'Economic growth, wellbeing and lies'

Dr Parviz Dabir-Alai

(Emeritus Professor of Economics @ Richmond University, London)

- *My teaching and research career has been built in the UK, USA, the Caribbean and also through short work assignments in India, South Africa and many other places.*
- *As I have now retired I don't teach any more, but I continue to edit an academic Journal, work with a research organisation, and also do some consultancy work.*

Themes … for today's session

- ***Most of my work (teaching and research) has been in the area of Development and Emerging Economics.***

- ***As such my talk will be dominated by these themes, and I want to share 3 stories with you drawn from my work over the past 4 decades. Invariably, the stories will introduce some digressions too.***

- ***Story 1** is on the link between a very famous covert intelligence agency, spreading a superpower's sphere's of political influence and economic growth.*

- ***Stories 2 and 3** relate to how the appointment of one charismatic and influential World Bank president changed some of the operational aspects of the Bank's day to day work.*

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

But first, a tiny bit of satire!

(From Urban Cycling Institute's Facebook page posted in July 2022)

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

"Bicycle is the slow death of the planet.”

A banker once noted:

A cyclist is a disaster for the country’s economy: People who cycle don't buy cars and don’t need to borrow money to buy them either. They don't pay insurance policies. Don't buy fuel, don't pay to have the car serviced, and no repairs needed. Don't use paid parking. Don't cause any major accidents. No need for multi-lane highways.

People don’t get obese!

Healthy people are not necessary or useful to the economy. They are not buying any medicines. They don't go to hospitals or to see doctors.

They add nothing to the country's GDP!

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

On the contrary, each new McDonald’s store creates at least 30 jobs – actually 10 cardiologists, 10 dentists, 10 dietitians and nutritionists – obviously as well as the people who work in the store itself.

Choose wisely: a bike or a McDonald's? It's something to think about.

PS: walking is even worse. Pedestrians don't even buy a bicycle!

~ Emeric Sillo

3 stories

Story 1: The CIA, US's spheres of influence and growth

a) *Topic of growth has been popular for some time with politicians in the UK, and elsewhere, doing their best to present themselves as being pro-growth.*

BTW, is anyone here <u>not</u> pro-growth?

b) This has been the case for decades, as growth is seen (rightly or wrongly) as what underpins a society's ability to see the living standards of its citizens continually improve.

"The history of economic growth is the history of how societies left widespread poverty behind. In places that have seen substantial economic growth, few now go without food, almost all have access to education, …"

/ Max Roser

c) And the main reason for the above is that we see substantial positive correlations between economic growth and rising levels of income.

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

I don't want to focus on the topic of growth anymore than I have to but – just to say – there are many questions we <u>could</u> consider when wondering about growth. Some examples:

1. ***What is economic growth?***

2. ***How did the conversation on growth start?***

3. ***What is the UK's recent record on economic growth? And growth of what?***

4. ***Is economic growth always welcome?***

5. ***What happens if an economy does not grow?***

6. ***Is all growth good?***

[Some of these questions formed the subject of the BBC Radio 4's 'Start the Week' on Monday 1st June. The panellists included Jeremy Hunt, Mariana Mazzucato and Patrick Foulis.]

