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Growth in the 1990s

With all the attention paid to financial crises in developing markets and weak economic performance of many industrialized countries, one might conclude that the world economy is in the doldrums. Indeed, as the World Bank statistics in the table show, world economic growth fell from 3.2% during the 1980s to 2.4% thus far in the 1990s. Nevertheless, when we look at the patterns of economic growth among nations, it is clear that the 1990s have been a period of rapid economic expansion for much of the world.

The chart illustrates the ranges of growth rates that have been recorded for the period from 1990 to 1997. Although many countries' economies contracted during the period, most countries had positive average growth rates. Growth rates exceeding 6% were registered for almost 15% of the countries for which data have been compiled. Nearly half of the countries covered grew at rates of over 3%. Of those who have suffered from negative growth over the period, most were undergoing massive structural adjustment (many of the former Soviet republics, for example) or have been subject to wars or other civil strife.

Countries in the low-to-middle income range had among the most rapid growth rates. Countries classified as low income grew on average at 3.9%, while those in the middle-income range expanded at an average rate of 2.8%. Among countries in the low-to-middle income range, those in East Asia and South Asia were the top performers, with average growth rates in those regions of 9.4% and 5.6%, respectively. Many of these countries have suffered setbacks as a result of financial market disruptions beginning in 1997, but even the contractions associated with financial crises will leave living standards higher than they were in 1990.

Generally speaking, the low and middle-income countries have experienced more rapid growth in the 1990s than have the developed economies. Growth among high-income countries during the period averaged 2.2%. This observation is not too surprising: Economic theory predicts that countries with relatively low stocks of capital will be those with high potential for investment returns. The much-touted increase in world capital mobility has allowed countries to exploit these opportunities more fully. As world financial and political leaders work on reforming the world financial system to mitigate some of the perceived excesses we have witnessed in recent years, the positive impact of capital mobility on growth and development should not be forgotten.

—Michael R. Pakko

GDP Growth in the 1980s and 1990s

	Average Annual GDP Growth	
	1980-1990	1990-1997
WORLD	3.2	2.4
Low Income	4.4	3.9
Middle Income	2.9	2.8
Lower middle	4.9	2.3
Upper middle	1.8	3.4
Low & Middle Income	3.1	3.0
East Asia and Pacific	7.5	9.4
Europe and Central Asia	n.a	-4.3
Latin America and Carib.	1.6	3.8
Middle East & N. Africa	2.1	2.9
South Asia	5.6	5.6
Sub-Saharan Africa	1.8	2.0
High Income	3.2	2.2

Source: World Bank

World GDP Growth, 1990-97