

Catching up or falling behind?

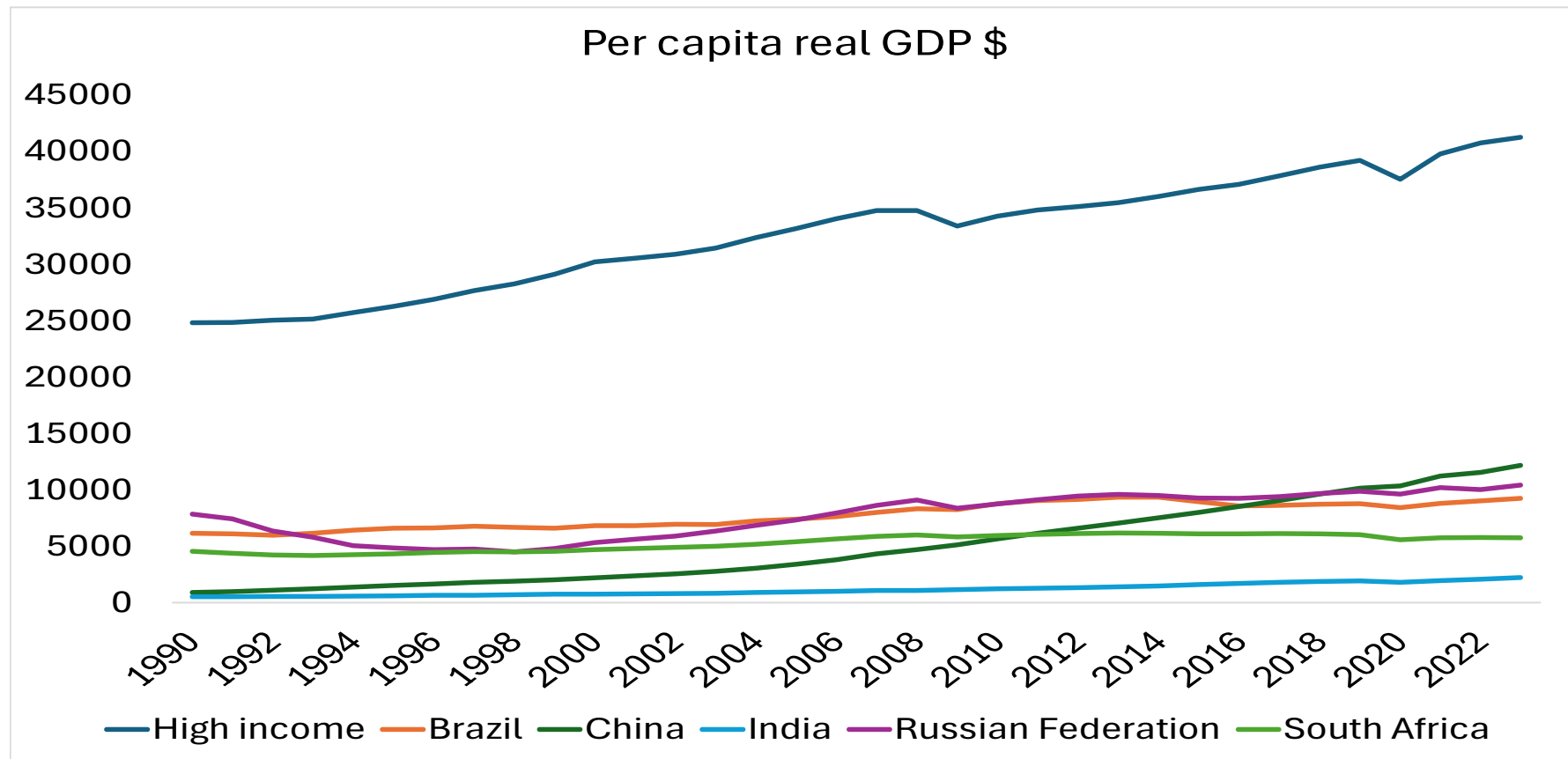
Michael Roberts

HM November 2025

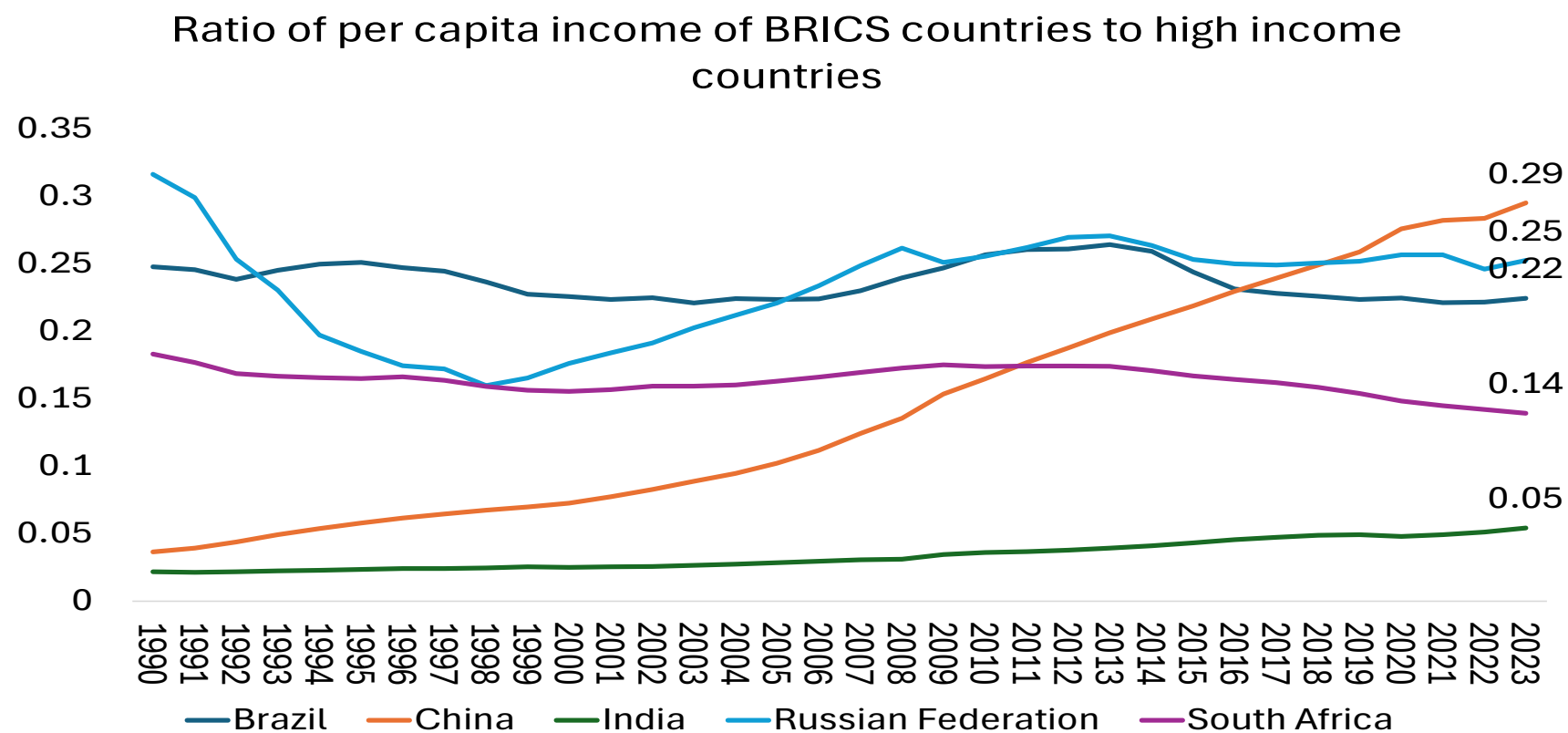
The catching up story

- Are the poorer countries of the so-called Global South 'catching up' with the richer countries of the so-called Global North?
- Three measures: per capita incomes; levels of labour productivity; and indexes of 'human development'. On all three measures, the Global South is not closing the gap, with the possible exception of China.
- Why are the poor countries not catching up? Three possible explanations.
- *The Marxist reasons*: substantial imperialist transfers of income from South to North; and falling profitability of capital accumulation slowing the rise in labour productivity
- *The World Bank*: Lack of sufficient investment; infusion of technology from the North and lack of innovation
- *The Mainstream*: the lack of democratic institutions a la the Global North: democracy is the driver of prosperity
- Why is China the exception?