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

Home truths …

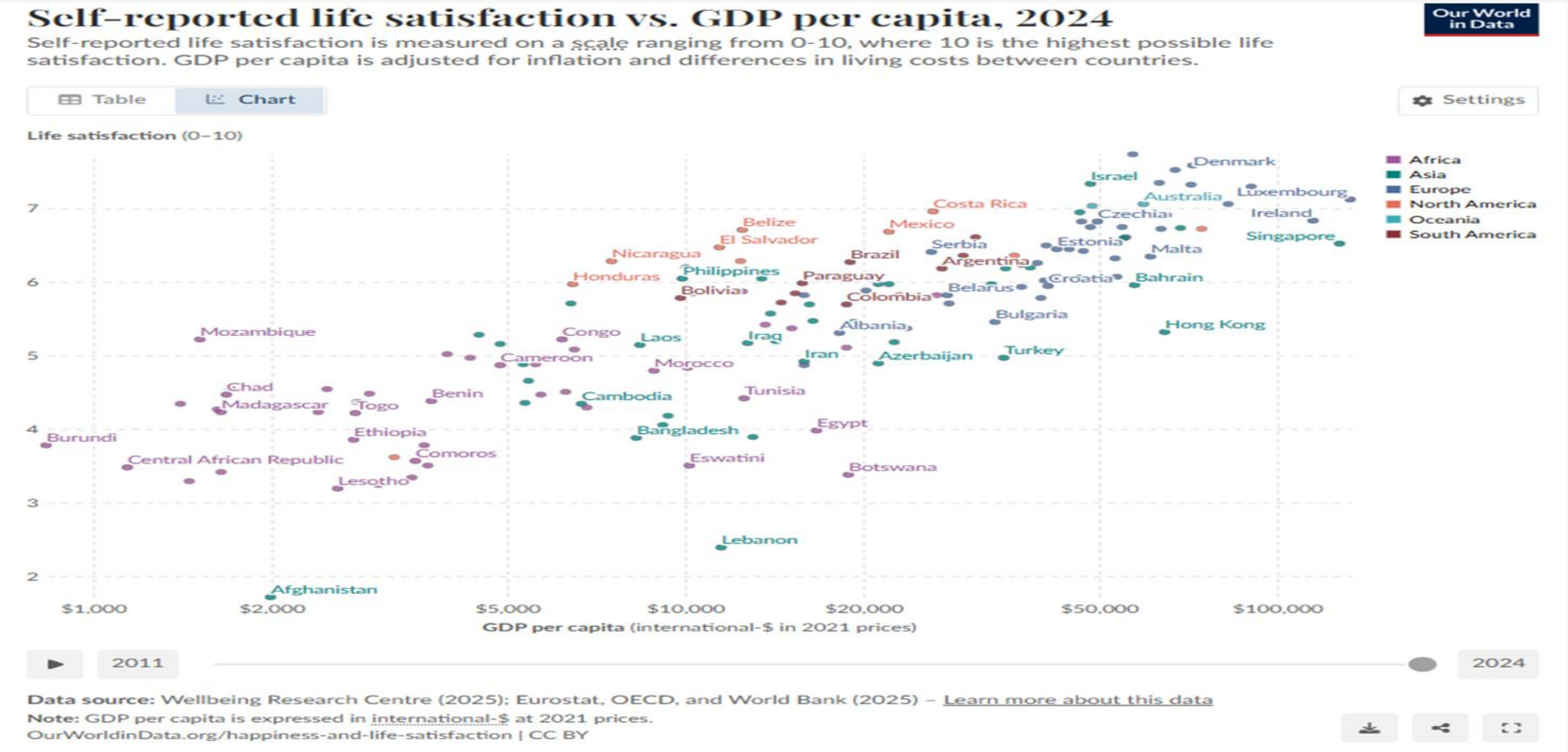
Growth and Income are not the same but are closely associated (macroeconomic) concepts. We tend to find high growth economies are frequently (but not always) associated with high levels of income for the citizens and businesses in those economies.

And of course, upward trajectories in living standards <u>and</u> improvements in wellbeing are determined by both these concepts.

Examples on the coming slides

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

Do higher living standards bring higher levels of happiness or wellbeing?



Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

Correlation between GDP per capita and self-reported life satisfaction

The QR code and the URL on this slide show the interactive chart seen on the previous slide.

https://ourworldindata.org/grapher/gdp-vs-happiness

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

But are we measuring the right things?

- Reflections on the above question has led to a plethora of initiatives by various academics and international agencies attempting to capture development and progress in a way that is different to a GDP based approach.

- The responses have come in two forms: **methodological** and **conceptual**.

- The alternative methodological measures have been set up to reflect a more qualitative approach to assessing progress. So, for example, the United Nations came up with the Human Development Index (or **HDI**) more than 35 years ago. Prior to that, in the 1970s, an American sociologist (Morris David) introduced the **PQLI** (physical quality of life index). More recently, in the past 20 years, other measures have appeared such as the **MPI** (multi-dimensional poverty index) developed by Foster and Alkire.

- There are many other indicators as well, variously focusing on gender and other dimensions of these indices.

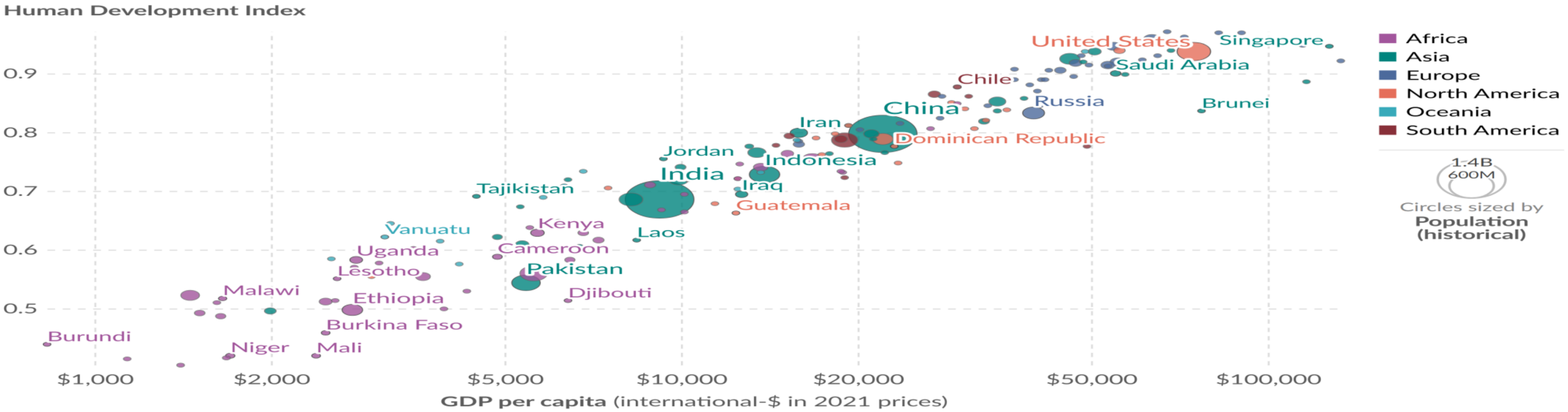
- None of these 'alternative' measures perform the same kind of function the GDP measure does. They are all far more qualitatively based and answer different questions to the GDP.

