

Overview: Development strategies for the 21st century

In 2008, the weight of developing and emerging economies in the global economy tipped over the 50% mark for the first time. Since then, the Perspectives on Global Development series has been tracking the shift in global wealth and its impact on developing countries. This chapter provides an overview of the 2019 edition, which investigates the process of shifting wealth in the context of the post global financial crisis, China's gradual transformation and new sources of growth for continued shifting wealth. It also analyses development pathways beyond economic terms, exploring well-being across the developing world. It draws lessons from development paradigms over the past 70 years, showing that developing nations in the 21st century have to invent their own, original pathways to greater well-being and sustainability and that international co-operation needs to adapt to the new context.

In 2008, the weight of economic output produced by developing countries began exceeding 50% of global output. In that same year, the OECD Development Centre began tracking the shift in global wealth and its impact on development: not only were developing countries new important actors in the global economy, but the shift was structural and here to stay. The opening up of the People's Republic of China (hereafter "China"), India and the former Soviet Union (FSU) economies created spillovers and new linkages for global labour markets and commodity exports. Many countries benefited, and seemed set on a path to economic convergence with the richest. The overall picture was positive for development.

Subsequent *Perspectives on Global Development* (PGD) reports also warned, however, about the pitfalls of shifting wealth. These reports put the challenges of fostering social cohesion, adapting industrial policies, boosting productivity and leveraging migration for development in the light of new international realities. The ripples of the global financial and the refugee crises, for example, created or exacerbated social stress in many countries around the world. This tested the strength of the new global engines of growth, and support for multilateralism and globalisation. To make the most of shifting wealth, developing countries needed to reinforce their employment and social protection systems, invest in soft and hard infrastructure, diversify and generate linkages with other parts of their economy, develop skills and integrate migration into their development strategies.

How much longer can the dividends of shifting wealth benefit development? Growth in China has significantly slowed down. The country has acknowledged that its economic model must adapt to new circumstances, taking on a more inclusive and social approach (World Bank, 2013^[11]). The slowdown of global trade since the global financial crisis (GFC) of 2008-09 and the rise of trade protectionism have changed the narrative on globalisation. Will globalisation continue, and in which form? In addition, the emergence of technologies such as digitalisation and automation, as well as trends such as the backlash against migration, have brought new global challenges and opportunities. What does this imply for the rest of the world, particularly for the poorest countries that are struggling and not necessarily on a converging path with richer economies?

The *Perspectives on Global Development 2019* report sets out to answer these questions by first investigating the current context of shifting wealth, what China's transformation has meant for development perspectives and new factors that may push the shifting wealth process forward. This also includes examining how shifting wealth has affected countries beyond economic terms, exploring well-being across the developing world. It also draws lessons from development paradigms that have demanded action over the past 70 years to adequately cover the diversity and complexity of development paths actually taken by countries. Confronted with novel mixes of economic, social and environmental challenges, developing nations in the 21st century have no choice but to invent their own, original pathways to well-being and sustainability, an essential element of which is the designing process and content of development strategies. Rethinking international co-operation beyond financial aid and fostering more effective exchanges of social and human capital have therefore become necessary.

The report carries four main messages:

- The global shift in wealth will continue despite the changing role of China and lower levels of global liquidity, buoyed by growth in India, new low-cost labour manufacturing hubs and stronger links between developing countries. This new era calls for new forms and sources of finance, trade and knowledge sharing.

- There is a better understanding about the limitations of gross domestic product (GDP) per capita as an indicator of development. Economic growth is no longer quality growth. Compared to early industrialisers, developing countries today are growing faster, but improvements in well-being outcomes have been much slower for the same rate of economic growth. Economic growth must therefore be matched by investments and policy efforts that improve well-being outcomes and ensure sustainability.
- The development experience is different today, as countries are confronted with challenges like never before. The new development context has new rules, new environmental constraints, new technologies and more competition. Development strategies need to adapt to these changes, and reflect a country's context, endowments and institutions. Rather than following a singular paradigm, development strategies should be context-specific, and based on the principles of being participatory, place-based, multisectoral and multilateral.
- Facing the complexity of today's challenges implies a plurality of development pathways. Development paradigms have broadened significantly over time to include many new elements beyond a pure focus on economic growth. However, they continue to promote an approach that envisions a singular pathway to development for all countries, embodied in the idea that development starts with financial capital.

