



# A Look at Global Economic Growth

## An Interview with Dambisa Moyo

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**G**iven your experience, what do you think is the appropriate role of intergovernmental institutions in international economic development?

First of all, thank you for the opportunity to discuss what I think is the defining challenge of our time. That is, how are we going to create economic growth, both in emerging markets, where 90 percent of the world's population lives and where 60 percent of the population is under 24, but also in more developed markets that are confronted with a lot of debt, massive deficits, and significant issues around the recovery of growth in the aftermath of the financial crisis?

I think it is important for us to start within that framework because it's very easy to pick apart the different aspects of the growth agenda, as you alluded to the role of intergovernmental institutions. But I think we really need to understand what the current environment is and the long-term prospect for growth across the globe, in both developed and developing countries. So I would like to spend a few minutes framing what the issue is.

Take the growth agenda—first of all, I think it's very

DAMBISA MOYO is a global economist and an author of three New York Times bestselling books on international affairs, including *Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa*. She was named by TIME Magazine as one of the “100 Most Influential People in the World,” and she previously consulted for the World Bank.

important to understand that, as a rule of thumb, countries need to grow at least seven percent a year in order to put a dent in poverty, specifically in order to double per capita income in one generation. So seven percent is really important. You may have seen recent World Bank studies that show that the forecast for emerging markets is very weak. You have regions such as Latin America growing at around 0.4 percent, and many of the very large growing economies like India, Russia, and Brazil are growing at two, three, maybe four percent, but nowhere near the seven percent mark that they need to attain.

Look at the ten largest emerging economies around the world, which include countries that have at least 50 million people in their population. Virtually all of these markets are growing substantially below the seven percent mark that I mentioned. This is incredibly important in terms of how are we going to meaningfully put a dent in poverty and continue to raise the living standards of hundreds of millions of people around the world.

To further put this into context, the International Monetary Fund (IMF), in their *World Economic Outlook* report released last October, made a statement that as far as they could see, the world would never again see the rate of growth that we saw in 2007. This is quite an important statement. This is an international agency arguing that the highest rates of economic growth are now behind us. I also want to stress a third point. Aside from the growth rates of the emerging markets and the IMF forecast that I mentioned, if you look at reports by McKinsey, looking fifty years ahead, the prospect for economic growth in developed and developing countries looks particularly dire. This, to me, is the defining issue.

### Could you speak further about the global economic climate and this crisis that we face?

I think it is important to understand, first and foremost, why this is the urgent and concerning state of the world as it is today. I have given you a number of economic statistics, but they also have political implications. For example, General Martin Dempsey, the chairman of the US Joint Chiefs of Staff, has said on record that, as far as he is concerned, in his lifetime, this is the most dangerous time in the world. The Economist Intelligence Unit (EIU) is forecasting that out of 150 countries, 65 countries around the world will experience significant political and social uncertainty.

We are witnessing some of this uncertainty today, whether it is Russia and Ukraine, the Marikana mine issue in South Africa, or riots in Brazil and in Thailand. The report by the European Commission's "Horizon 2020," looking out into the future, argues that 80 percent of the population will be living in fragile states. We have an incredibly vulnerable situation. Economically, there can be growth or decline, and politically, we have a lot more volatility around the world.

Some people will say that the world is a much better place today. For example, we've seen people's living standards improve, we've had hundreds of millions of people move out of poverty in countries like China. I would like to address why this crisis is different, and there are four key drivers that I'd argue make this different from the recessions and contractions we have seen previously.

First of all—technology. To be absolutely clear, we have seen technological innovation in the past. Additionally, there have been people who have been skeptical about the blight of technology and what this might do to job creation and living standards, like the Luddites of the 1800s, the Wobblies of the early 1900s, and even through the digital revolution. People have been skeptical about whether jobs

can actually be created from technological creations. In fact, there have been a lot of studies on this. For example, a report from the Oxford Martin School, which came out a year and half ago, argued that 47 percent of the jobs in the United States will be disrupted by technology over the next 20 years. What we have here is a very strong engine that will, arguably, disrupt and dislocate many jobs in both the developed and developing world.