Correlation between HDI and GDP per capita …

Human Development Index vs. GDP per capita, 2023

Our World in Data

The Human Development Index (HDI) is a summary measure of key dimensions of human development: a long and healthy life, a good education, and a decent standard of living. GDP per capita is adjusted for inflation and differences in living costs between countries.



Data source: UNDP, Human Development Report (2025); Eurostat, OECD, and World Bank (2025)

Note: GDP per capita is expressed in international-$[1] at 2021 prices.

OurWorldinData.org/human-development-index | CC BY

1. International dollars International dollars are a hypothetical currency that is used to make meaningful comparisons of monetary indicators of living standards.
Figures expressed in constant international dollars are adjusted for inflation within countries over time, and for differences in the cost of living between countries.
The goal of such adjustments is to provide a unit whose purchasing power is held fixed over time and across countries, such that one international dollar can buy the same quantity and quality of goods and services no matter where or when it is spent.
Read more in our article: What are international dollars?

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

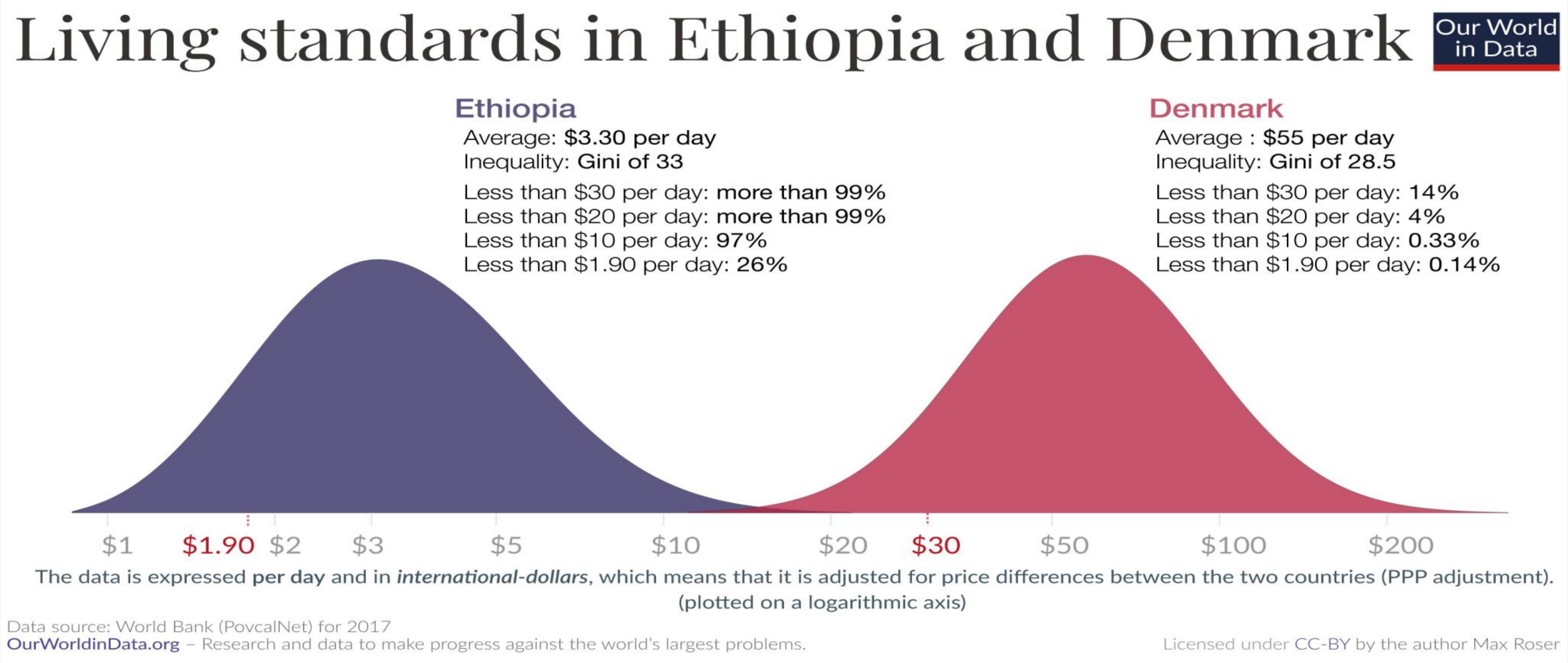
Correlation between HDI and GDP per capita …

