How has human development evolved during the past 150 years of globalisation and economic growth? How has human development been distributed across countries? How do developing countries compare to developed countries? Do social systems matter for well-being? Are there differences in the performance of developing regions over time? Employing a capabilities approach, *Human Development and the Path to Freedom* addresses these key questions in the context of modern economic growth and globalisation from c.1870 to the present. Leandro Prados de la Escosura shows that health, access to knowledge, standards of living, and civil and political freedom can substitute for GDP per head as more accurate measures of our well-being.

**Leandro Prados de la Escosura** is Emeritus Professor of Economic History at Carlos III University. He is the author of *Spanish Economic Growth, 1850–2015* (2017). He is the editor of *Exceptionalism and Industrialisation: Britain and Its European Rivals, 1688–1815* (2004) and former editor of the journal *Revista de Historia Económica*. 
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Human Development and the Path to Freedom

1870 to the Present

LEANDRO PRADOS DE LA ESCOSURA
Carlos III University
For Teresa
In the present epoch, the domination of material relations over individuals, and the suppression of individuality by fortuitous circumstances, has assumed its sharpest and most universal form, thereby setting existing individuals a very definite task (…) replacing the domination of circumstances and of chance over individuals by the domination of individuals over chance and circumstances.

Karl Marx and Friedrich Engels, *The German Ideology*, 1846

What in the future will probably appear the most significant and far-reaching effect of this success is the new sense of power over their own fate, the belief in the unbounded possibilities of improving their own lot, which the success already achieved created among men.

Friedrich Hayek, *The Road to Serfdom*, 1944
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Preface

Economic growth has been the main topic of interest for me since my days as an Economics undergraduate. I have allocated a substantial part of my academic career to studying long-run economic performance and made my own modest contribution to the reconstruction of historical national accounts. However, the use of GDP as a measure of well-being on the grounds that it was a convenient synthetic index, backed by economic theory, and presumably correlated with different social indicators of well-being, has never convinced me. That is why I became interested in human development.

The United Nations Development Programme’s launch of the Human Development Index (HDI) in 1990 represented a major leap forward to provide a comprehensive measure of well-being. Human development, inspired by Amartya Sen’s capabilities approach, puts freedom at the centre and focuses on enlarging people’s choices. The new concept was most appealing to me for historical and ethical reasons, but I identified a contradiction between the habitually pessimistic narrative of the Human Development Reports and the optimistic message its numbers provided. I suspected that this had to do with the linear transformation of the non-income variables of the HDI, which were bounded; consequently, their absolute increases represented smaller relative gains, as the initial level was higher. This led to shrinkage of the variance and provoked spurious convergence between countries. More important for me was the discovery that countries where freedom was suppressed or seriously curtailed still ranked high. This was the case of my own country, Spain, in 1975, under General Franco’s dictatorship.

I started investigating human development as a break from my research on long run growth. Yet again, Nick Crafts showed himself to be a pioneer of historical research, and his studies of human development indices and England’s living standards, incorporating civil and political rights (Crafts, 1997a, 1997b), served as a role model for my investigation.
I was fortunate to come across a path-breaking article by Nanak Kakwani (1993). Using an axiomatic approach, he proposed a non-linear (convex) rather than a linear transformation for bounded variables. This largely solved the problem I have found in the HDI’s non-income dimensions. In Kakwani’s alternative proposal, increases from higher initial levels implied greater achievements than the same absolute increase at lower levels. Moreover, as available non-income indicators only capture quantity changes, Kakwani’s transformation provides a way of allowing for quality changes when quality and quantity improvements are associated. Kakwani’s index is, to some extent, comparable to Amartya Sen’s (1981) measure of the relative shortfall reduction, in which the improvement of an index is computed over the difference between the maximum potential level and the level from which the index starts. The advantage of Kakwani index is that it provides consistent comparisons between achievements from different initial levels and over different periods of time.

