

Ideology is the enemy of growth



Moving forwards: A more open-minded approach is needed to generate sustainable growth

Image: REUTERS/Thomas Mukoya

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Our ability to create and sustain economic growth is the defining issue of our time.

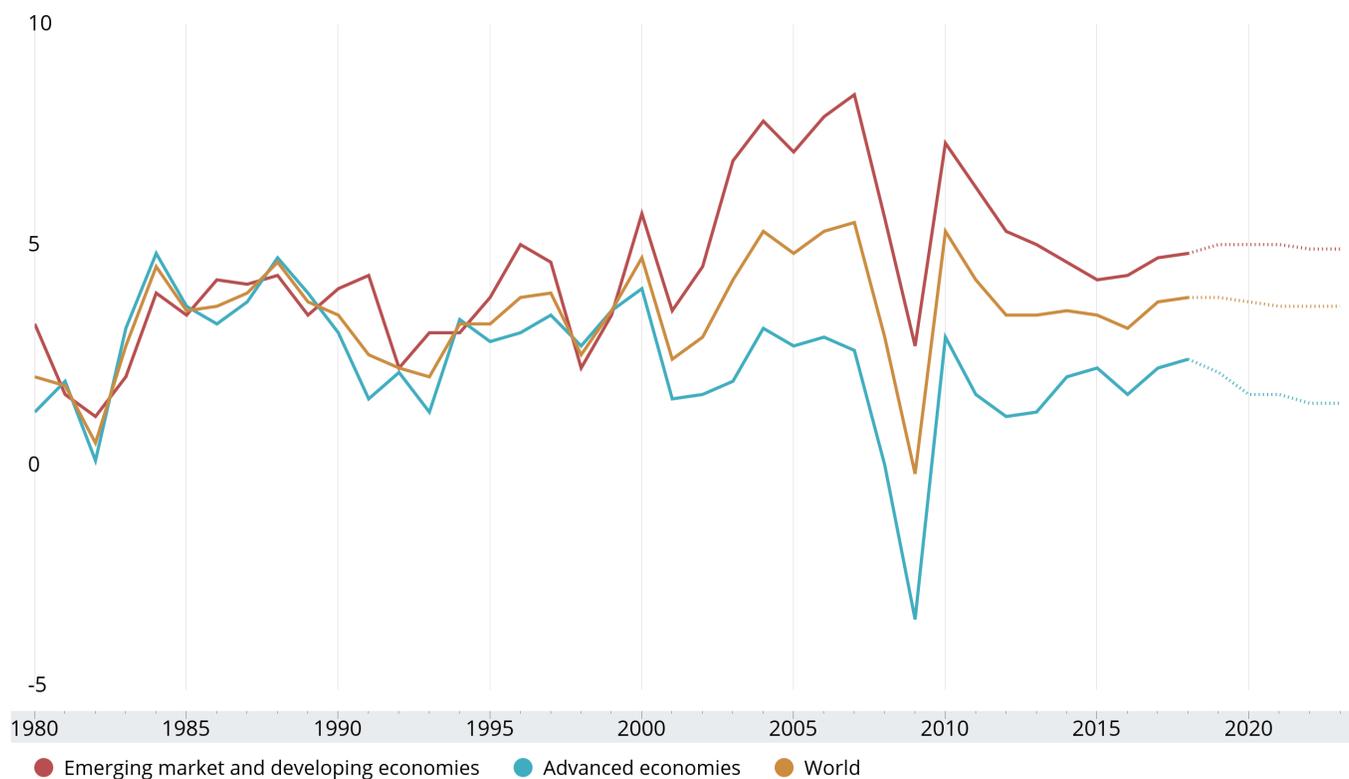
More than pandemics, climate change, terrorist militant groups and other geopolitical risks, economic growth is arguably the most crucial issue to help solve long term challenges that threaten to upend the global economy and destabilize the global political order.