https://ourworldindata.org/grapher/human-development-index-vs-gdp-per-capita

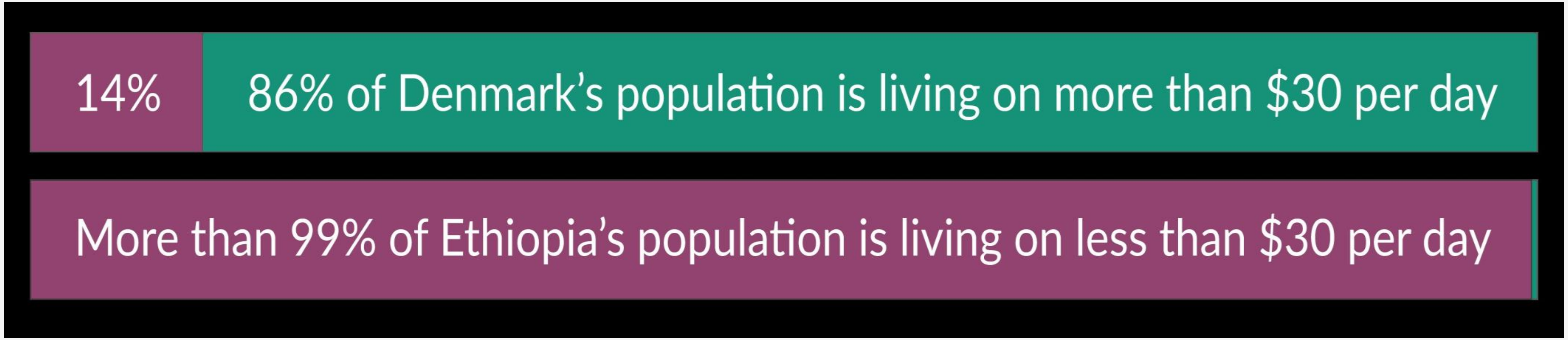
This link and the QR code opposite take us to an interactive chart displaying the timelapse for the correlation shown on the previous slide.

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

Snapshot of income comparisons: two mini cases - Ethiopia vs Denmark



Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)



Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

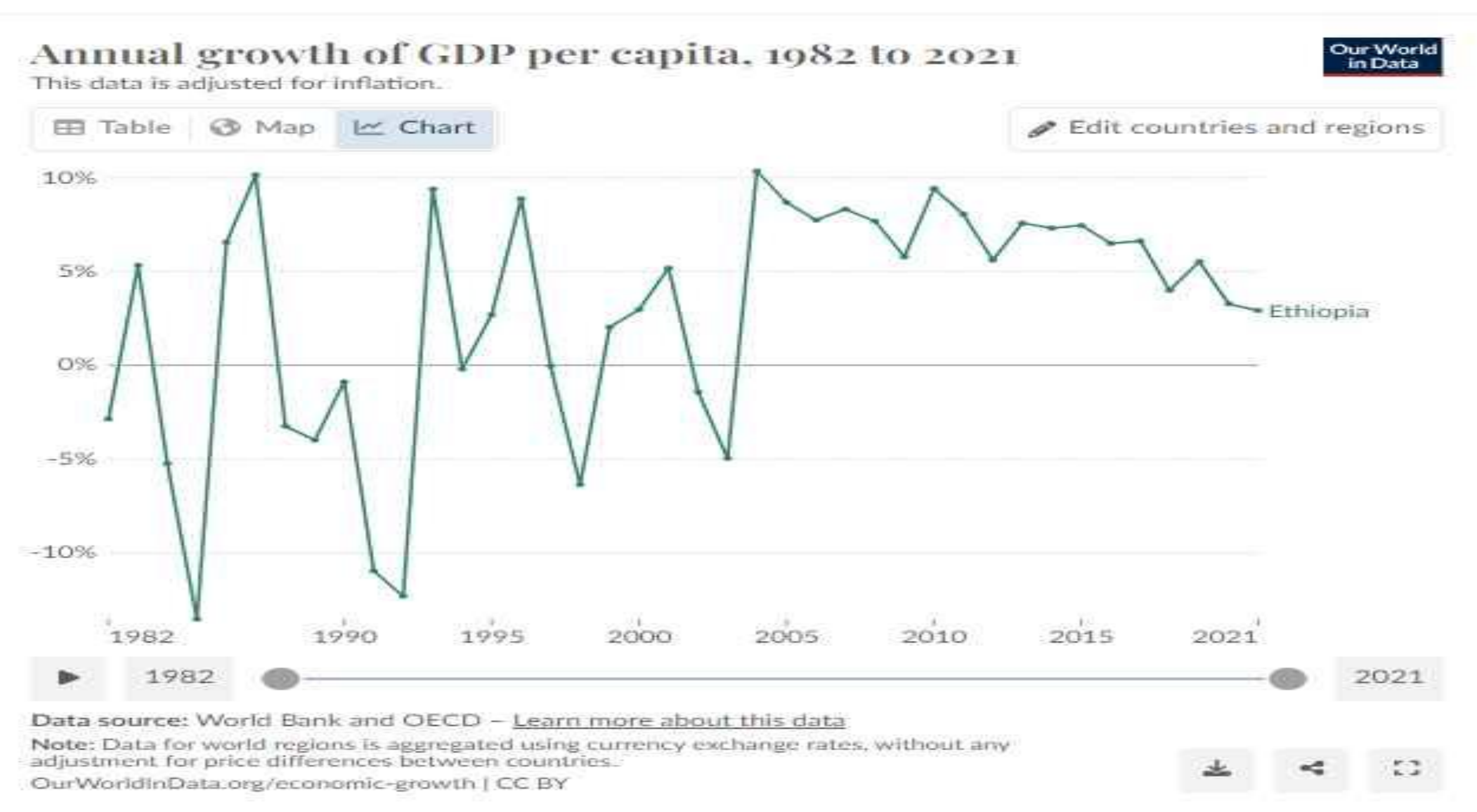
- **Countries such as Ethiopia have traditionally earned a large part of their national income through exporting of commodities and raw materials. Whereas wealthier countries, such as Denmark, rely more on manufactured products and services to earn theirs.**