Catching up? – per capita income

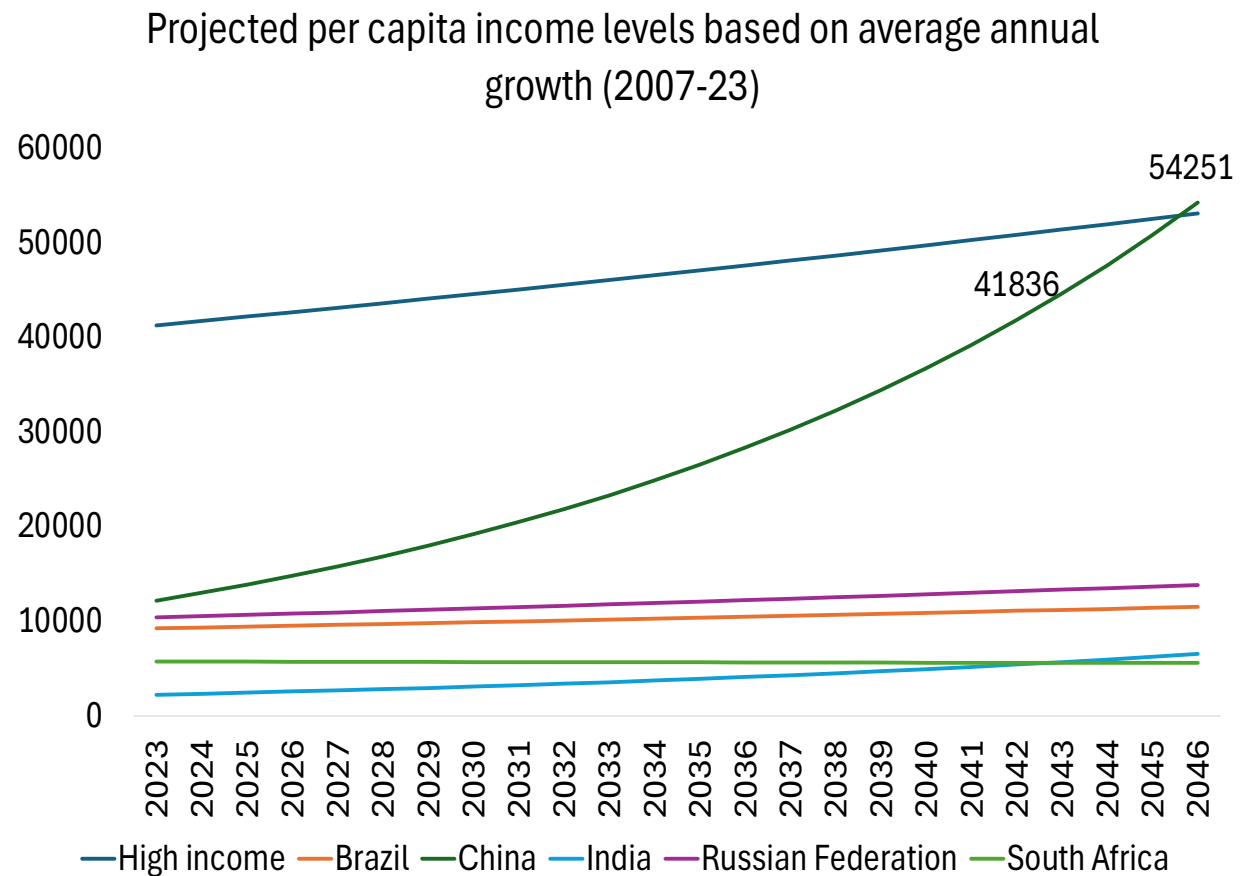


Catching up? – BRICS to High Income



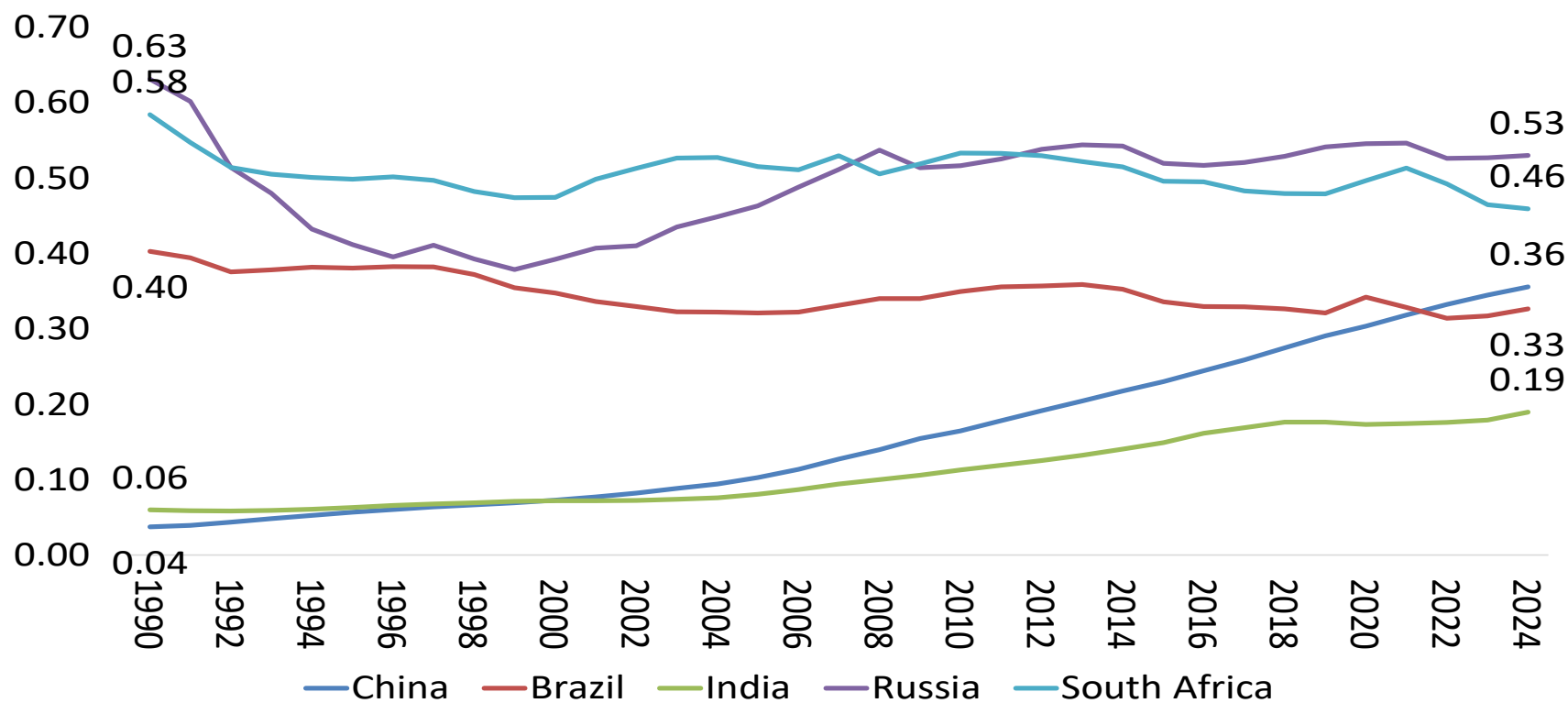
Will the BRICS close the gap?

None of the BRICS will catch up to the *current* high-income country level in the next 20 years, except China. The 2023 average per capita income for the high-income economies is \$41278. China would reach that by 2041 and would match the *projected* level for the high-income countries by 2046.