New currents for shifting wealth

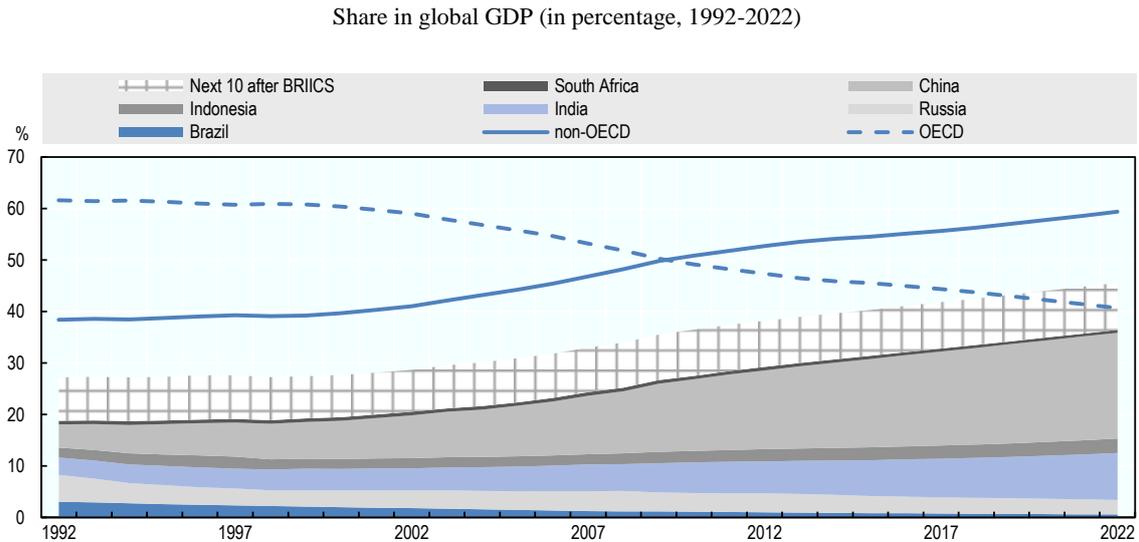
Since the 1990s, China and India have experienced a considerable growth lead over the OECD average. Along with several other large emerging economies, they began reshaping the global macroeconomic landscape. Combined with large populations, these growth differences have translated into a new world economy. Countries with the largest economic size are no longer also the richest in terms of GDP per capita. China has become the world's largest economy with GDP measured in purchasing power parity (PPP) terms and the second largest behind the United States when measured in nominal values. In 2008, the weight of developing and emerging economies in the global economy tipped over the 50% mark (expressed in PPPs) for the first time (Figure 1).

Over time, shifting wealth has been redefined, both by the effects of the GFC and the repositioning of emerging economies, particularly China and India. The emergence of this new global economic geography is best explained in three distinct periods of growth performance (Figure 2).

- 1990-2000: An initial "opening up" period, initiated by China's cautious market reforms in agriculture and foreign investment in 1978, India's gradual economic liberalisation in 1991 and the dissolution of the FSU in the same year. With China embarking on even more robust privatisation reforms in the late 1980s, the initial opening of China, India and the FSU to world markets was really felt from the 1990s onwards (Pomfret, 1996^[2]).
- 2001-08: A second period, from the financial crisis, which saw pervasive convergence of poor countries largely due to increasingly China-centric growth. Rapid urbanisation and industrialisation in Asia, in particular, led to rising demand and price for fossil fuels and industrial metals.

- 2009-present: A recent period during the 2010s, in which shifting wealth has shown signs of a temporary slowdown. This has been driven by both the global recession in the aftermath of the GFC and China’s economic transformation from a manufacturing and export-led economy to one based on services and domestic consumption. As Figure 3 shows, however, convergence has still occurred in the 2010s in many poorer countries towards the average of the G7 countries.

Figure 1. Shifting weight in global economic activity will continue, but at a slower pace



Note: The next ten largest economies after Brazil, the Russian Federation (hereafter “Russia”), India, Indonesia, China, South Africa (BRIICS) and the OECD are: Saudi Arabia, Iran, Viet Nam, Nigeria, Thailand, Egypt, Argentina, Pakistan, Malaysia and the Philippines. Projections start in 2017.

Source: World Economic Outlook 2017 Database (GDP based on PPP share of world total), IMF (2017^[3]), *World Economic Outlook 2017* (database), <https://www.imf.org/external/pubs/ft/weo/2017/02/weodata/index.aspx> (accessed in December 2017).

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Figure 2. The three phases of shifting wealth

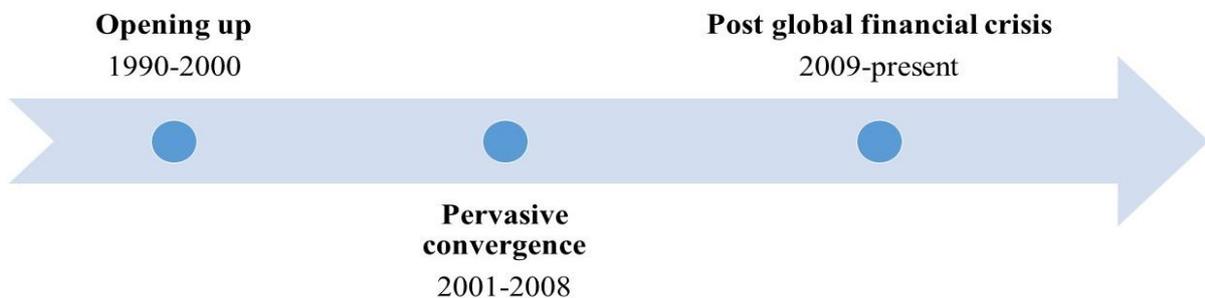
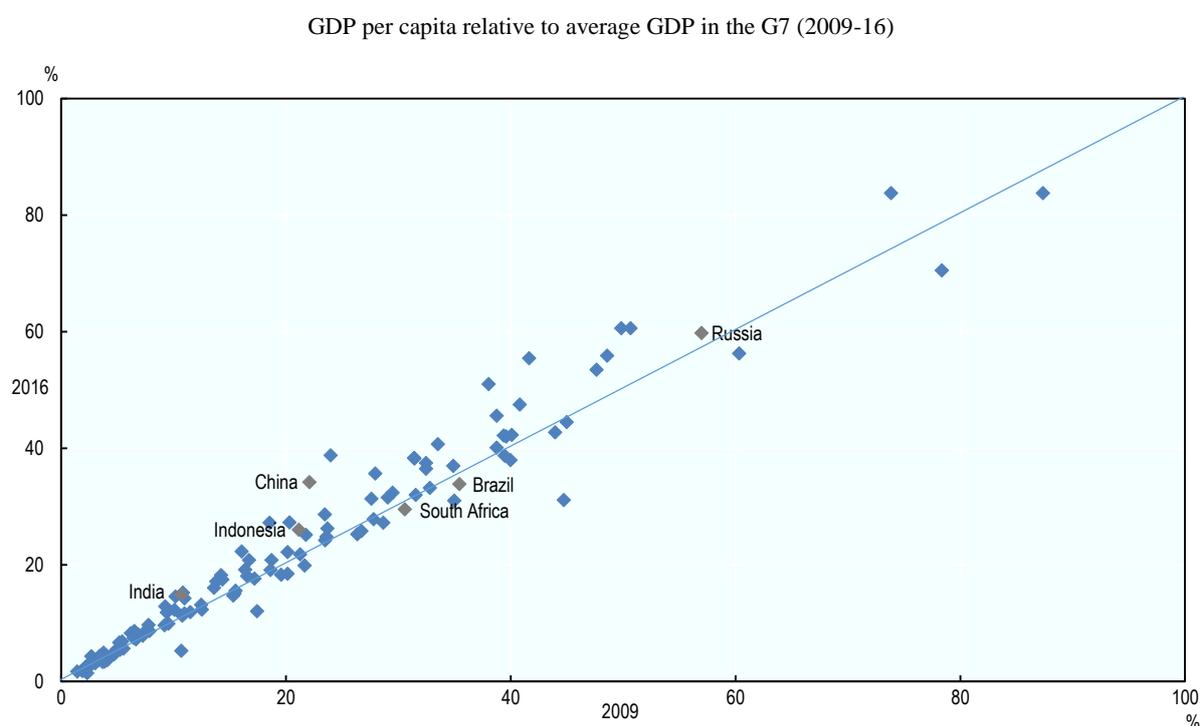


