

**The Growth Report**  
Strategies for Sustained Growth  
and Inclusive Development





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COMMISSION ON GROWTH AND DEVELOPMENT

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MONTEK SINGH AHLUWALIA

Edmar Bacha  
EDMAR BACHA

Dr. Boediono  
DR. BOEDIONO

Lord John Browne  
LORD JOHN BROWNE

Kemal Dervis  
KEMAL DERVIS

Alejandro Foxley  
ALEJANDRO FOXLEY

Goh Chok Tong  
GOH CHOK TONG

Han Duck-soo  
HAN DUCK-SOO

Danuta Hübner  
DANUTA HÜBNER

Carin Jämtin  
CARIN JÄMTIN

Pedro Pablo Kuczynski  
PEDRO-PABLO KUCZYNSKI

Danny Leipziger  
DANNY LEIPZIGER

Trevor Manuel  
TREVOR MANUEL

Mahmoud Mohieldin  
MAHMOUD MOHIELDIN

Ngozi N. Okonjo-Iweala  
NGOZI N. OKONJO-IWEALA

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ROBERT RUBIN

Robert M. Solow  
ROBERT SOLOW

A. Michael Spence  
MICHAEL SPENCE

Sir K. Dwight Venner  
SIR K. DWIGHT VENNER

Ernesto Zedillo  
ERNESTO ZEDILLO

Zhou Xiaochuan  
ZHOU XIAOCHUAN

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On behalf of the Commission on Growth and Development  
1818 H Street NW  
Washington, DC 20433  
Telephone: 202-473-1000  
Internet: [www.worldbank.org](http://www.worldbank.org)  
[www.growthcommission.org](http://www.growthcommission.org)  
E-mail: [info@worldbank.org](mailto:info@worldbank.org)  
[contactinfo@growthcommission.org](mailto:contactinfo@growthcommission.org)

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1 2 3 4 5 11 10 09 08

This report is a product of the Commission on Growth and Development, which is sponsored by the following organizations:

Australian Agency for International Development (AusAID)  
Dutch Ministry of Foreign Affairs  
Swedish International Development Cooperation Agency (SIDA)  
U.K. Department for International Development (DFID)  
The William and Flora Hewlett Foundation  
The World Bank Group

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ISBN: 978-0-8213-7491-7  
eISBN: 978-0-8213-7492-4  
DOI: 10.1596/978-0-8213-7491-7

Library of Congress Cataloging-in-Publication data has been requested.

Cover design: Naylor Design

# Contents

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Members of the Commission on Growth and Development	iv
Preface	ix
Abbreviations	xiii
Overview	1
Introduction	13
<b>PART 1</b>	
<b>Sustained, High Growth in the Postwar Period</b>	<b>17</b>
What Is Growth?	17
The 13 Success Stories	19
The Art of Policy Making	28
The Role of Government	29
<b>PART 2</b>	
<b>The Policy Ingredients of Growth Strategies</b>	<b>33</b>
High Levels of Investment	34
Technology Transfer	41
Competition and Structural Change	43
Labor Markets	45
Export Promotion and Industrial Policy	48
Exchange Rates	49
Capital Flows and Financial Market Openness	51
Macroeconomic Stability	53
Savings	54
Financial Sector Development	56
Urbanization and Rural Investment	57
Equity and Equality of Opportunity	60
Regional Development	63
The Environment and Energy Use	65
Effective Government	66
The Quality of Debate	67
Bad Ideas	68

<b>PART 3</b>	
<b>Growth Challenges in Specific Country Contexts</b>	<b>71</b>
Sub-Saharan Africa	71
Small States	77
Resource-Rich Countries	80
Middle-Income Countries	82
<b>PART 4</b>	
<b>New Global Trends</b>	<b>85</b>
Global Warming	85
Rising Income Inequality and Protectionism	91
The Rise of China and India and the Decline of Manufacturing Prices	93
The “Adding-Up” Problem	94
The Rising Price of Food and Fuel	96
Demographics, Aging, and Migration	98
Global Imbalances and Global Governance	101
<b>Statistical Appendix: The World Economy and Developing Countries since WWII</b>	<b>105</b>
1. Evolution of Global GDP and Per Capita GDP	107
2. Population: Trends and Forecasts	118
3. Poverty	124
4. Socioeconomic Indicators	132
5. Infrastructure	139
6. Global Trends	144
Glossary	167
Acknowledgments	171