In fact, unless and until we place global economic growth on a sturdy, sustainable and accelerating path, we will be unable to address the seemingly most intractable challenges of our world today; be they in health, education, environment or economic development, and improving living standards.

In this regard, the salient question before us is this: how will we create sustained economic growth?

IMF DataMapper

Real GDP growth (Annual percent change)



©IMF, 2018, Source: World Economic Outlook (April 2018)

Economic growth is still struggling to recover from the financial crisis

Image: IMF

Developed economies are still struggling to emerge from the shadow of the financial crisis. They're shouldering high debts and deficits, while the quality and quantity of the workforce is changing. An ageing demographic means rising pensions and health costs, at a time of declining productivity. Capital, labor and productivity are the three key engines of economic growth, and they're stuttering.

And in developing/emerging economies, where 90% of the world's population lives and where, on average, 60-70% of the population is below the age of 25 years old, for now and the foreseeable future, economic growth has regressed below the 7% needed to double per capita incomes in one generation and meaningfully continue to put a dent in poverty.

With economic growth, societies are set in motion towards a virtuous cycle of economic opportunity, upward mobility, and rising standards of living.

Without it, communities contract and atrophy - not merely in the annals of economic indices, but more meaningfully in the lived experience of people and their communities.

Growth matters - powerfully - to ordinary people. If economic growth wanes, then everyone suffers; exacerbating numerous other problems - social, health, environmental, and political.

Critically, in the face of challenges to the blind pursuit of economic growth, it must be stressed that what is needed is stable economic growth *but* we need not pursue it in the manner we have in the past.

Reclaiming capitalism

Over past centuries economic growth has transformed the lives of hundreds of millions of people. And the engine for this success has largely been the capitalist system - an economic system where the factors of production - capital, labor, trade and industry are owned privately, rather than by the state.

More than any other economic system over time, capitalism has proven itself the best way thus far to increase growth (a surplus) and reduce poverty.

Even so, faith in capitalism has waned, and despite capitalism's recorded success, there are mounting concerns that in its purer forms it fosters corruption, and contributes to widening income inequality. In essence, the benefits of growth are seen to accrue to the few, at the expense of the many.

Of course in practice the definition of capitalism is much more nuanced, so that the challenge before us is how can we improve capitalism and harness its best parts so that the global economy can return to a path that creates economic opportunities for more and we can address the raging social ills plaguing societies today.