Figure 3. Convergence slowed post-GFC

Note: GDP per capita of developing countries relative to the G7 average for the years 2009 compared to 2016. The 45-degree line represents stagnation of per capita income in relative terms; the diamonds above the line indicate relative convergence of developing countries; those below the line are falling behind.

Source: World Economic Outlook 2017 Database (GDP per capita, constant prices (PPP, 2011 international dollars)), IMF (2017^[3]), *World Economic Outlook 2017 (database)*, <https://www.imf.org/external/pubs/ft/weo/2017/02/weodata/index.aspx> (accessed in December 2017).

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Both the GFC and China's transition implied a slump in oil and metals prices. This burdened commodity exporters, but also stimulated growth in commodity-importing countries. But this period is also highlighted by persistent productivity differential between developed and developing countries, despite economic growth (OECD, 2014^[4]). As a consequence, income differentials between the two groups of countries remain large. International migration, for example, continues to flow towards the richest countries of the world (OECD, 2016^[5]).

Shifting wealth has had a profound effect on global development. First, it re-drew the map of economic relations in terms of trade, financial flows and international migration. Second, it boosted global growth, lifting millions out of poverty. Third, it changed global governance, giving developing countries new roles, but also requiring them to craft new strategies. The rising living standards that came with globalisation supported the view of trade as a key engine of economic growth, for both the global North and South.

Shifting wealth is bound to continue reshaping and driving development in poorer countries for the foreseeable future, buoyed by the rise of India and other low labour cost manufacturing hubs (Deloitte Global, 2016^[6]) as well as the growth of South-South linkages. Indeed, the dynamism of South-South economic ties has been an essential element of shifting wealth. By 2010, developing countries accounted for around 42% of

global merchandise trade and South-South flows made up about half of that total. The poorest countries have benefited as well, as trade between least developing countries and the global South has doubled in share of total exports from the South since 1995. At the same time, large emerging countries became important providers of development finance.

Throughout this process, China has played a central role. Since the GFC, Chinese imports have been the driving force for South-South trade. Furthermore, China's Belt and Road Initiative is deepening South-South integration.

However, despite the gains made with shifting wealth, economic growth in the South has not solved all problems. First, the commodity boom did not resolve domestic economic and productivity issues. Second, development is inherently more complex and multidimensional than income can summarise alone. Some old problems have persisted, and new ones have emerged.

