Foreword

In 2007 the World Bank published *An East Asian Renaissance: Ideas for Economic Growth*—the report that coined the phrase “middle-income trap.” This was during a decade of booming growth and poverty reduction in developing countries. Yet it was clear by then that many economies—particularly in Latin America and the Middle East—had remained stuck for decades, despite their efforts to rise to high-income status. “Middle-income trap” is now a popular phrase: it results in tens of thousands of Google search references. And it is frequently on the tongues of academics and politicians from developing countries—in Latin America and South Asia and just about every place in between.

A decade ago, in “The Middle-Income Trap Turns Ten,” Brookings Institution economist Homi Kharas and I reviewed the burgeoning literature that *An East Asian Renaissance* had inspired. We found that economists had yet to provide a reliable theory of growth to help policy makers navigate the transition from middle- to high-income status. Some had attempted to develop models, but they were poor substitutes for a well-constructed growth framework on which policy makers could build effective development strategies. Meanwhile, the ranks of middle-income countries continued to grow. Five years later, in “Growth Strategies to Avoid the Middle-Income Trap,” we proposed that Schumpeterian growth models emphasizing creative destruction and institutional change had the potential to provide the analytical foundations for a fuller understanding of middle-income economies. But to be useful they had to be made a lot more accessible to policy makers.

This is what *World Development Report 2024* sets out to do: provide a simple but reliable growth framework for avoiding or escaping the trap. It identifies lessons from more than 50 years of successes and failures among developing countries while they were climbing the income ladder. Based on these ideas and evidence, it proposes a sequenced, three-pronged approach for today’s 100-odd middle-income countries: first investment, then infusion of new technology from around the world, and then innovation. Each shift requires a new mix of policies that, if implemented reasonably well, result in increasingly dynamic enterprises, an increasingly productive workforce, and an increasingly energy-efficient economy. It is an approach that can benefit all countries—low-, middle-, and high-income—seeking high-quality growth.

We are not naive enough to think this will be easy. Middle-income countries will have to work miracles—not only to lift themselves up to high-income status but also to shift away from carbon-intensive growth paths that will lead to environmental ruin. Income levels in Sub-Saharan Africa, where more than half the population lives in middle-income countries, are the same as they were a decade ago. Economic growth rates in middle-income countries have been falling and are expected to average just 4 percent in the 2020s, down from 5 percent in the 2010s and more than 6 percent in the 2000s.
This has implications for the whole world. Middle-income countries are home to three out of every four people—and nearly two-thirds of those who struggle in extreme poverty. They are responsible for 40 percent of the world’s total economic output—and nearly two-thirds of global carbon emissions. In short, the global effort to end extreme poverty and spread prosperity and livability will largely be won or lost in these countries.

The road ahead has even stiffer challenges than those seen in the past: rapidly aging populations and burgeoning debt, fierce geopolitical and trade frictions, and the growing difficulty of speeding up economic progress without fouling the environment. Yet many middle-income countries still use a playbook from the last century, relying mainly on policies designed to expand investment. That is like driving a car just in first gear and trying to make it go faster. If they stick with the old playbook, most developing countries will lose the race to create reasonably prosperous societies by the middle of this century. At current trends, it will take China more than 10 years just to reach one-quarter of US income per capita, Indonesia nearly 70 years, and India 75 years.

The team that has written this report hopes to radically alter this arithmetic. Our hope is that World Development Report 2024 will, in short order, make the expression “middle-income trap” completely obsolete.

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