- **This is what we see in the previous charts and the ones below. If commodities and raw materials make up most of your income then you are far more likely to experience volatile growth levels and all that comes with that. In such situations you are likely to be a 'price-taker' on international markets and as such with very little leverage to control your economic and financial destiny.**

- **Those relying on the exporting of manufactured products and services are often in a position to extract much higher value-added from their activities. Also, because of their R&D efforts, access to lucrative markets and promotional networks can respond to changing trends and changing demands without losing too much market share.**

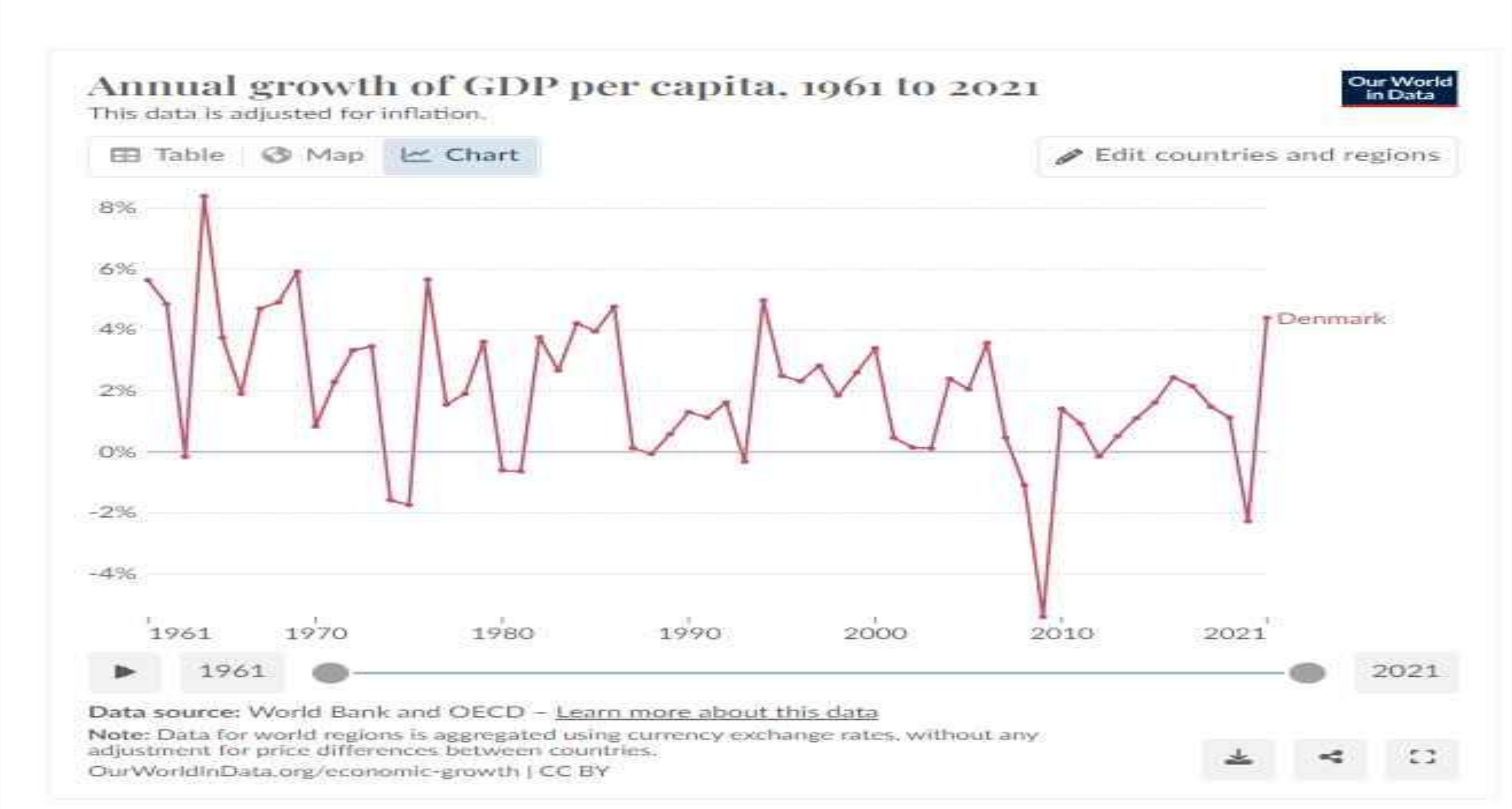
Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