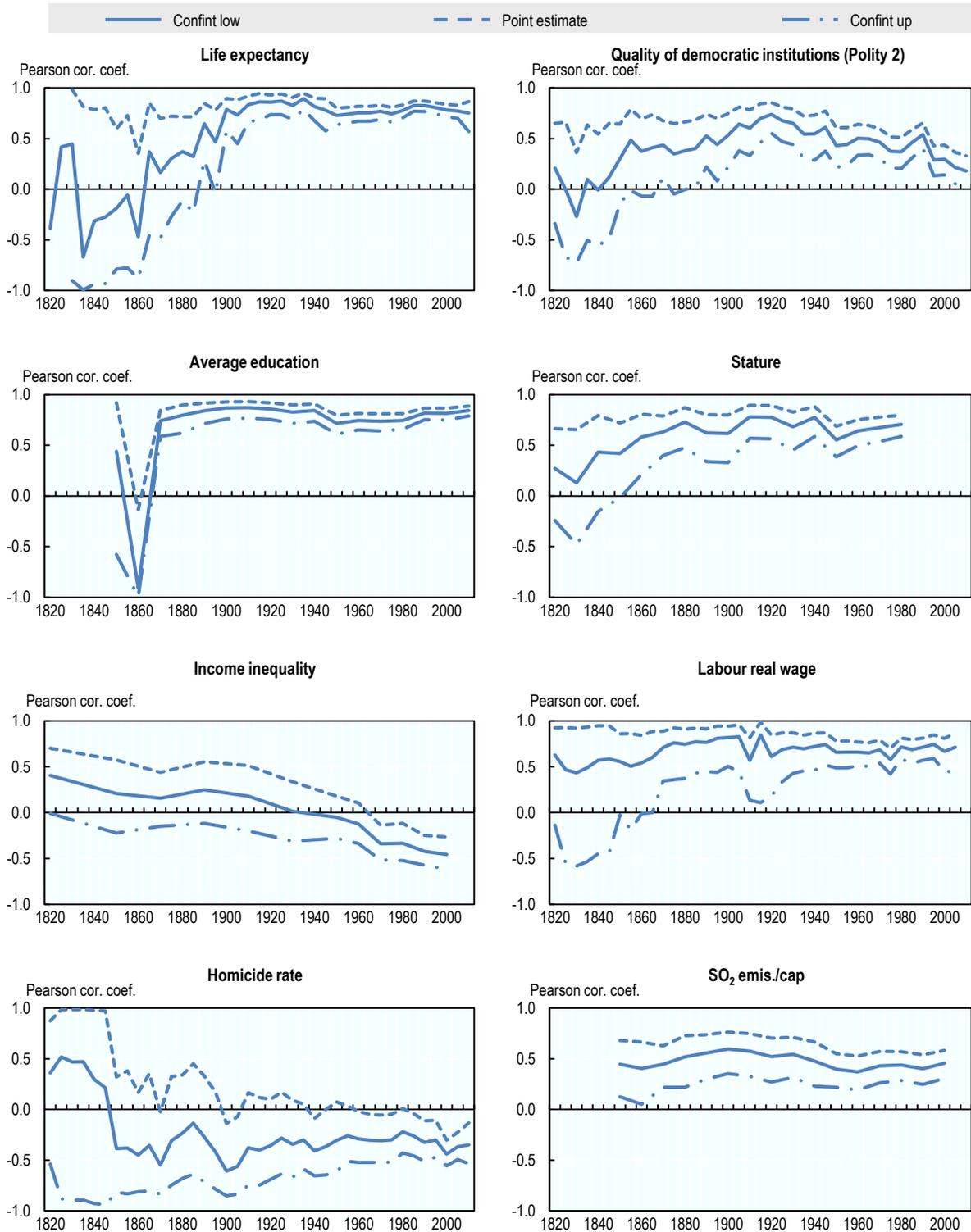
Economic growth has not solved all development issues

A more holistic side of development that considers material conditions and quality of life tells a more complex story, however. Absolute poverty, for instance, continues to rise in some countries, despite economic growth (World Bank, 2018^[7]). Inequality is also worsening in some countries (Alvaredo et al., 2017^[8]). Development is inherently complex and the combination of shifting wealth, economic convergence and the dynamic movement of well-being factors adds further complications. It has blurred a previously clearer line between a “developed” and a “developing” country.

Is the unequal pattern of economic and non-economic outcomes a natural part of the development process? What lessons can be drawn from historical experience? Well-being indicators have historically been closely correlated with GDP per capita. Since the Industrial Revolution, countries with higher per capita GDP have experienced higher education, real wages, average height and life expectancy outcomes, as well as more democratic institutions.

The strong correlation between well-being and GDP per capita has not always been the case, however (Figure 4).¹ In the early decades of the 19th century, countries with higher GDP per capita did not necessarily report better well-being outcomes. Then, starting in the late 19th century, the correlation between GDP per capita and well-being measures became stronger, and eventually well-being even began outpacing GDP per capita growth. Policies played a role in this, including the availability of cheaper American foodstuffs in Europe, the rise of democratic regimes, breakthroughs in medical knowledge and new social policy measures.

Figure 4. A link between GDP pc and some dimensions of well-being emerged after 1870
 Correlation between GDP per capita and various well-being dimensions (1820-2010)



Note: Figures show Pearson correlation coefficient between various well-being indicators and logged GDP per capita per five-year period, as well as 80% confidence intervals; pc = per capita.

Source: Authors' calculations based on Clio-Infra Database (various indicators), Clio-Infra (2017^[9]), <http://www.clio-infra.eu>.
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In today's context, the relationship between GDP per capita and well-being has again changed. Since the 1950s, later developers and emerging economies have been distinguished from earlier developers by the rate of their economic growth and the phenomenon of “catching up” or GDP per capita convergence. While the early industrialisers grew at rates of 1-1.5% during the periods where well-being outcomes took off dramatically, emerging economies have been growing above 5%. Figure 5 charts changes in well-being unexplained by GDP per capita to investigate the relationship between per capita GDP and well-being.² In general, there is a delinking between well-being outcomes and GDP per capita over time, but unlike convergence on economic growth, emerging economies are not outperforming the richest countries in the world. In other words, there does not appear to be a “catch-up”. Their fast growth has yielded different results across regions, and not necessarily improvements in well-being to the same extent as the early industrialisers:

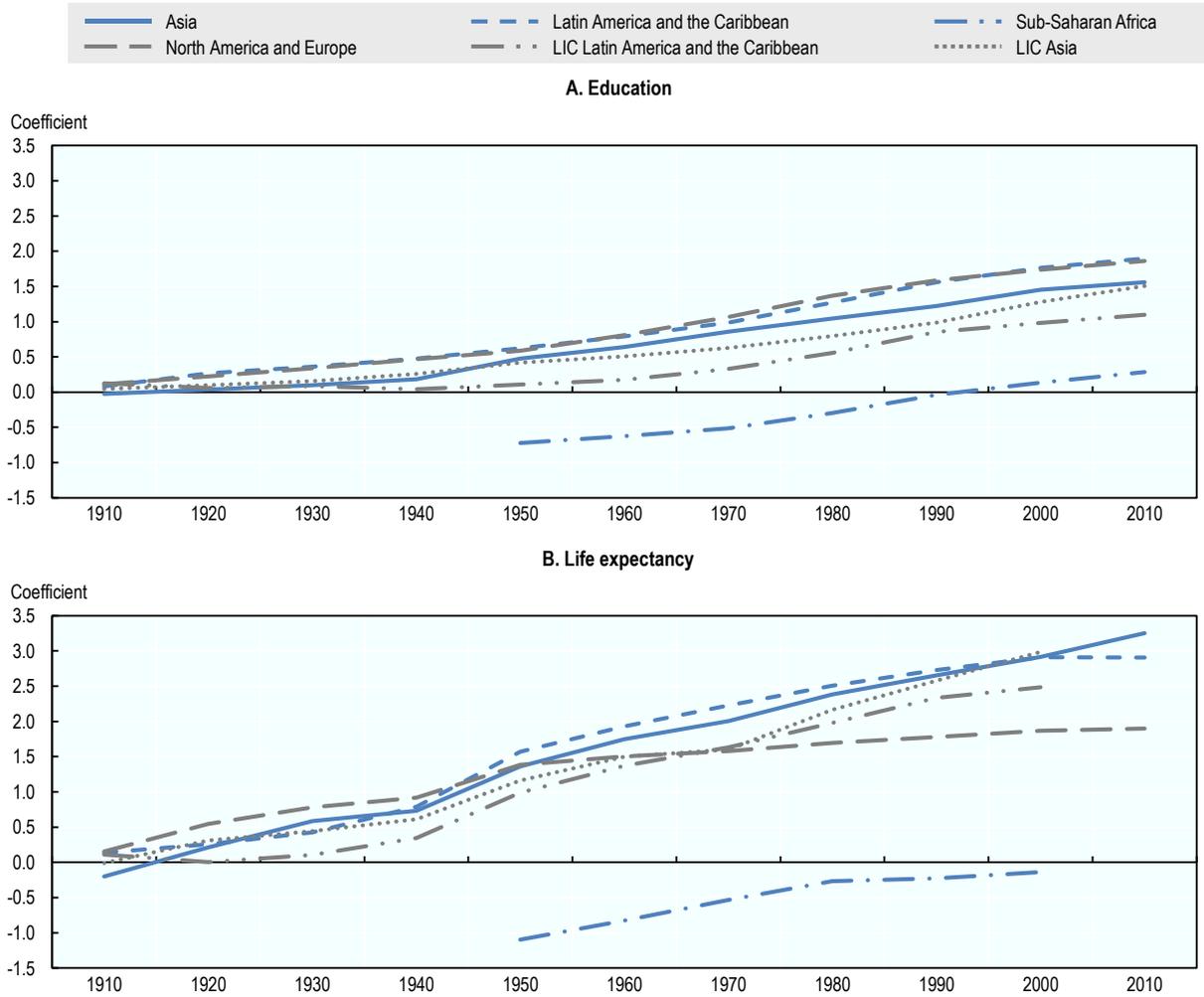
- The long-term trend of increasing well-being is quite robust in Latin America and Asia. Well-being gains since the 1940s and 1950s, for example, have been generally stronger than the gains in GDP per capita, for some outcomes like life expectancy and years of education, but not all. Moreover, low-income countries in Latin America have relatively struggled to gain more in terms of well-being, relative to GDP per capita.
- In sub-Saharan Africa, improvements in well-being since the 1950s achieved relatively better results than GDP per capita, but they are also characterised by a constant and sometimes growing gap with the rest of the world. Compared to achievements in the rest of the world, Africa could gain more in terms of well-being, relative to its growth in GDP per capita.

This analysis highlights several stark differences between the world of early industrialisers, and the world emerging economies now inhabit. Economic growth, albeit slower, was of greater quality for early industrialisers than it has been for many emerging countries in recent years. Indeed, the quality of economic growth in developing countries has been inadequate, and not emphasised enough (Haddad, Kato and Meisel, 2015_[10]). On the other hand, in developing countries where policies were pursued to adequately solve well-being issues, reaching high levels of well-being outcomes came more quickly than it did for early industrialisers (Figure 6).

The persistent gap in productivity, level of extreme poverty and well-being outcomes between developed and developing countries suggests that economic growth has not been enough to solve all issues. Development strategies need to encompass a broader picture of development, rather than remain on a narrow focus on economic growth.

Figure 5. Well-being outcomes are outpacing GDP, but not to the extent expected

Change in various well-being variables not explained by GDP per capita (1910-2010)