We then turn to demographics. Both the quality and quantity of demographics have been considerably challenged in the past few years in developed and developing countries. In developed markets, the aging population is creating somewhat of a drag on the world population and also on global growth. In some of the developing markets, we have a very young population, as I've mentioned. In countries like Uganda, 50 percent of the population is under the age of 16. And this population is not just young—it is actively demanding better living standards, which are predicated upon growth that is not being seen in the numbers. To underscore this point, we are living in a unique time in the history of the world.

Demographers have argued that we will never see the rate of growth that we have seen recently once the world's population plateaus around 2100. To put this into context, the world's population was three billion in 1960. Today, it is close to eight billion. In 2050, the population will get to nine billion. And in 2100, the population will be about 10 billion. I've also seen more aggressive forecasts that the population will reach 11 billion. This is a considerable shift in the population of the world, and that is weighing down on global growth, both in terms of sheer number and in terms of access to education, which is a significant problem.

Another factor that has created this scenario for growth is income inequality. Today, China and the United States are the two biggest economies in the world. The two have very different political models, and they also have very different economic systems. One of them is a free market economy, while the other is a state-capital economy. However, both of these countries have the same Gini coefficient, which is a measure of income inequality, around 0.47. So for those of us interested in improving the livelihood of people around the world, the question becomes which system is better at delivering economic growth and reducing income inequality? And the reality is that the answer is not clear.

The final force in the challenges of global development is natural resource scarcity. If you look at potable water, arable land, minerals, and energy, the picture is quite negative. We see companies going into more politically unstable places to get access to energy and natural resources. US agencies have also argued that a lot of political conflicts will be based on water scarcity. The picture is quite volatile, both in terms of economic growth and political dynamics, and the boundary conditions—of technology, demography, income inequality, and natural resource scarcity—are making things, I would argue, more challenging.

### What do you consider the role of technology in increasing

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sources, specifically the exploration of new sources of energy?

There has clearly been a lot of research and investment in areas such as shale and fracking. But there are also challenges in this search for new resources that are not fully understood. Now, this is not to say that technology cannot help deliver natural resources. I think technology is the primary way of resolving some of the biggest problems the world faces, whether it is hunger, disease, or access to clean water.

**Would you say that developing states should focus on technology as one of the ways to resolve some of the common issues they face?**

I think there has to be an effort by the private sector as well as the public sector, but I don't think there is a clear delineation of responsibility. In many developing markets, the public and private sectors are heavily resource-restrained and they have to decide what to spend the marginal dollar on—should they spend it on healthcare and infrastructure, for example, or should they invest in Research and Development (R&D)? This can be challenging, as the percentage yield from R&D is not a one-to-one ratio. So yes, we want as much technology as possible in solving these problems, but the responsibility cannot solely fall on nation-states. The reality is that a lot of innovation is coming from the

private sector.

**Any concluding thoughts on the challenges of global economic development?**

Nobody has a monopoly on economic development. Recent history has shown that industrialized nations that have relied on the free market and free people have done incredibly well. But if you think about the engines of growth as capital, labor, and productivity, nobody knows how to create sustained economic growth. Yes, even China, without relying on the free market and free people, has had an amazing record. But their challenge now, in much the same way the United States has been challenged, is to continue to create economic growth and improve the well-being of its people.

I think there needs to be more of a dialogue across the aisle—whether it's Keynesians, Hayekians, Chinese, and Americans, sitting at the same table and really listening to each other, without any ideological overhang. They can all learn from each other, and they can improve their models of economic growth.

The reality is that there is no one to address these issues. In numerous studies, we have seen countries like Argentina go from being incredibly wealthy and important in the global economy to being relegated to the position of an impoverished country. We have seen Japan, through



**Recently unemployed protesters wait outside the China Resources Building as police and security staff surround them in central Beijing.**

the Meiji Restoration, progress to become an economic powerhouse. So, our responsibility as scholars is to be open-minded. We can appreciate that the answer to reducing global poverty and creating growth is not found in one neat box that can be taken off the shelf.