GDP/capita annual growth rate: ***Ethiopia***



Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

GDP/capita annual growth rate: **Denmark**



Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

For context see the GDP/capita position for the UK

We can use the following QR code, or URL, to see an interactive chart showing the trajectory of annual GDP changes for the UK between 1961 and the end of 2023:

https://ourworldindata.org/grapher/gdp-per-capita-growth?tab=line&time=earliest..2023&country=~GBR&mapSelect=~GBR

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

UK's GDP/capita position …

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

What is the UK's recent record on economic growth?

"The UK's growth performance since the global financial crisis has been dire. GDP per capita is about 5% higher than it was in 2008, compared to an increase of 40% in the previous 15 years, reflecting very weak productivity.

While other advanced countries have also experienced a productivity slowdown, the UK's has been in relative decline. This is the key reason why living standards and tax revenues have hit a brick wall."

- Jonathan Portes *(writing for the Resolution Foundation in September 2025)*

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

More broadly, Hans Rosling …

About 15 years ago Hans Rosling presented an amazing visual which aimed to link data on average health (measured in terms of life expectancy) with average incomes. His visual shows the record for around 200 countries spread across 200 years.

Here’s the link:

https://www.youtube.com/watch?v=Z8t4k0Q8e8Y

OK, getting back to the CIA!

a) ***You will know that in the post-Second World War era there was intense rivalry between the West (mainly the US) and the Soviet Union. Both were keen to outsmart each other in every arena. They also felt that expanding their geographical spheres of influence would permit them to implement their approach to life and everything to those spheres.***

b) ***Walt Rostow (a distinguished 20th century economic historian) published a book called 'The Stages of Economic Growth' in 1960, at the height of the Cold War.***

c) ***Rostow explains how poor and under developed countries can aspire to reach levels of prosperity commonly seen in northern and western Europe and elsewhere by going through 5 very specific stages of transition. He made it sound very easy!***

d) ***For Rostow's models to work it was essential for the economic system to accommodate market-based allocation of resources.***

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

e) Many of the countries in Africa and elsewhere were under colonial rule in the 1950s and 1960s, but many started to push for independence at that time as well (Ghana 1957, Nigeria 1960, Algeria and Jamaica 1962, Kenya 1963, Barbados 1966, etc).

f) There are some credible allegations that the CIA funded and promoted Rostow's book in order to persuade all of these countries to embrace the capitalist doctrines embedded in Rostow's writings. This would in turn permit American corporations to expand their markets.

The CIA has form in this area. They have a history of investing heavily in 'culture wars' in other parts of the globe and also in the UK. For example, they bought the rights to George Orwell's celebrated book 'Animal Farm' after he died so as to be able to manipulate its messaging!

For a rich history of how the CIA has operated similar, and worse, covert operations see Lindsey O'Rourke's 'Covert Regime Change: America's Secret Cold War', Cornell University Press (2018). And: Stephen Kinzer's 'Overthrow: America's Century of Regime Change from Hawaii to Iraq', Times Books (2007).

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

Key lesson???

Never trust what spy agencies tell you!

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

Story 2: Adding more openness to the World Bank

a) ***The WB has been publishing one of its flagship annual reports since 1978. This is the World Development Report (WDR). However, for a large chunk of time there was no external scrutiny as to what these reports contained. The Bank was constantly criticised for avoiding public accountability over this and other issues. Examples:***

- ***inappropriate investments (hydro-electric power plants such as dams),***
- ***incorrect policy advice (structural adjustment programmes, often leading to a worsening of income distributions),***
- ***incorrect understanding of economic characteristics (the informal economy plays a large part in many countries but largely ignored by the Bank), etc., etc.***

b) The Bank's leadership shifted on some issues upon the arrival of James Wolfensohn as its President in 1995. He was determined to improve operations at the Bank in all areas (see also Story 3)

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

c) External scrutiny on the WDRs arrived in the year 2000, when the Bank put out chapter drafts for public comment. All consultations were by email and I was part of the process and fed back comments on all drafts. The theme for the year 2000 volume was Attacking Poverty.

d) The Lead Author for this WDR was Ravi Kanbur (economics professor at Cornell University) on secondment to the Bank. His intention was to give the WDR a re-distribution theme (poverty alleviation through fiscal measures, or taxes). Several senior Bank economists opposed this and wanted a pro-growth approach, popular with those favouring a supply-side approach to setting policy. Two Bank economists stand out here: David Dollar and Aart Kraay. Kraay is still at the Bank.