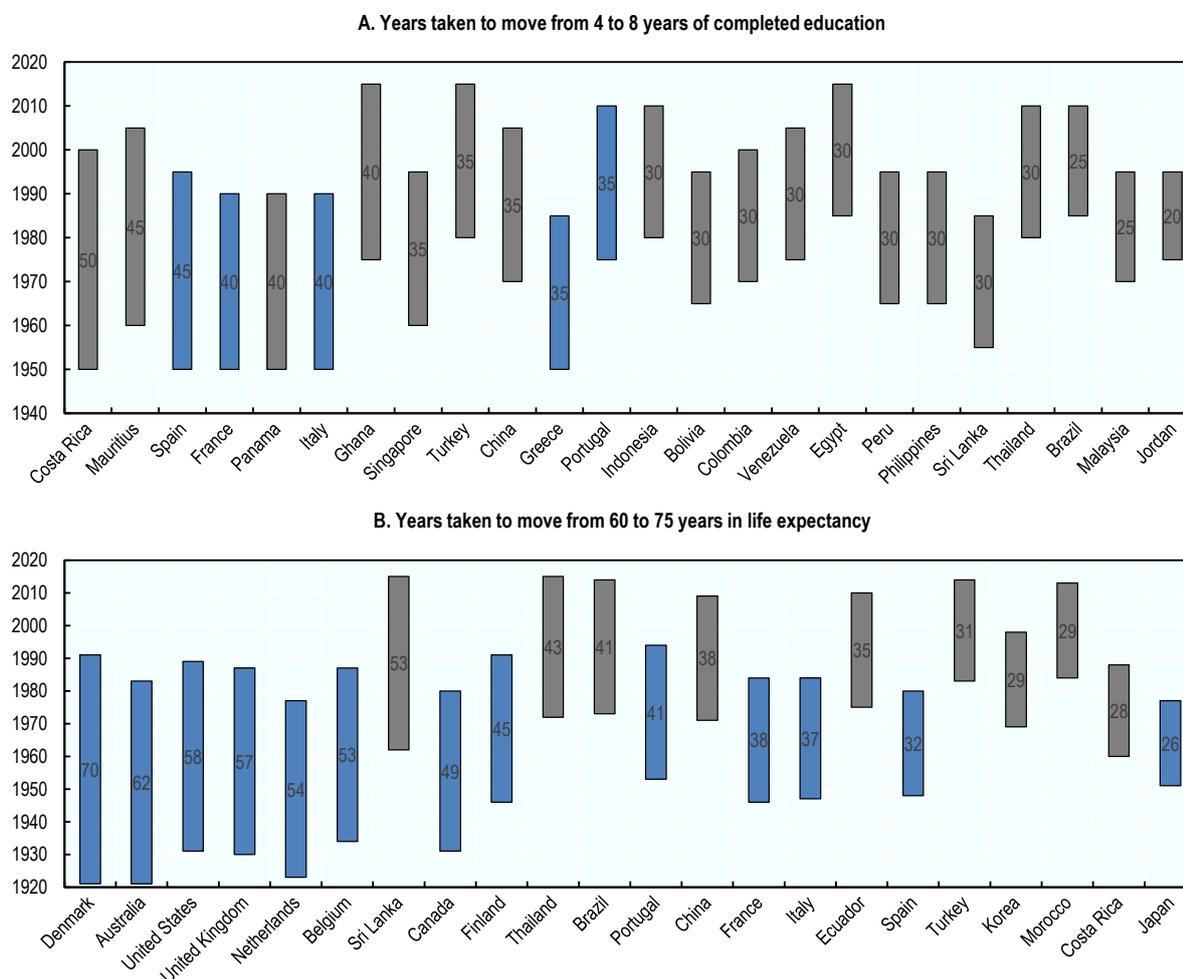


Note: LIC stands for low-income country, as per the World Bank’s categorisation in 2018. A value of zero implies that changes in well-being outcomes are entirely explained by changes in GDP per capita.

Source: Authors’ calculations based on Clio Infra Database (Average years of education, life expectancy at birth (total)), Clio-Infra (2017^[9]), *Clio Infra*, <http://www.clio-infra.eu> (accessed in July 2018).

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Figure 6. It has taken less time for new emerging economies to reach the same levels of well-being as developed economies



Note: Early industrialisers highlighted in blue, emerging economies in grey.

Source: Authors' calculations based on Clio Infra Database (Average years of education, life expectancy at birth (total)), Clio-Infra (2017^[9]), *Clio Infra*, <http://www.clio-infra.eu> (accessed in July 2018).

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Thinking on development strategies has broadened, but financial capital transfers remain the starting point

Development economics, and more generally development thinking, has changed significantly since it was conceived at the outset of the Second World War. In fact, development has not turned out the way it was historically envisioned, and there have been, and continue to be, paradoxes confronting mainstream development thinking. For instance, while the middle-class has thrived in some economies, extreme poverty continues to be a problem. While the adoption of some technologies has been quick in some developing countries, there are still wide productivity gaps between several developing and developed economies. And economic growth has not reduced informal

employment, nor reduced international migration – in fact, international migration has even increased along with it.

One element of the debate has remained contentious: could policies that led to successful and sustainable development in the early industrialising countries be repurposed as gold standards to follow in developing countries? Conversely, are the paths of developing countries sufficiently different to warrant alternative approaches?

Development today is often associated with GDP, but that idea is relatively modern. Although Simon Kuznets had defined GDP in 1934, it only became the main tool for measuring a country's economy at the Bretton Woods conference ten years later. Using GDP as a measure of development was sensible, but it had limitations as a measure of human welfare. It was an adequate measure if the goal of economic development was simply to provide the means to improve living standards. And until the 1970s, GDP growth was viewed as a good proxy for more general development in a country.

But even Kuznets, at the time of his report, had warned against using GDP as a measure of welfare. In the years following the Second World War, material wealth would not unquestionably translate into better health care, education and housing for a country's residents. In short, GDP did not capture individual well-being.

Development thinking has indeed progressively expanded beyond a focus on GDP growth. In fact, broad strokes on development thinking can be deciphered, specifically on what was perceived to be the fundamental factor in kick-starting development:

- Industrialisation, growth and modernisation (1944-1961)
- Structural transformation (1960s)
- More independence in developing economies (1970s)
- Macroeconomic stability: The Washington Consensus (1980s-2000s)
- Goal-based development (2000s-present).