**From a realist perspective, given that these countries all have their own self-interests in mind, under what circumstances do you think countries are more likely to work together for global growth?**

I think it is already in the pipeline. We have a global society that has done a much better job in recent years. But let us be clear—there is a lot more work to be done. It's quite apropos we are having this conversation today. Just yesterday the US and China were having their Strategic and Economic Dialogue (S&ED). There is a reaching across the aisle, though they may have disagreements. International development agencies have also been under the challenge to reevaluate their mandate in a world that is changing so rapidly.

We have seen agencies like the IMF and the World Bank really try to absorb much more information, without making early judgments about how these countries are progressing, which I think is very important.

**Many of the shortcomings of institutions like the United Nations have been credited to the lack of representation and leadership from non-Western developing countries. Do you think that having more equal participation will help these institutions be effective in improving economic growth?**

Yes, I think what the institutions would do with the information is yet to be seen. Let us see, the recent infrastructure bank that China put together is something that I would have expected to come from the United Nations or the World Bank. China saw that there was a gap in the market, and it was able to get ahead of many countries and get involved. If traditional development agencies adopted a more open-minded view, their response and engagement would be much more active.

**Many fear the United States is losing its position of leadership in the global economy to China and other developing countries. What are your thoughts on that?**

I think that is a short-term, narrow view of the United States' role in human progress. The United States remains a leader in innovation. It remains a leader in ideas, medicine, science, and many other areas that are absolutely essential to creating economic growth and putting a dent in poverty. It shortchanges the United States to assume that just because other countries are doing well, the United States is doing badly.

I don't see the world as a zero-sum game. I think there is a lot more room for collaboration to solve problems like the energy shortage we discussed earlier. I think the US

has an absolute advantage in many of these areas. A year ago, I spent an hour, as part of a small group of people, with the Chinese president in Beijing. All of the challenges that the president spoke to us about—income inequality, infrastructure, education, etc.—are challenges the United States is facing. Rather than pitching the “us versus them” situation, I think there needs to be an appreciation that we're all interconnected.

**So looking at the case of China, what do you think is the one measure, if there is one, that all countries can take to aid their economic development?**

I think the idea of longer election cycles, especially in countries that are more impoverished and are trying to create growth. I don't think they need the distraction of so many regular elections. They need to get on with decisions around public goods deliveries. I'm not saying democracy is a bad thing, let's be clear on that. But I do think the election process sometimes doesn't match with the challenges a country has on the economic side.

**In many developing countries, it seems that there is a trade-off between political rights and economic rights, which was discussed in your TED talk in 2013. Could you speak a little more about that?**

I think the tension is something that we need to constantly road-test, check, and debate. I don't think there is an equilibrium that you arrive at to reach the end of the story. There is a trade-off between political and economic rights. In the TED talk, I talked about the viability of democracy being challenged at very low levels of economic growth. We should think about that as we think about how we implement democracy. There are other issues that have been highlighted by US Supreme Court Justice Stephen Breyer in his book. It is a very valid point that democracies take time. As you may remember from my speech, it took 170 years for everyone in the United States to have essentially equal rights, and you could argue we haven't even gotten there.

Countries have shown that political rights are not a prerequisite for economic growth. Countries like China, Singapore, and Chile under Pinochet, were able to show long-term economic growth without having political rights of the free market and free people. Again, I think we need to have a larger discussion about what that might look like, and I fear that discussion is not being had.

**Any final thoughts?**

I think, ultimately, it's about not being doctrinaire. It is about having some value and some framing, but at the same time, having the humility to understand we don't have all the answers. A large of part of this is about understanding that the challenge to achieving economic growth is quite dynamic, and it requires people to be open-minded outside the beaten path. ■