## Preface

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This report brings together the views of a Commission of 19 leaders, mostly from developing countries, and 2 academics, Bob Solow and me. The leaders carry with them decades of accumulated experience in the challenging work of making policies that influence millions of people's lives: their job prospects, their health, their education, their access to basic amenities, such as water, public transportation, and light in their homes; the quality of their day-to-day lives; as well as the lives and opportunities enjoyed by their children.

They have wrestled with the complexity of all the basic ingredients of growth strategies: budget allocations, taxes, exchange rates, trade and industrial policies, regulations, privatizations, and monetary policies, to name just a few. Sometimes these choices seem remote from people's day-to-day lives. But they have a tremendous impact.

It has been an honor for me to serve with them and also a breathtaking, high-speed learning process. I hope we are successful in sharing their insights, and those of a dedicated development and policy community of academics and practitioners, through this report and prominently through the papers, workshops, and case studies that go along with it.

The number of people living in high-growth environments or in countries with OECD per capita income levels has increased in the past 30 years by a factor of four, from 1 billion to about 4 billion. Growth has accelerated in the global economy and in an even wider set of developing countries. There is, perhaps for the first time in history, a reasonable chance of transform-

ing the quality of life and creative opportunities for the vast majority of humanity. This report is an attempt to increase the likelihood that the hope becomes a reality.

Formidable challenges exist, to be sure: climate change, global governance, rising interdependence, volatility, risk, and inclusiveness which entails making sure everyone experiences the benefits. But these should not exceed our capacity for ingenuity, creativity, and empathy.

Our approach has been to try to assimilate and digest the cumulative experience of growth and development as well as careful and thoughtful policy analysis in a wide spectrum of fields. We then seek to share this understanding with political leaders and policy makers in developing countries, including the next generation of leaders; with an international community of advisers; and with investors, policy makers, and leaders in advanced countries and international institutions who share the same goals.

We started our work two years ago, in April 2006. We focused on sustained growth, not because it is the final goal, but because sustained growth enables and is essential for things that people care about: poverty reduction, productive employment, education, health, and the opportunity to be creative. We also agreed that our work needed to be informed by knowledge at the frontier in all the areas the Commissioners thought relevant for economic growth and development.

This led us to hold 12 workshops on a wide array of policy areas, all related to growth and development. In the workshops, more than 300 distinguished academics wrote and presented papers and discussed the issues. I want to take this opportunity to express my deep appreciation to my academic colleagues who joined in with enthusiasm, insight, and generosity in committing their time. Commissioners participated in the workshops as their schedules permitted. We focused on what we know and also on what we do *not* know. The whole enterprise would not have been possible without this rigorous assessment of the state of the art in growth-oriented policies.

The discussions among Commissioners over six meetings in New York, Singapore, Suzhou, London, and Washington, DC, and the 12 workshops helped clarify a large number of theoretical and empirical issues. It didn't take long to learn that in a number of areas the experts did not agree among themselves; nor do the Commissioners agree in all areas. The Commission does not think it has to settle the outstanding issues, or arbitrate ongoing debates. That will be dealt with over time, as academic and policy research progresses. It does believe that understanding the incompleteness of our knowledge, as well as the benefits and risks of certain kinds of policies, constitutes a useful and important input to those who have to take decisions under conditions of uncertainty and incomplete information.

The work has been rendered possible by the engagement and commitment of a large number of individuals. I am particularly grateful to the

Commissioners who had no hesitation in spending long hours in discussions in Commission meetings, in the workshops, and in helping me understand the nature of the economic, political, and social challenges that developing countries face.

The Commission and I have relied on a working group—I should say a *hard*-working group: Pedro Carneiro, Homi Kharas, Danny Leipziger, Edwin Lim, Paul Romer, Bob Solow, and Roberto Zaghera. Together we have tried to assimilate a vast amount of material; organize and review the work prepared for the workshops; and decide on principal themes for the report. Bob Solow is revered for the depth of his economic insight and for his modesty and generosity. It is impossible to overstate the impact he has had on the evolution of the thinking of the Commissioners, and on me in particular.