Catching up? Labour productivity

The ratio of labour productivity between the BRICS and mature economies

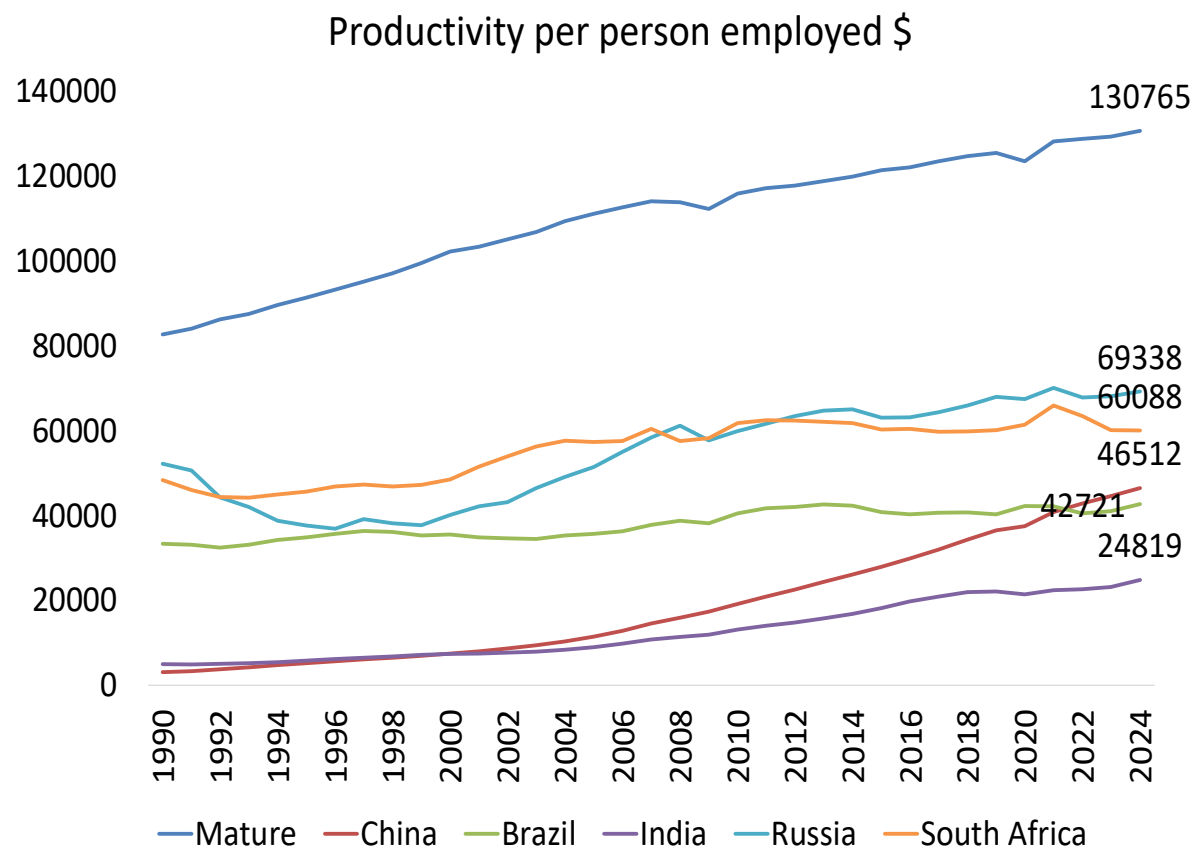


Catching up? – Labour productivity

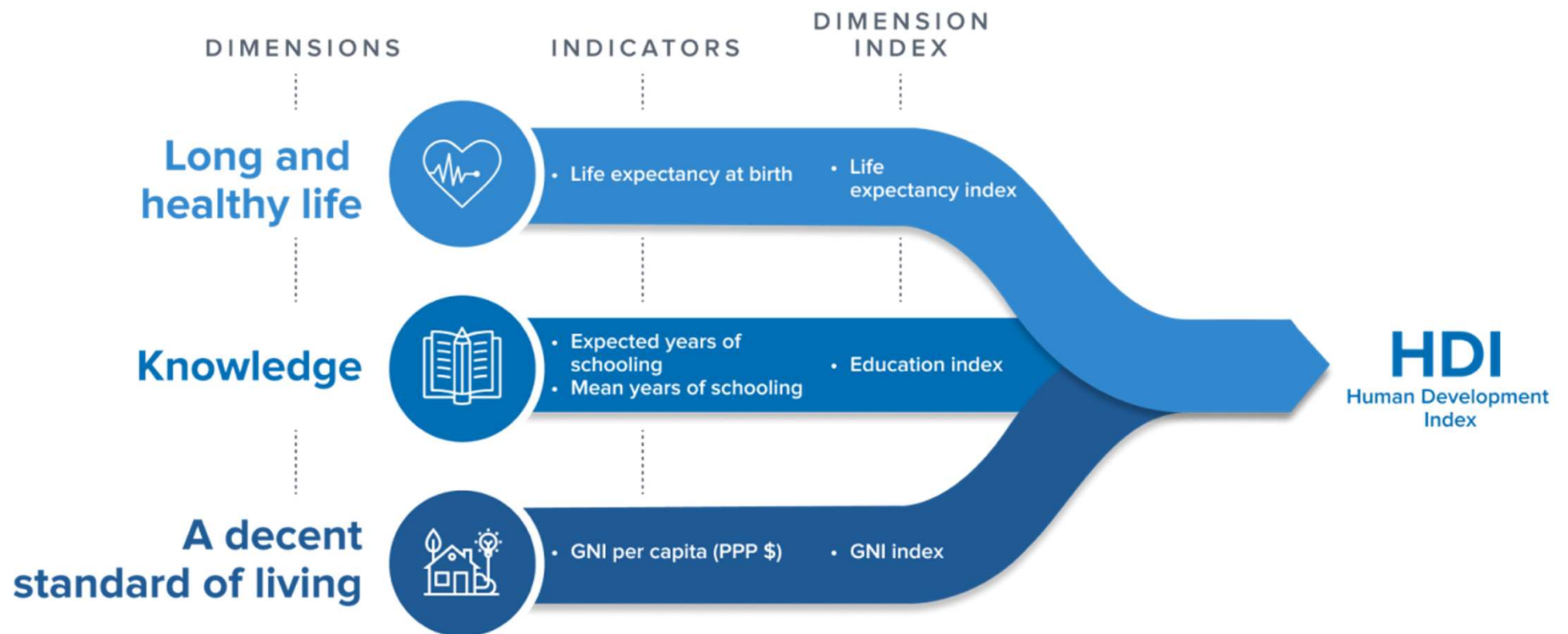
China will match the **current** level of labour productivity in the mature economies by 2033 and match the **future** level of the mature economies just a year later.

