ahead of Asian countries than earlier measures have shown, apparently due to a Gerschenkron effect in the Maddison approach. On the other hand, Northwest Europe was behind America and Australia across the nineteenth century.</p>
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