Three overarching discourses have influenced development thinking during these decades: the term and objectives of development, the role of states and markets, and the importance of the international (as opposed to the domestic) environment. A consensus is indeed emerging that development has to do with real improvements in people's quality of life and their level of satisfaction.

Despite the broadening approach to development, an underlying assumption that has persisted over time is that development starts with input of financial capital. This ignores the fact that the absorptive capacity of financial resources in developing countries is limited. But it also had important ramifications on how development strategies were interpreted and carried out. With financial capital as the starting point, economic growth is deemed necessary, often sufficient and becomes the focus of each strategy, translating to an assumption that all countries evolve through a similar path, tracked by GDP per capita. In turn, this implies that lessons learned from the past can be mimicked by others.

Development strategies have applied broad assumptions and simplifications to harness resources, scale interventions and streamline policy, also with implications for a one-size-fits-all approach to development. It reinforced a silo approach to policy and sectors in developing countries and a dichotomous donor vs. recipient arrangement in international co-operation, rather than harnessing a more comprehensive international co-operation for knowledge-sharing. This has become all too important in the context of a rapidly

changing world, where technology, demography and growing doubt of the benefits of globalisation are turning many assumptions on their head.

The current global context challenges countries like never before

Rather than trying to mimic past development paths, countries need to adapt strategies that reflect their own endowments, cultures and institutions. They also need to navigate many new challenges and a complex international landscape that previously industrialising countries did not face. And they must do this within the context of balancing economic, social and environmental pathways.

Some challenges have remained relatively similar. These include the potential slowdown of global growth, increased trade protectionism, rise in inequality, population growth and weakening global governance. For many of these challenges, development thinkers and practitioners understand the potential solutions and risks based on past lessons, and many of these have been integrated into national development and donor strategies.

However, new challenges have emerged, for which past lessons do not offer clear solutions. These include new global rules and interdependence between countries, unprecedented population booms with high mobility, risk of pandemics, climate change and environmental degradation. They also include new technologies, including digitalisation, automation, artificial intelligence and biotechnology, which will affect the job creation potential of growth, the speed and breadth of transition towards a low-carbon economy and the ability to contain and adapt to climate change. The way countries face such challenges will further diversify development paths.

Transitioning towards a low-carbon economic model has become critical. From 1750 to 2014, some 405 Gt of carbon (1.484 Gt of CO₂e) were released to the atmosphere from burning fossil fuels and producing cement. Half of these cumulated emissions have occurred since 1990 (Le Quéré et al., 2015^[11]). In 2014, global CO₂ emissions totalled 36 Gt out of which 24 Gt were emitted by non-OECD countries (World Bank, 2018^[12]). Together with the historical footprint of OECD countries, the world has now reached a point where ongoing carbon-led growth in the range of 36 Gt/year will make emission reductions within the boundaries set by the 2015 Paris Agreement increasingly difficult.

Shifting wealth is creating opportunities to do things differently

Past national experiences suggest that supporting balanced, comprehensive and inclusive development requires a national development strategy. Beyond goals of economic growth, most national development plans increasingly focus on aspects of inclusiveness and environmental sustainability. However, their implementation continues to drag. Countries rarely develop how they will achieve their stated objectives. A review of several national development plans suggests that few countries demonstrate awareness of the mega trends and the challenges and opportunities they can leverage from them. Neither do these plans explicitly address implementation and resourcing. Several reasons explain this, including governmental capacity, financial constraints and the difficulties of navigating the political economy of reform.

The future tailwinds of shifting wealth, however, buoyed by growth in India, new sources of low-cost manufacturing and South-South linkages, will provide an opportunity to reform and design novel strategies. Several other factors will positively support implementation of development plans. These include favourable demography, continued urbanisation, lower commodity prices and rising wages in China. Indeed, in the wake of

shifting wealth, new forms of strategies are emerging, such as better outreach of social protection, linking migration to development outcomes, investing in secondary cities and integrating the informal economy into development plans. Transforming the challenges of shifting wealth into opportunities will remain at the heart of development strategies for the 21st century.

Continuous economic growth, for instance, does not necessarily mean more production-based emissions. Reductions in carbon emissions during periods of economic growth have been achieved not only by technological change and efficiency gains, but also through fuel switching from carbon-intensive sources (from coal to oil to gas) and increasing use of renewables. In fact, while output in China more than tripled and total emissions increased by 187% between 2000 and 2014, energy intensity dropped by 36% and carbon intensity by 30% during the same period, and this trend will likely continue. Chinese production may strongly be decarbonised in the near future, as the Chinese government continues to push for innovation in its renewable energy sector (IEA, 2017^[13]).

Development strategies should be context-specific, but based on a common set of principles

There is no standard definition of development and no single paradigm can sum up how best to juggle the objectives of development, the role of the state and the market, and the importance of the international vs. the domestic. A consensus is emerging that development has to do with real improvements in people's quality of life, and how satisfied they are with it. Over 70 years, economic and societal objectives have come and gone. Most have now been summarised in the 17 Sustainable Development Goals (SDGs) to end poverty, protect the planet, and ensure peace and prosperity for all, yet institutions and policies in countries as well as donors today are ill-equipped to face the challenges required to meet the objectives set out by the SDGs (OECD, 2018^[14]). There is a need for donors to align behind national country strategies, and support their implementation beyond official development assistance (OECD, 2018^[15]).