India will reach the **current** level of mature economies only by 2050.

The other BRICS will not close the current gap at all.



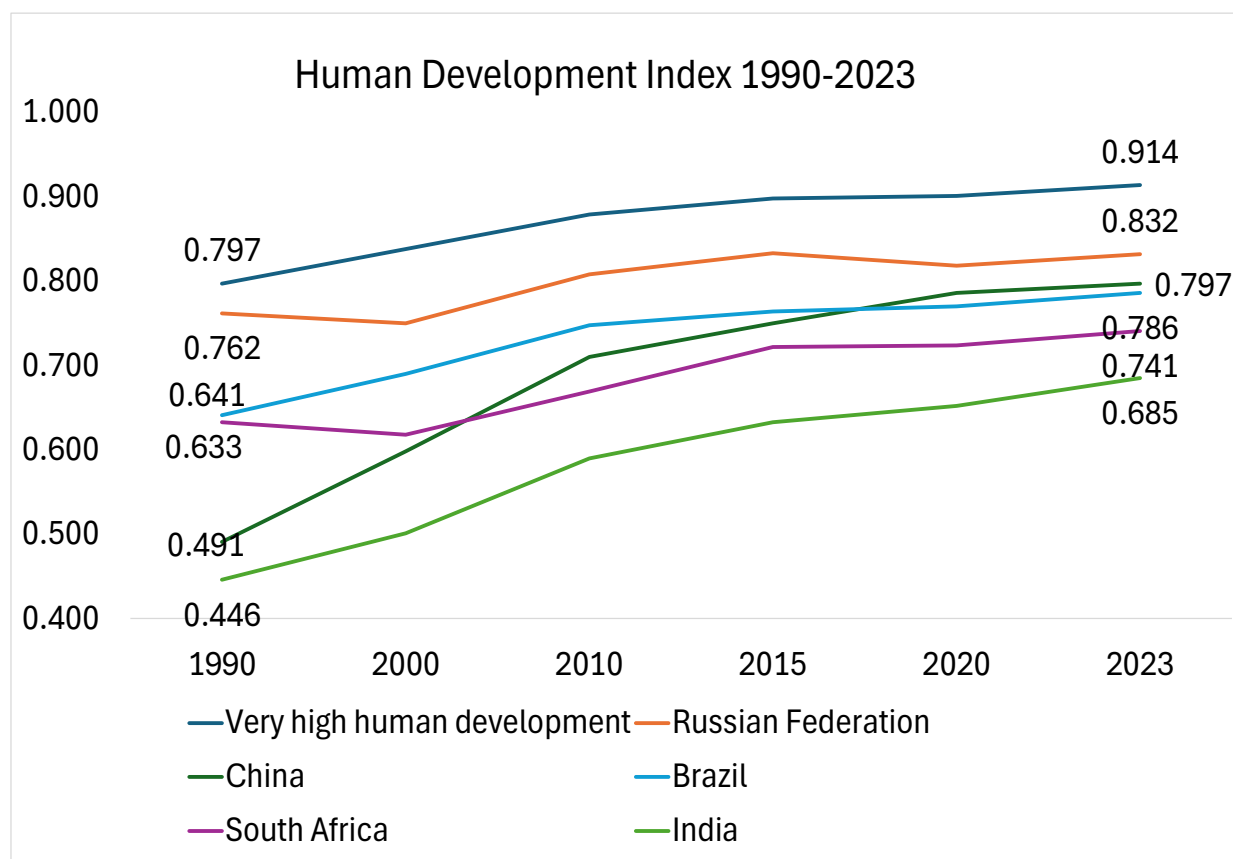
Human development index



Catching up: human development

China will match the **current** (2023) HDI level of the rich economies by 2039, but it would take until 2046 for China to reach the **projected** average rich country HDI in that year.