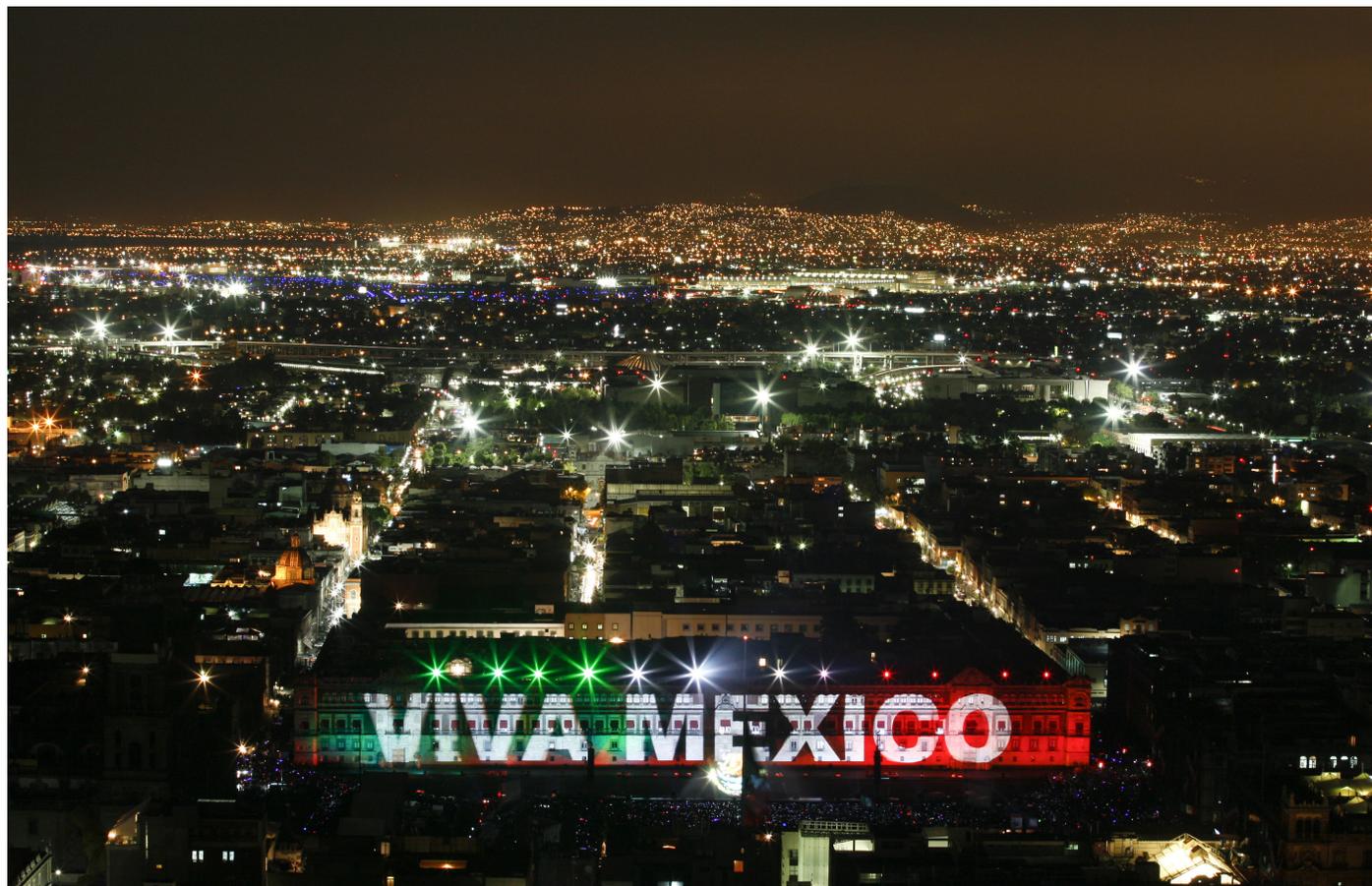
Moving beyond Left and Right

Capitalism's renewed attempt to create economic growth and address these ills must rest on an innovative policy path that is less dogmatic, and that blurs the lines between a facile Left-Right policy spectrum.

From a "Right-leaning" perspective, this could require embedding the principles of market capitalism, such as reward systems and personal accountability, into social programs.

Conditional transfers, a system where financial bonuses or rewards are given to individuals for good behavior, are an example. In essence the government pays people to do things that benefit society as a whole, such as sending their children to school or ensuring that their family is immunized against disease.

Quite apart from the debate of whether society should reward people for what many of us think we should be doing anyway, conditional transfers are a nod to the "Right-leaning" ideals of "pay for performance" that have already had notable success in Mexico, Brazil, and even in New York.



Mexico has experimented with 'pay for performance' schemes
Image: REUTERS/Daniel Aguilar

More "Left-leaning" ideas increasingly blur the lines between public and private roles and responsibilities. These proposals look to broaden the purview of government, so that the state takes on a greater role as an arbiter and allocator of the productive factors in an economy; that is allocating capital and labor, rather than leaving this responsibility solely to the private sector.

Meanwhile, there are private-sector initiatives (like Corporate Social Responsibility, or CSR, programs), where businesses take on a bigger role in social causes. In this case, the mandate of private corporations goes beyond merely maximizing the returns of investing shareholders, to maximizing the returns of investing shareholders while giving due consideration to social issues such as pay equity, and/or environmental concerns. Essentially this places a greater onus on private business to itself be a good citizen.

Public-Private Partnerships, witnessed in the build out of America's infrastructure in the 19th Century and, more recently, in the development of the Internet are just some examples of what is

possible when lines are blurred.