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

e) In a sense I was a witness to history as I saw huge battles over email (they hadn't heard of the advice 'never send an angry email!') between Kanbur and his two protagonists. They argued over every detail and Kanbur lost the fight and before the report was published left the Bank and returned to Cornell.

f) Why is all this important?

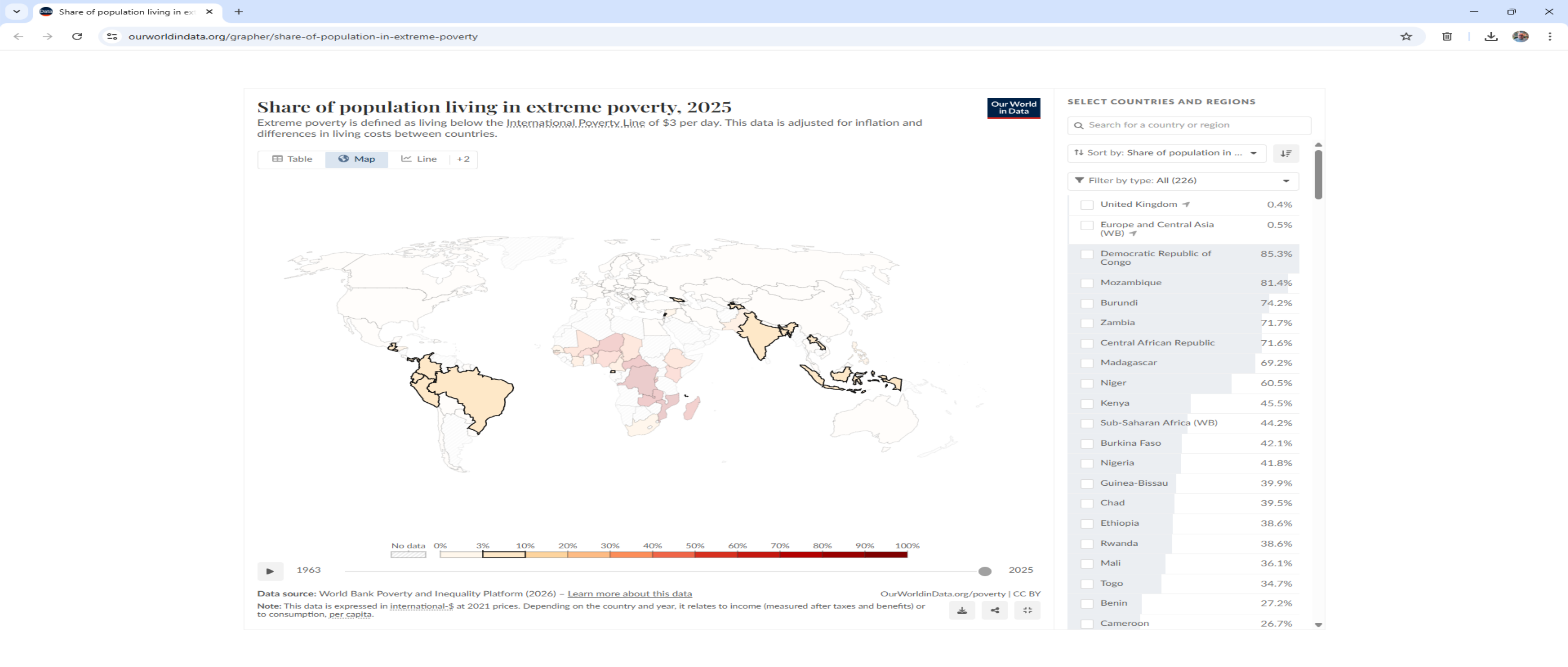
- ***Much of the development community around the world looks to these WDRs and draws up their own development agendas and plans.***
- ***Wolfensohn managed to take out some of the heat directed at the Bank, thus enabling it to focus on its core responsibilities with fewer distractions.***

- **The primary goal of the Bank has always been to help reduce poverty. But what has been this record?**
- **The record around the world on levels of poverty and how poverty is distributed is quite mixed. The Bank has helped shape this record, but is not the only player that matters. For example, China has fared well over the past 35-40 years, mostly achieved through nationally devised anti-poverty measures. Many other countries have also fared quite well.**
- **However, for many countries affected by World Bank policies levels of poverty and also disparities in income levels have got worse.**

Experiences across sub-Saharan Africa stand as a testimony to this, *use this QR code*

or click on https://ourworldindata.org/grapher/share-of-population-in-extreme-pove

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)



Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

Key lesson??

Trust the World Bank at your peril!!