Today's theorists, for good reasons, also think more about addressing environmental and climate issues. They have the advantage of building on a vast array of earlier development thinking. They can come up with more holistic and realistic approaches, adapting them to local conditions and needs.

What works best in development – state-led vs. market-led, and inward vs. outward-orientation – is better known today. The capability to switch between possible strategies seems to be a key feature of developed market economies. It allows for swift action, and co-ordination among governments, particularly when an economic crisis looms. Moreover, some of the ultra-liberal arguments in favour of free markets and free trade have lost their traction. In a borderless world, regulatory frameworks and rule of law do not operate uniformly.

Nevertheless, each shift of development thinking brought lessons learned on what works and what does not. Foreign aid and capital are important, but not enough, since there needs to be sequencing and strategy on how best to deploy them. Unbalanced growth can work, but too much emphasis on one sector can backfire if the linkages between sectors are poor. Macro-stability is fundamental, but again it is not enough in itself: incentives for the private sector, ensuring better end outcomes for the poorest and enhanced roles in global value chains are also essential.

The rules of the game have changed. Development thinking today takes place in a much broader and institutional context. What was once an exclusive circle of Western aid agencies, think tanks, academic institutions and international organisations, has now become a more global effort. It includes state and non-state actors and experts from the developing world. This expanded group has made available an increased amount of development data and information. It has made the discourse surrounding development topics not only more complex, but also more contested. Consensualisation of generated development knowledge has therefore assumed even greater importance.

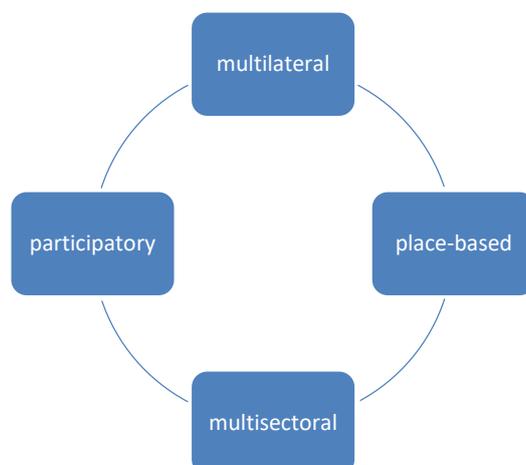
Today's global context also includes institutions like the World Trade Organization, the United Nations Climate Change Conference and the Conference of the Parties, and the World Intellectual Property Organization. Although world tax or migration governance organisations do not exist, international co-operation in these domains is increasing. Examples include the Base Erosion and Profit Shifting multilateral instrument and the Global Compact for Migration. These provide new benefits and constraints within which countries need to find their path. It also occurs within new challenges with respect to, for example, automation, digitalisation and climate change.

Whatever worked a century ago will at the very least need to be adapted towards new strategies and new forms of co-operation. For example, while earlier industrialising countries relied on building a domestic supply chain, which took decades to develop, countries today are able to join global supply chains, benefiting from various elements of offshored production (Baldwin, 2011^[16]).

Perhaps a single global development paradigm can therefore not be generalised, but principles on which to create a positive path for countries can nevertheless be deciphered. Good practice suggests that strategies should be multisectoral, participatory, location-specific and within the context of multilateralism (Figure 7). They should be designed and implemented holistically, ready to face the widening complexity of today's challenges. They should involve a broad range of actors, drawing on a variety of knowledge and viewpoints. They should be place-based, reflecting differences in both rural and urban locations, as well as the whole spectrum of a country's territory. And they should be discussed and shared within a multilateral framework, underlying the need for new forms of cooperation, knowledge-sharing and protection of global public goods.

The Marshall Plan provided an important lesson, only appreciated well after its time: development occurs in a context of international co-operation. Indeed, after the Marshall Plan and the Organisation for European Economic Co-operation were dissolved, the OECD was created to preserve the lessons learned. The idea behind the Marshall Plan shifted from a financial aid instrument towards an international knowledge-sharing platform.

Mutual learning remains a key component for development, particularly as countries experiment with new strategies. Careful experimentation with different development strategies and guided improvisation have been key in today's emerging economies. Development policy and projects are essentially policy experiments in which governments have bounded knowledge and difficulties anticipating the outcomes of their actions. Instead, government officials need to zigzag to reach desirable outputs and outcomes via a series of reviewing, learning and adjustment cycles. Occasionally, as Albert Hirschman pointed out, a "hiding hand" helps to "beneficially hide difficulties" from them. In addition, the policy-making process needs to be more participatory to overcome such bounded knowledge.

Figure 7. Core elements of a development strategy

The rest of the report discusses the issues detailed above in greater detail. Chapter 2 updates the analysis on shifting wealth, accounting for the ongoing transformation in China and emphasising the growing links between developing countries. Chapter 3 discusses the importance of looking beyond GDP per capita as an indicator of development. It looks back in time to compare how well-being and GDP per capita evolved in early industrialising countries, as well as in newly emerging ones. Given the recent mixed experience in developing countries, Chapter 3 provides an historical view of the paradigms that have shaped the approaches of policy makers and donors on development, with the goal of showing that no single paradigm can work in all countries. Finally, Chapter 4 describes today's development context, amid the challenges countries must manoeuvre around and ultimately include in their development strategies.

Notes

¹ The global sample includes up to 159 countries, but varies by year and indicator depending on coverage.

² This is done by regressing the well-being measures (standardised to have zero mean and unit standard deviation for comparability) on the logarithm of per capita GDP and a set of time dummies. Time dummies capture the additional well-being compared to 1910 (or the earliest year of observation) that is not explained by the level of per capita GDP in that period.

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