

4. Falling Long-Term Growth Prospects

Why in News?

- The World Bank (WB) has recently released a report titled “Falling Long-Term Growth Prospects: Trends, Expectations, and Policies”, stating that the current decade (2020-2030) could be a lost decade for the whole world.

Highlights

- The report uses a comprehensive database of multiple measures of potential growth.
- It examines trends in potential growth and its drivers, global and regional prospects for potential growth and investment over the 2020s, and a range of policy options to lift potential growth.
- Today nearly all the economic forces that drove economic progress are in retreat.
- There has been a protracted, broad-based decline in potential growth and its underlying drivers.
- The slowdown in potential growth is expected to persist for the rest of this decade.
- A decline in long-term growth prospects imperils the ability of Emerging Market and Developing Economies (EMDEs) to combat poverty, tackle climate change, and meet other key development objectives.
- The biggest reason for the slowdown is that the EMDEs are in the midst of a prolonged period of weakness.
- The World Bank has looked at a whole set of fundamental drivers that determine economic growth and found that all of them have been losing power.
- These fundamental drivers include things like capital accumulation (through investment growth), labor force growth, and the growth of total factor productivity (which is the part of economic growth that results from more efficient use of inputs and which is often the result of technological changes) etc.