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

Story 3: World Bank and wasteful spending

a) ***The Bank had built up a reputation for wasteful spending in many of the areas of its operations. One such area related to mission-related travel.***
b) ***Mission-related travel is essential to the Bank's operations, so it does need to happen.***
c) ***However, prior to Wolfensohn's appointment a culture had developed whereby 'advisors' travelling from Washington DC to, say, Accra in West Africa would fly Concorde to London, spend a couple of nights at the Dorchester Hotel in Mayfair, or similar, and then catch a connecting flight to Ghana.***
d) ***The return journey would involve a flight to London, and often another couple of nights at the top hotels and then a Concorde flight back to Washington DC.***

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

1. ***Upon assuming office James Wolfensohn banned Bank employees from using Concorde flights for their trips, he could see the wasteful nature of spending twice or three-times the regular flight cost and cut it out.***

2. ***Soon after this policy change British Airways stopped its Concorde flights between London and Washington DC.***

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

Key lesson???

Bring back Concorde flights?

Or

More accountability at the World Bank?

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

In summary:

Many of the problems raised here can be traced to:

- Our careless approach to environmental concerns, for example as relating to excessive consumption.
- Not being sufficiently tuned into the challenges posed by vast numbers of global citizens experiencing poverty and extreme poverty.
- All of us being obsessed with growth, but not fully appreciating what kind of growth is to be cherished.
- And remember to choose wisely: a bike or a McDonald's? It's something to think about.

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

To end …

One of my scientific heroes, Richard Feynman, once said:

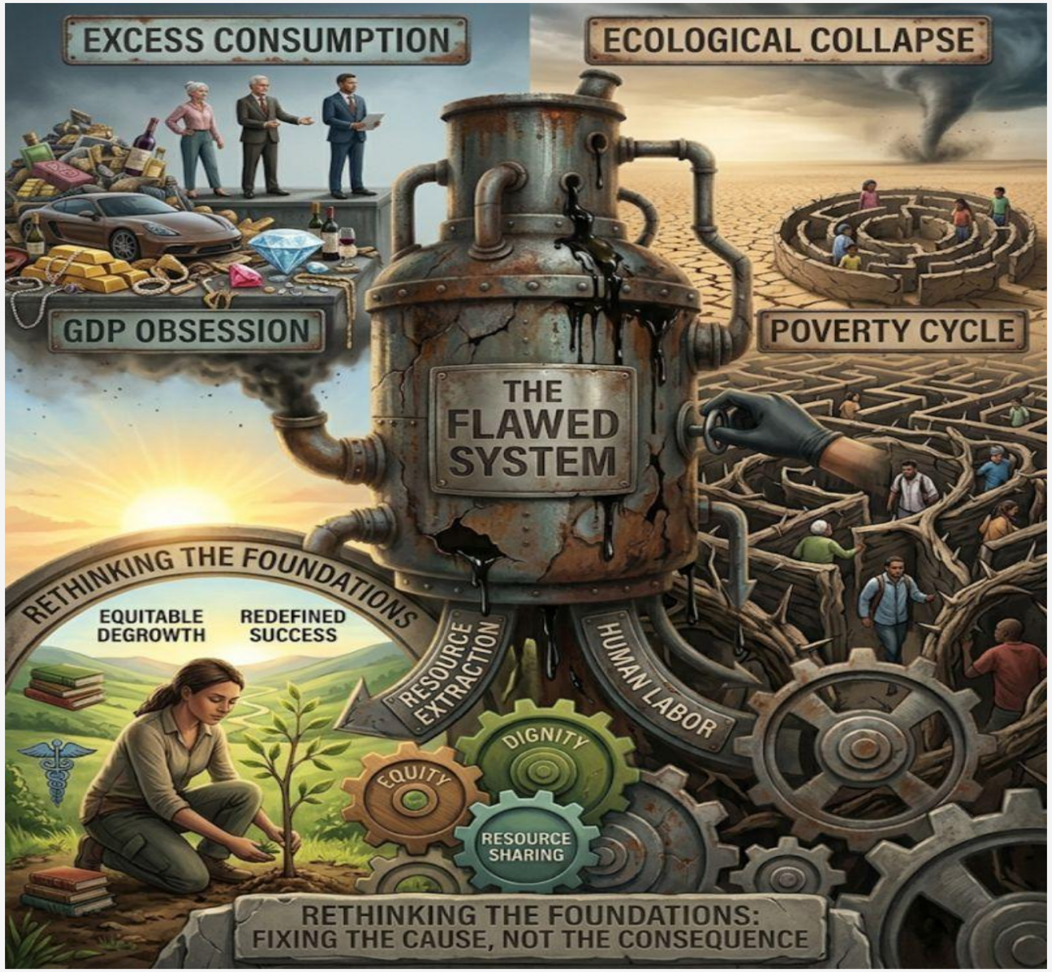
Knowledge grows when you ask stupid questions.

Stupidity grows when you don’t ask anything!

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

As another final comment I want to leave you with an image sourced from the net which encapsulates some of the issues I have touched upon today.

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)



Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)

Dr. Parviz Dabir-Alai
(drparvizdabiralai@gmail.com)