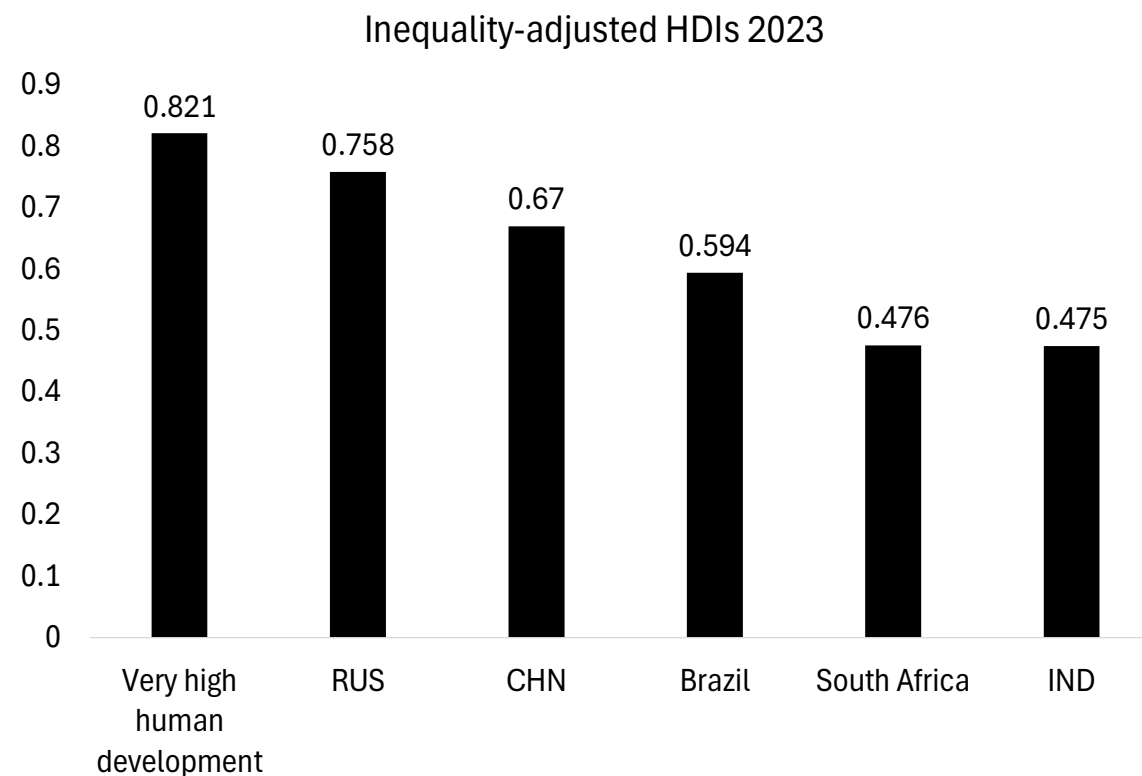
Every other BRIC country will **fail** to meet either of those targets in a generation.



Adjusting for inequality of income

China will match the highly developed economies' **current** HDI of 82.1 by 2041 and so will Russia, but only China has a chance of reaching the **projected** level of the highly developed HDI by 2049, some 25 years on.

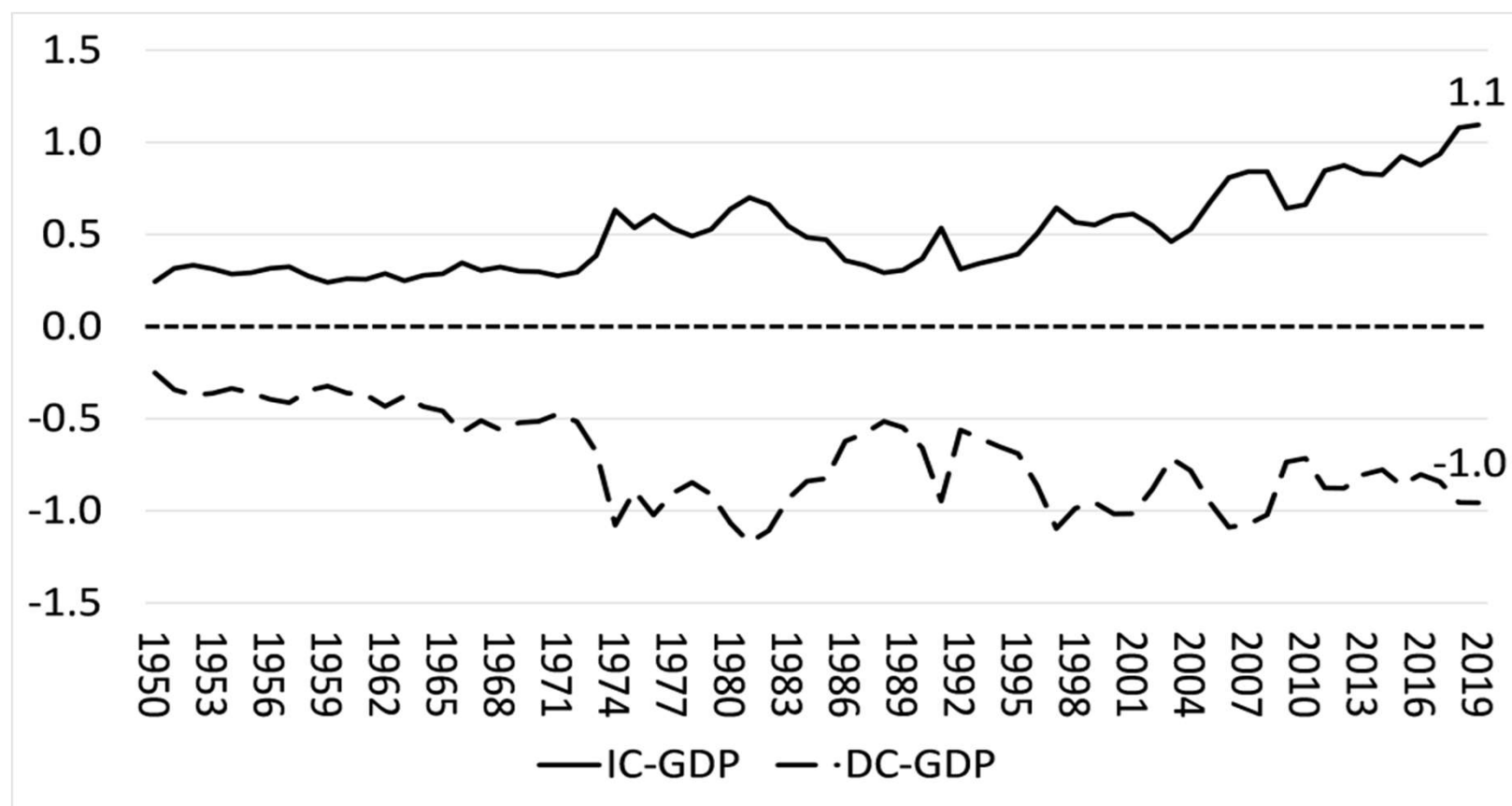
All other BRICS will still be way behind the rich countries in human development.



Why won't they catch up?