Abandoning dogged ideology should mean that we go beyond understanding economics and public policy only within the confines of the market capitalist system.

Indeed, in the quest for economic growth, being more open-minded, and less ideological, means considering some aspects of the long-term initiatives used in countries, such as China, that are blatantly non-democratic and state capitalist. After all, their policy framework and economic approaches have delivered legendary economic growth and moved hundreds of millions of people out of poverty in just a few decades.

In a nutshell, our ability to address the world's social challenges and ultimately create economic growth to advance human progress crucially rests on recognizing this fact; that ideology is the enemy of growth.

Dambisa Moyo's latest book is [Edge of Chaos: Why Democracy Is Failing to Deliver Economic Growth - And How to Fix it](#)

Written by

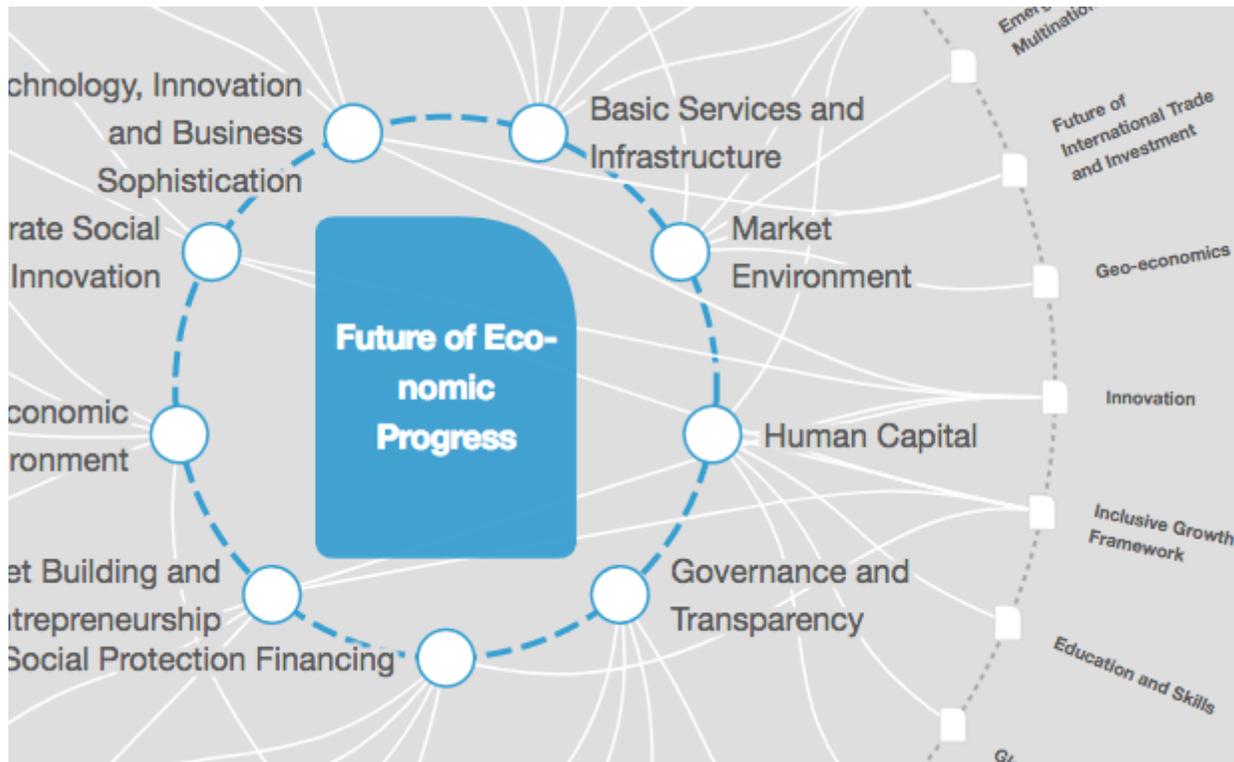
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