

Held back

How the world's poor stopped catching up

Progress stalled around 2015. To restart it, liberalise

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SINCE THE Industrial Revolution, rich countries have mostly grown faster than poor ones. The two decades after around 1995 were an astonishing exception. During this period gaps in GDP narrowed, extreme poverty plummeted and global public health and education improved vastly, with a big fall in malaria deaths and infant mortality and a rise in school enrolment. Globalisation's critics will tell you that capitalism's excesses and the global financial crisis should define this era. They are wrong. It was defined by its miracles.

Today, however, those miracles are a faint memory. As we report this week, [extreme poverty](#) has barely fallen since 2015. Measures of global public health improved only slowly in the late 2010s, and then went into decline after the pandemic. Malaria has

killed more than 600,000 people a year in the 2020s, reverting to the level of 2012. And since the mid-2010s there has been no more catch-up economic growth. Depending on where you draw the line between rich and poor countries, the worst-off have stopped growing faster than richer ones, or are even falling further behind. For the more than 700m people who are still in extreme poverty—and the 3bn who are merely poor—this is grim news.

To judge what has gone wrong, first ask what previously went right. In the poorest countries education and (especially) health have depended on donors writing big cheques. But even if aid has curbed disease, it has not unleashed sustainable growth. Likewise with pro-market technocrats in the IMF and the World Bank. Western institutions were most involved in Africa and Latin America, where growth has been patchy and has varied with commodities prices.

Critics of the “neoliberal era” conclude that globalisation therefore failed. However, the most successful liberalisations came from within countries, rather than in response to donors’ advice. In the 1990s global convergence was powered by a few big successes: China’s rapid growth after it opened up under Deng Xiaoping, a similar—albeit less spectacular—process in India after reforms dismantling the “licence Raj”, and the integration of countries in eastern Europe into the global market economy after the fall of communism. All that amounts to a powerful endorsement of capitalism.

Just as the rich world did not make convergence happen, it is not to blame for the stalling of development today. It is true that the West’s efforts are as flawed as ever. The IMF and World Bank are juggling promoting reform and development with fighting climate change, and are caught in the middle of the power struggle between America and China, which is making it fiendishly hard to restructure poor countries’ debts. Aid budgets have been squeezed, hurting global public-health campaigns, as Bill Gates argues in our online [By Invitation column](#). Cash has been diverted from helping the poorest to other causes, such as greening power grids and helping refugees. Of what aid money remains, much is wasted rather than being spent after careful study of what works. The “Sustainable Development Goals”, by which the UN judges human progress, are hopelessly sprawling and vague.

The biggest problem, though, is that [home-grown reform has ground to a halt](#). With some notable exceptions, such as President Javier Milei’s efforts in Argentina, the world’s leaders are more interested in state control, industrial policy and protectionism than the examples of the 1990s—and it is no accident that such policies boost their own power. Indices of economic freedom have been broadly flat in sub-Saharan Africa since the mid-2010s and in South America since the turn of the century. Nigeria, where nearly a third of the population is extremely poor, still wastes a fortune on petrol subsidies; textile bosses in Bangladesh get special treatment at the expense of manufacturers who might otherwise create better jobs; and Pakistan’s inefficient state-backed mining, oil and gas conglomerates are allowed to stagger on.

Despite its past growth, a quarter of China’s population still lives on less than \$2,500 per year; its present economic slowdown, made worse by Xi Jinping’s centralisation and the censorship of economic data, is reducing their chances of a better life. Even India and Indonesia, which have successfully liberalised in the past but still contain many poor

people, are now [interfering with market forces](#) to try to bring supply chains home. According to Global Trade Alert, a think-tank, the 2020s have seen five times as many harmful trade measures as liberalising ones.

Many of the West's interventions in the Global South failed, but in the era of catch-up, it did at least preach the virtues of free markets and free trade. These ideas spread because communism was proved to be backward in comparison with America's prosperity and power. Today, though, America is increasingly taken with interventionism, disdaining the old order and trying to replace it. Many countries instead look to the Chinese model of industrial policy and state-owned enterprises, drawing entirely the wrong lessons from the country's growth.

As the world has turned towards intervention, so the chosen instrument for poor countries has become trade restrictions, as IMF research shows. This contains an uncomfortable echo of the failed development plans of the 1950s, built around freezing out imports rather than embracing global competition. Fans of industrial policy will point to East Asia's "tiger economies" such as South Korea and Taiwan. Yet both embraced harsh global competition. And several African countries that tried to copy their industrial policies in the 1970s failed miserably.

You don't know what you've got till it's gone

The world will pay for its failure to learn from history. Rich countries will cope, as they usually do. For the poorest people, however, growth can be the difference between a good life and penury. It should not be a surprise that development has stalled as governments have increasingly rejected the principles that powered a golden era. Nobody will suffer more as a result than the world's poor. ■

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