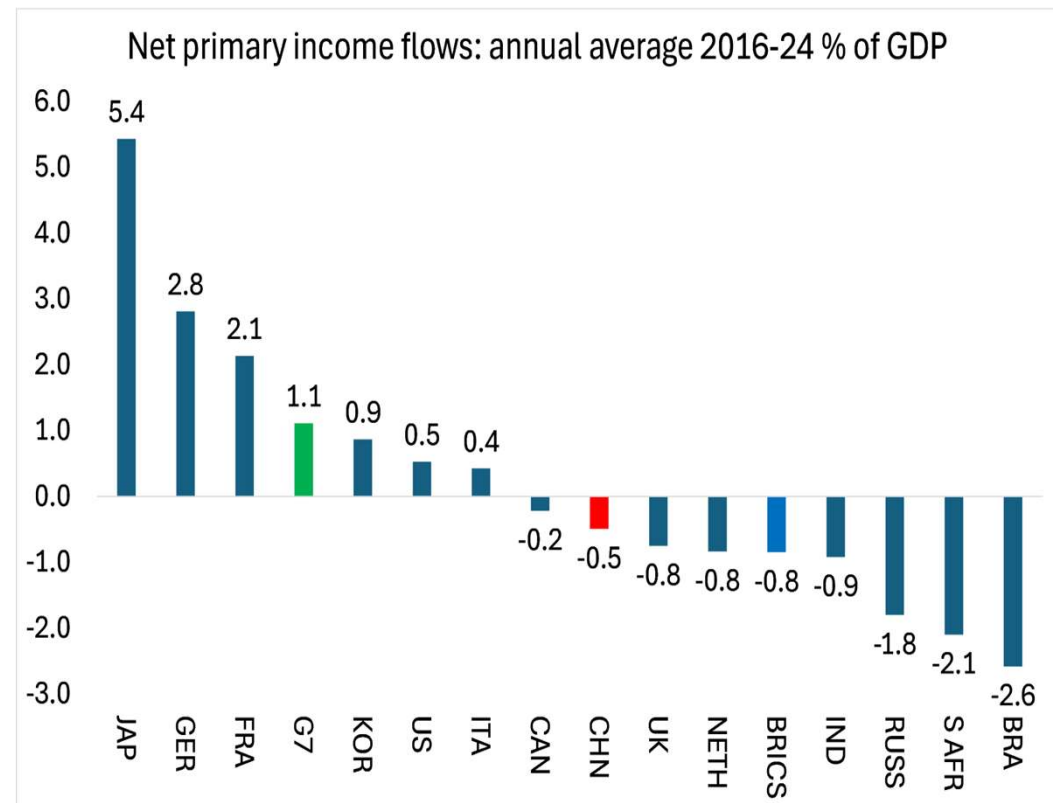
- The Marxist explanation:
- Imperialist transfers of value
- Falling profitability in the Global South, reducing capital accumulation growth and thus lowering increases in labour productivity and per capita income

Imperialist transfers through trade



From the periphery to the core...

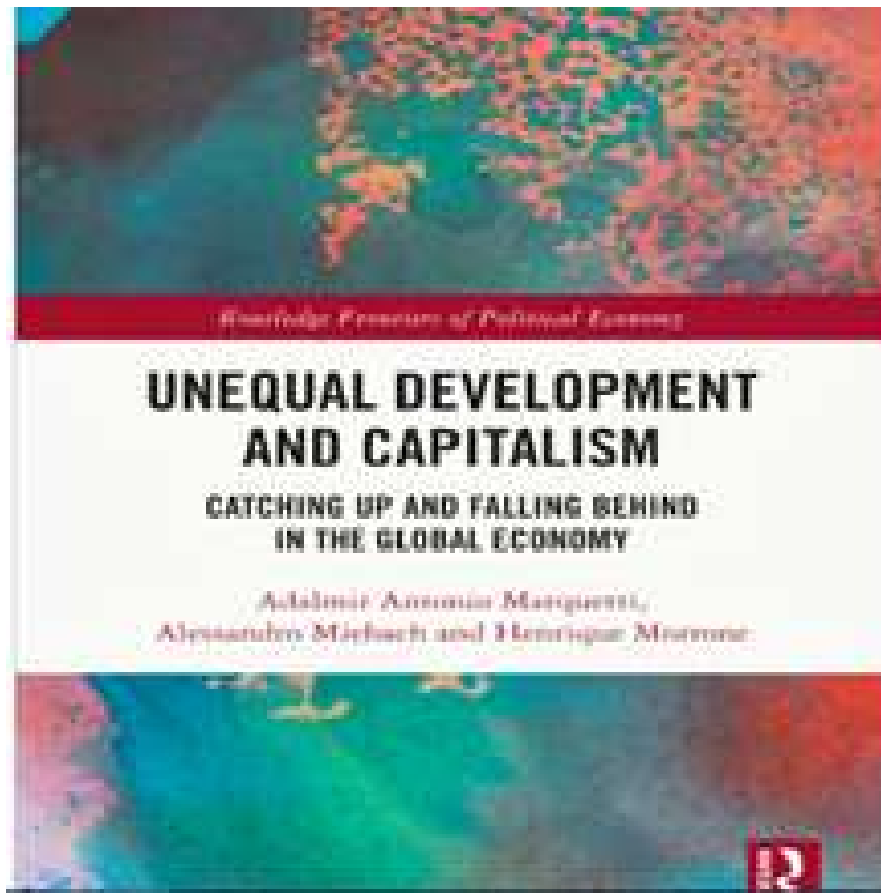
- *“international value transfers are substantial, corresponding to 5.9 percent of annual global output in production industries during the period 1990-2020, with a cumulative figure of a staggering \$70trn.” Isikara & Mokre*
- Mexico, Indonesia, Russia, South Korea, and Brazil are the largest net givers of value.



Impact of value transfers

- If we assume that these transfers were ended, then real per capita income growth in the imperialist core would fall to almost zero, while adding 2-3% pts to the growth rates in the periphery (ie the BRICS).
- Extrapolating this to the future, we find that China would reach the current average per capita of the rich economies by 2038, some four years earlier than the previous forecast. But the rest of the BRICS still would not reach that target at any time in a generation.