Our editor, Simon Cox, played a particularly important role. Seldom does one find an editor who so deeply and thoroughly understands the logic and structure of the argument, and then expresses it with simplicity, clarity, and vividness.

A dedicated group of staff at the World Bank—Maya Brahmam, Muriel Darlington, Heiko Hesse, Teng Jiang, Diana Manevskaya, and Dorota Nowak—has organized every aspect of the work of the Commission, the workshops, the outreach strategy, publication of the report, and numerous working papers and reports. I thank them for their dedication, efficiency, and grace under intense pressure. Their efforts have produced the workshops, publications, communication and outreach activities, and the Web site, with more to come. In addition, the publication team has worked under enormous pressure and moving deadlines. I thank them for their patience, attention to detail, creativity in design, and can-do attitude. They are Aziz Gökdemir, Stephen McGroarty, Denise Bergeron, Nancy Lammers, and Santiago Pombo. I also want to thank Tim Cullen and his colleagues for their expertise and help in communicating the work of the Commission.

The whole enterprise was rendered possible by individuals and institutions that thought the project important, and decided to support it. I thank the governments of Australia, Sweden, the Netherlands, and the United Kingdom; the William and Flora Hewlett Foundation; and the World Bank Group for their interest and support.

It will be clear that it is not possible to name everyone who has contributed to this effort in the preface. I have included in an appendix the names of all those in various categories whose efforts made this possible.

I want to thank the vice chair of the Commission, Danny Leipziger. His many years of experience with growth and development, his generosity with his own time and in making available the considerable resources of the World Bank, have been invaluable. I should also say that this project, the Commission, owes its origin to Danny and his colleague Roberto Zaghera in

the Poverty Reduction and Economic Management network in the Bank. They thought and I agreed that the centrality of growth in achieving a number of development objectives, including poverty reduction, especially, and the availability of a growing body of research and experience, made this project timely.

Finally, I worked with one individual pretty much every day for two years. He is Roberto Zaghera, the secretary to the Commission. Without even the slightest risk of exaggeration, none of this would have happened without him. The workshops, an essential ingredient of the process, were entirely his doing. His range of knowledge of the relevant work in development is amazing. His respect for, and his personal relationships with, leaders in academia and in practice have been the glue that held this all together. He is generous, modest, rigorous in his thinking and interactions, and cares deeply about the end goal. For me it has been enormously rewarding to be his working partner in this effort.

Michael Spence  
June 2008

## Abbreviations

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AGOA	Africa Growth and Opportunity Act
AusAID	Australian Agency for International Development
CAGR	Compound annual growth rate
CO <sub>2</sub>	Carbon dioxide
Dev11	Algeria, Bangladesh, the Arab Republic of Egypt, Indonesia, the Islamic Republic of Iran, Malaysia, Pakistan, the Philippines, Romania, Thailand, and Turkey
DFID	U.K. Department for International Development
DPT	Diphtheria, pertussis (or whooping cough), and tetanus (vaccine)
EITI	Extractive Industries Transparency Initiative
EU	European Union
FDI	Foreign direct investment
GDP	Gross domestic product
GHGs	Greenhouse gases
Growth 13	Botswana; Brazil; China; Hong Kong, China; Indonesia; Japan; Korea, Rep. of; Malaysia; Malta; Oman; Singapore; Taiwan, China; and Thailand
HIV/AIDS	Human immunodeficiency virus/acquired immunodeficiency syndrome
IAER	Institute of Applied Economic Research (Brazil)
ICT	Information, communications, and technology
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
MDG	Millennium Development Goal
MUV	Manufacturing unit value
NGO	Nongovernmental organization
OECD	Organisation for Economic Co-operation and Development
PPPs	Purchasing power parities
RCA	Revealed comparative advantage
SAR	Special Administrative Region
SIDA	Swedish International Development Cooperation Agency
SSA	Sub-Saharan Africa
UN	United Nations
UNDP	United Nations Development Programme
WTO	World Trade Organization
WWII	World War Two