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As globalization unwinds, the world is still growing more unequal

By Ishaan Tharoor

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A year ago, White House national security adviser Jake Sullivan announced the advent of a new "Washington consensus." The speech he delivered at a think tank then was something of a bombshell in the foreign policy community — a declaration by a senior U.S. official that the world's leading superpower wanted to move on from decades of economic orthodoxy and unfettered **globalization** to a different arrangement between nations and their societies.

The old "Washington consensus" was shorthand for a set of neoliberal policies and prescriptions put forward in the last decades of the 20th century by the International Monetary Fund and the World Bank, its sister organization. The diktats of these Washington-based institutions — mandating austerity, deregulation and privatization — prefigured a wave of **globalization** that crested into the 21st century. They undergirded a sense of the world bound together by commerce and trade, and lifted up by a shared prosperity, that became a kind of dogma for political elites in the West **and elsewhere**.

Such convictions are no longer commonly held. In the West, political leaders now speak of **globalization** in pejorative terms — a legacy of economic policy that made some rich while weakening the middle classes of their own societies, where manufacturing jobs dried up, wages stagnated and life grew more **precarious**. Sullivan pointed to the Biden administration's embrace of industrial policy and major stimulus spending **as** a major paradigm shift — and a key cog in the United States' plans to compete with China in the decades to come.

The world was not "flat," Sullivan seemed to argue, but bumpy. And it was up to governments and alliances of like-minded states to smooth out the disturbances and disruptions caused by shocks such **as** the pandemic, the ambitions of rising great powers like China and wars that snarl global supply chains. Move over, laissez faire capitalism — welcome back, mercantilism and protectionism.

Even **as** the contours of the new orthodoxy are still taking shape, some underlying global realities remain the same — perhaps, even more pronounced. **As** the IMF and World Bank staged their annual meetings this week in Washington, officials and economists put forward somewhat gloomy prognostications. The IMF projected annual global growth at levels still below what took **place** before the pandemic, and warned of longer-term troubles ahead.

"Rising geopolitical risks, including signs of a global trading system dividing into separate blocs oriented around the United States and China, are also troubling fund officials," my colleague David Lynch reported. "If that split widens, nations could suffer 'large output losses' **as** goods and capital move around the world less efficiently, the fund warned in its flagship World Economic Outlook."

This sluggishness has major ramifications for the West's graying societies, but it's all the more concerning for poorer nations in the developing world. The ambitious programs of stimulus and subsidies put forward by the United States and the European Union may cut against investment and opportunities elsewhere. **"Poorer and less-developed countries could be deprived of the benefits of globalization as the major economies turn inward and as trade and financial flows fragment and fall in line with deepening geopolitical fissures,"** Eswar Prasad, an international trade expert at Cornell University, told Bloomberg News.

Many countries, especially in sub-Saharan Africa and Latin America, are also buckling under crippling public debt burdens and struggling to chart a way out. "With growth being slow, the chances to catch up are actually worsened," IMF managing director Kristalina Georgieva said earlier this year. "You have countries that are truly facing life or death, economic, social difficulties."

To some in the Global South, institutions like the IMF and World Bank remain part of the problem. A new analysis by Oxfam found that "income inequality is high or increasing" in 60 percent of low- and middle-income countries that receive grants or loans from the IMF and World Bank. That's in part due to enforced cuts in public spending that impact the lives of ordinary citizens in these countries.

Grieve Chelwa, a Zambian economist based in the United Arab Emirates, pointed to his country's recent experience, where IMF mandates have hobbled social spending, contributed to a rise in food prices and exacerbated a cost of living crisis. "IMF-enforced austerity," he told me, may "lead to another lost generation for Zambia and Zambians."

"More than ever, the U.S. and other rich nations must wake up the reality that that these institutions, **as** they function, have not only outlived their usefulness, but fallen into a destructive obsolescence," said Ndongo Samba Sylla, a Senegalese development economist, speaking at an event hosted by Oxfam in Washington this week.

While Americans and citizens of other wealthy nations face their own economic headwinds, people in poorer countries find themselves trapped in situations where their governments sometimes have their hands tied. The strength of the U.S. dollar and the whims of foreign credit ratings agencies have **as** much impact on their lives **as** the policies of their own states.

In the more competitive era hailed by Sullivan, Western governments appear to be reducing their development assistance to poorer nations, at ruinous cost. Mohamed Nasheed, former president of the Maldives and the head of a bloc of nations known **as** Climate Vulnerable Forum, which represents some of the nations most threatened by the effects of global warming, said that the 68 economies in this bloc lost more than half a trillion dollars in wealth over the past two decades thanks to climate change, though they contributed only about 4 percent of global greenhouse gas emissions.

But many of these countries find themselves grappling with high levels of external sovereign debt, and the obligation to service these debts to lenders like the IMF "are crowding out the ability of governments to make the investments required to achieve their climate change and development goals," Nasheed told me.

The leaders of the IMF and World Bank are keen that their institutions — which emerged at a time when much of the world was still the province of fading European empires — evolve for the needs of the 21st century. Western officials are also trying to address widening inequalities both within countries and between them. In Washington, the finance ministers of France and Brazil jointly revealed plans to crack down on tax avoidance by the wealthy. These proposals may pick up steam in the coming months **as** Brazil takes charge of this year's meetings involving the Group of 20 major economies.

But to many in the Global South, the "new" Washington consensus still registers **as** the old one. "That advanced economies are now openly pursuing industrial strategy is a shift — yet the same international financial institutions that rich countries dominate are still prescribing a heavy dose of the Washington Consensus to developing countries," Adriana Abdenur, a policy adviser at the office of Brazilian President Luiz Inácio Lula da Silva, said at the Oxfam event, while speaking in a personal capacity. "The system is fueling inequality rather than fighting it."

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