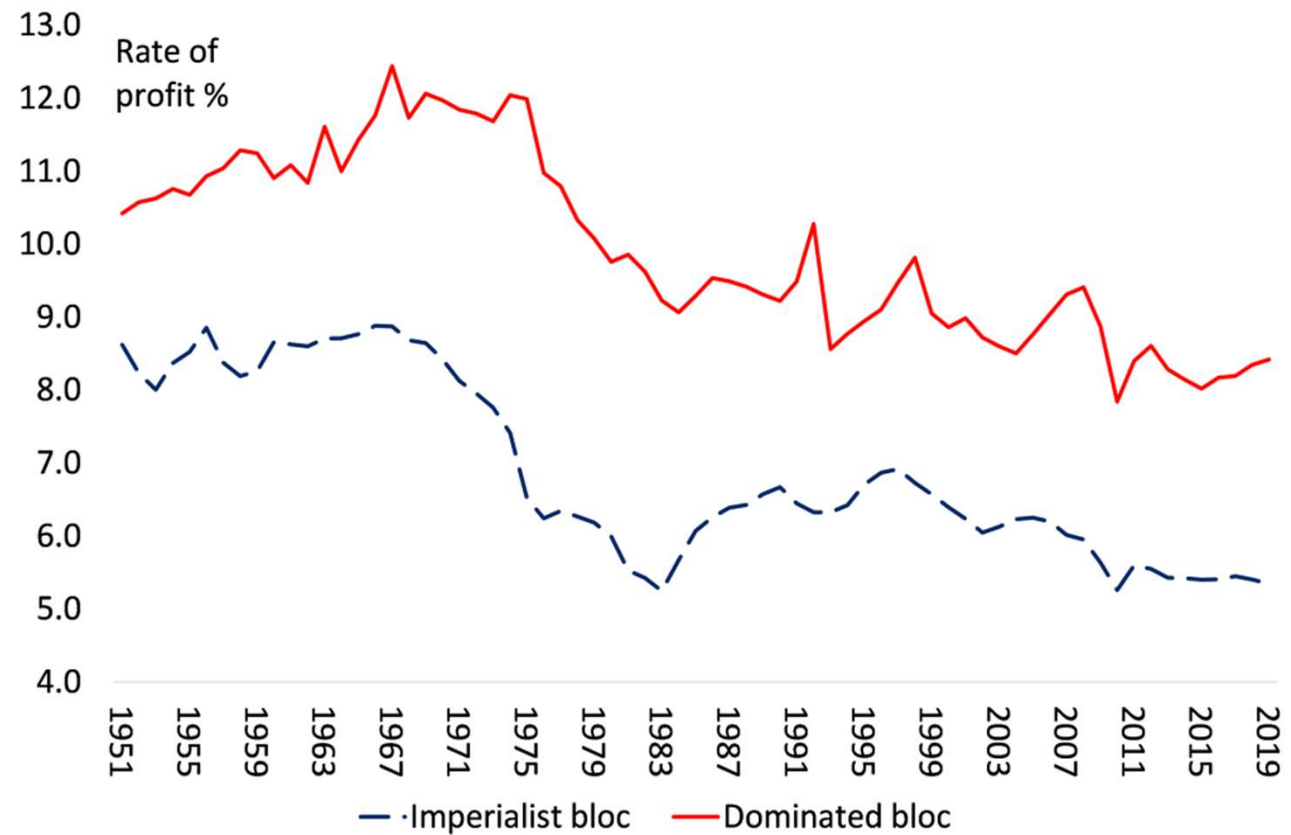
The contradiction between profitability and productivity



- There is a contradiction between raising productivity and sustaining profitability: trying to raise the former leads to a fall in the latter and thus eventually limits growth
- Marquetti et al: *“The advantages of lower mechanization in follower countries, implying in smaller labor productivity and higher capital productivity and, therefore a higher profit rate, begin to erode when capital productivity declines more rapidly than labor productivity increases.*
- *It indicates that the follower country is gradually losing its backwardness advantage as the disparities in profit rates and incentives for capital accumulation diminish relative to the leading country, potentially jeopardizing the catching-up process.”*

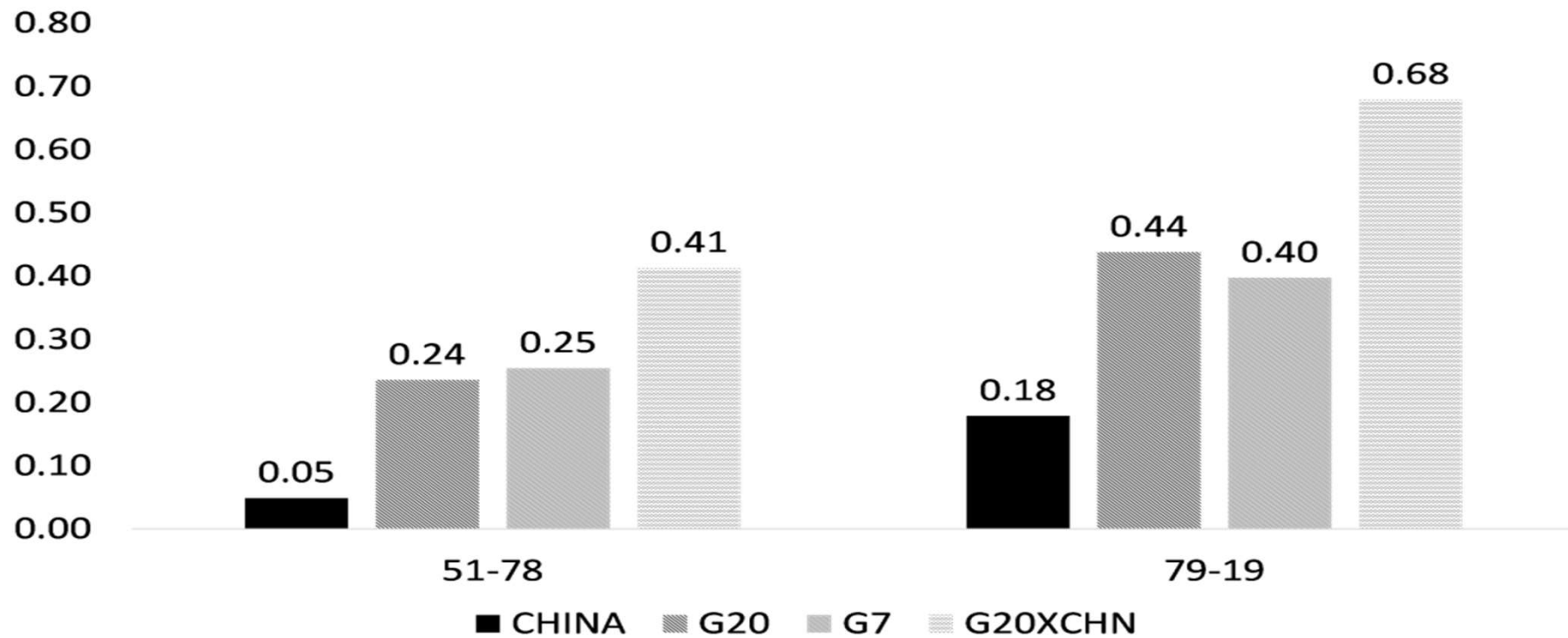
Profitability convergence

“Since 1974, the rate of profit of the imperialist (G7) bloc has fallen by 20%, but the higher rate of the dominated bloc has fallen by 32%. This leads to a convergence of the two blocs’ profit rates over time.” The Economics of Modern Imperialism, op cit.