I wrote several articles on historical human development using Kakwani’s non-linear transformation for life expectancy and education variables. However, I was still unsatisfied with the historical HDI, since it continued to be inconsistent with the free choice between different sets or bundles of achievements. This implied that the way in which one achieved a decent material standard of living, with access to knowledge and a healthy life, did not actually matter. It could be achieved, therefore, in an advanced country’s maximum security prison, but this preposterous possibility obviously falls short of choosing the life one wants to lead.

Thus, I started looking for quantitative indicators of liberties and democracy. Vanhanen’s Democratization and Polity IV’s Polity indices provided a partial solution since, as Péter Földvári (2017) observed, they represent de facto and de jure measures of democratisation, that is, a collective and ‘positive’ freedom in Isaiah Berlin’s terms. Fortunately, Ignacio Sánchez-Cuenca pointed me to the new Varieties of Democracy dataset that included the Liberal Democracy Index, a combination of civil and political rights, encompassing ‘negative’ and ‘positive’ freedoms. This index resolved the bottleneck, and I was able to construct the ‘augmented’ human development index on which this book is founded.

Over the years, I have incurred many intellectual debts. The works of Amartya Sen and, subsequently, Angus Deaton provided the intellectual framework for the project. Branko Milanovic’s leading work on
global income inequality inspired the part of this volume that deals with the international distribution of human development and its dimensions, in which I use growth incidence curves to show how the different deciles of the distribution benefit from augmented human development gains. Christian Morrisson’s work on the international distribution of income and education was also a source of inspiration, and his advice proved most useful.

I have had long discussions with colleagues and friends about human development and its measurement and have enjoyed our disagreements. I would like to mention, in alphabetical order, Pablo Astorga, Luis Bértola, John Devereux, Ewout Frankema, Daniel Gallardo-Albarrán, Şevket Pamuk, and Giovanni Vecchi. In addition, I have taken advantage of Patrick Wallis’s thorough editorial suggestions regarding a recent article of mine.


Earlier versions of this volume’s chapters were presented at the African Economic History Workshop, the Graduate Institute, Geneva, the Annual Economic History Society Conference (Oxford, 2012 and Cambridge, 2014), the conference ‘Wellbeing and Inequality in the Long Run: Measurement, History, and Ideas’, Fundación Ramón Areces-Universidad Carlos III (Madrid), the World Economic History Congress Presidential Session (Stellenbosch), the 9th BETA-Workshop in Historical Economics (Strasbourg), the 10th European Historical Economics Conference (London, 2013), the 4th World Bank-Banco de España Policy Conference (Madrid), the GGDC 25th Anniversary Conference (Groningen), the World Congress of Cliometrics (Strasbourg), the LSE-Stanford-Andes Conference (London), and CLADHE, Santiago de Chile. Parts of the book were also submitted to seminars and workshops at Chatham House, the Copenhagen Institute of Economics, the European University Institute, Florence, Oxford, the London School of Economics, Imperial College, Bar-Ilan (Tel Aviv),
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Over the years I have received research support from the Spanish Ministry of Science and Innovation (Research Project ‘Consolidating Economics’, Consolider-Ingenio 2010 Programme), the EC HI-POD Project, Seventh Research Framework Programme Contract no. 225342, and the Leverhulme Trust (VP2–2012-050 Grant).

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Preface

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I am indebted to Oscar Fanjul for his crucial help with the book’s cover image and to my brother Luis for having suggested it.

Universidad Carlos III, my home university for the past thirty-two years, and its vibrant Department of Social Sciences have provided the stimulating environment in which to research and write the book. I owe special thanks to my economic history colleagues. A sabbatical leave at the Economic History Department of the LSE was of great help.

Lastly, I want to express special recognition to Blanca Sánchez-Alonso, companion, wife, and critic. Without her encouragement, endless patience, and sense of humour, most of my academic career, and certainly this book, would have not existed.

The book is dedicated to my daughter Teresa, who has been most supportive during its completion.

Madrid, March 2022