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The globalisation emperor has no growth

By Ann Pettifor

11 June 2001

In an extraordinary analysis of economic growth rates since the dawn of neo-liberal economics under President Reagan and Mrs Thatcher, a US think tank reveals that growth rates between 1980-2000 are much lower than between 1960-1980.

The Center for Economic and Policy Research has produced a report which analyses official data for the decades 1960 - 2000. These show that

- From 1960-1980, output per person grew by an average, among countries, 83%. For 1980-2000, the average growth of output per person was 33%.
- Mexico would have nearly twice as much income per person today if not for the growth slowdown of the last two decades; Brazil would have much more than twice its current per capita income.
- Eighty nine countries - 77%, or more than three-fourths - saw their per capita rate of growth fall by at least five percentage points from the period (1960-1980) to (1980-2000). Only 14 countries - 13% - saw their per capita rate of rise by that much from (1960-1980) to (1980-2000).
- In Latin America, GDP per capita grew by 75% from 1960- 1980, whereas from 1980-1998 it has risen only 6%. For sub-Saharan Africa, GDP per capita grew 36% in the first period, while it has since *fallen* by 15%.

Even where high growth rates were achieved, as in Southeast Asia, they were still lower than in the earlier period. The exceptions to this trend were East Asia and South Asia, which grew faster from 1980 to 1998. This result is due to the quadrupling of GDP over 18 years, in China, and to faster growth in India.

The authors assert that there is no region in the world that the World Bank or the IMF point to as having succeeded through adopting the policies that they promote - or that they claim credit for China, which maintains a non-convertible currency, state control of the banking system, and other major violations of IMF/Bank prescriptions. And in both East and China, their opening to trade took place about a decade after the increase in growth began.

The authors of the Report - Mark Weisbrot, Robert Naiman and Joyce Kim - believe "if these facts were well known the entire debate over globalisation would change dramatically....If globalisation and other policies promoted by the IMF and World Bank have not led to increased growth, it becomes extremely difficult to defend these policies. The costs of these changes - the destruction of industries and the dislocation of workers - the harsh "austerity" medicine often demanded by these institutions and by international financial markets - become a burden to society without any countervailing benefit.

The Report cites the complacency of brilliant economists like Larry Summers, until recently the US Treasury Secretary who said in the New York Times recently that "the history books are written 200 years from now about the last two decades of the twentieth century, I am convinced that the end of the cold war will be the second story. The first story will be about the appearance of emerging markets - about the fact that developing countries where more than three billion people live have moved toward the market economy."

seen rapid growth in incomes."

The Report raises challenges for critics of globalisation who have attacked the G7 and the IMF for their obsession with high economic growth rates. If neo-liberal economic policy leads to lower growth rates, should environmentalists be attacking them? Mark V. Pauly and his fellow authors believe that the "failure to acknowledge this dramatic decline in growth rates has left a gaping hole in the debate over the policies of the world's most powerful financial institutions. It allows the Fund and the Bank to continue imposing a whole cluster of failed policies repeatedly, without their competence or the policies themselves being called into question."

The Emperor has no growth: declining growth rates in the era of globalisation by I. M. D. Little, Robert Weisbrot, Robert Naiman and Joyce Kim, May 2001. Centre for Economic and Policy Research <http://www.cepr.net/globalization/newemperor.pdf>