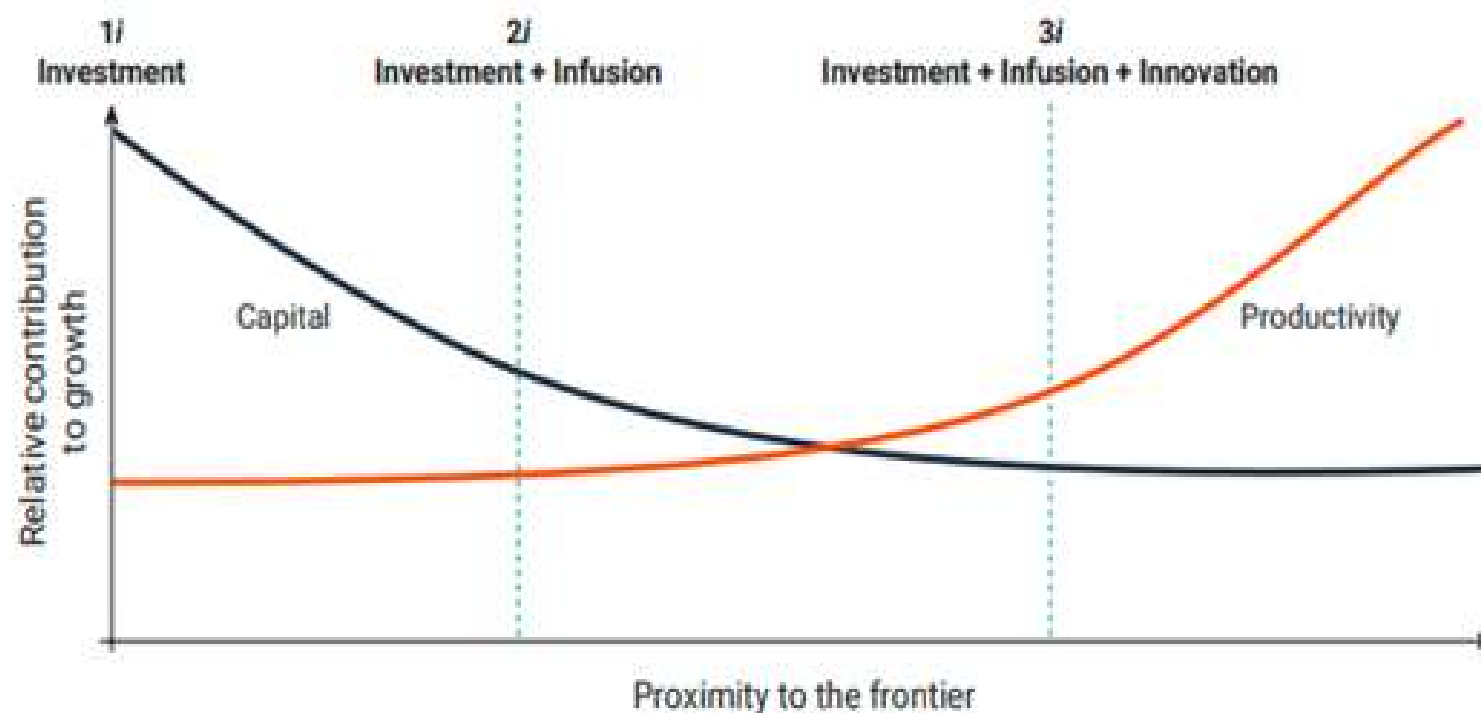
China: the exception

Correlation between change in the rate of profit on capital and GDP growth



World Bank: the middle-income trap

Figure 0.4 Middle-income countries must engineer two successive transitions to move to high-income status

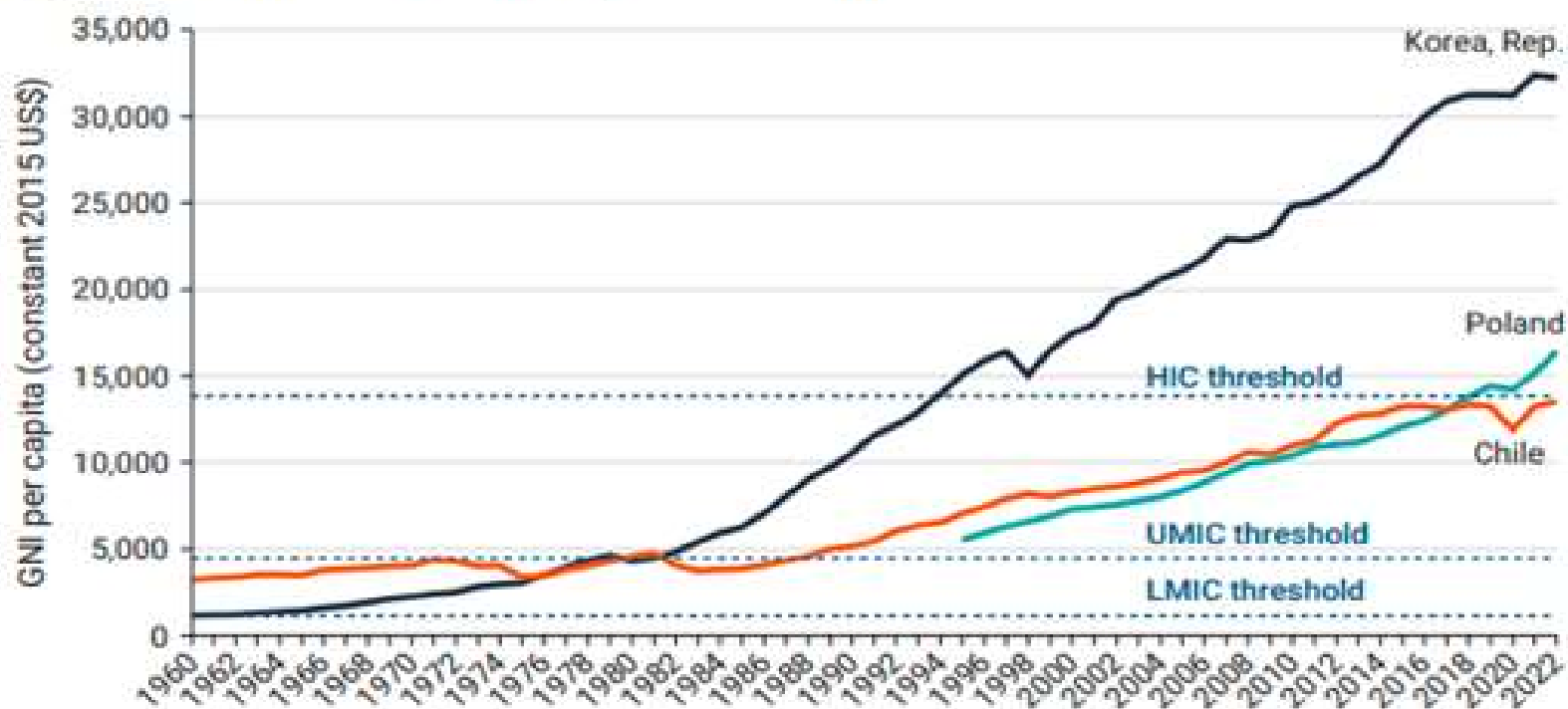


Middle income or profitability trap?

- “The World Bank economists recognize that the marginal productivity of capital, the profit rate in the neoclassical tradition, declines due to capital accumulation during ‘catching up’. But it’s the falling profit rate that is the major determinant of decline in capital accumulation and investment. The problem is the profit rate approximates towards the level of the United States much faster than labor productivity. Essentially, the middle-income trap is a “profit rate trap.” Marquetti

World Bank: the three winners

Figure O.5 In the Republic of Korea, Poland, and Chile, the rapid growth from middle- to high-income status has been interspersed with economic crises

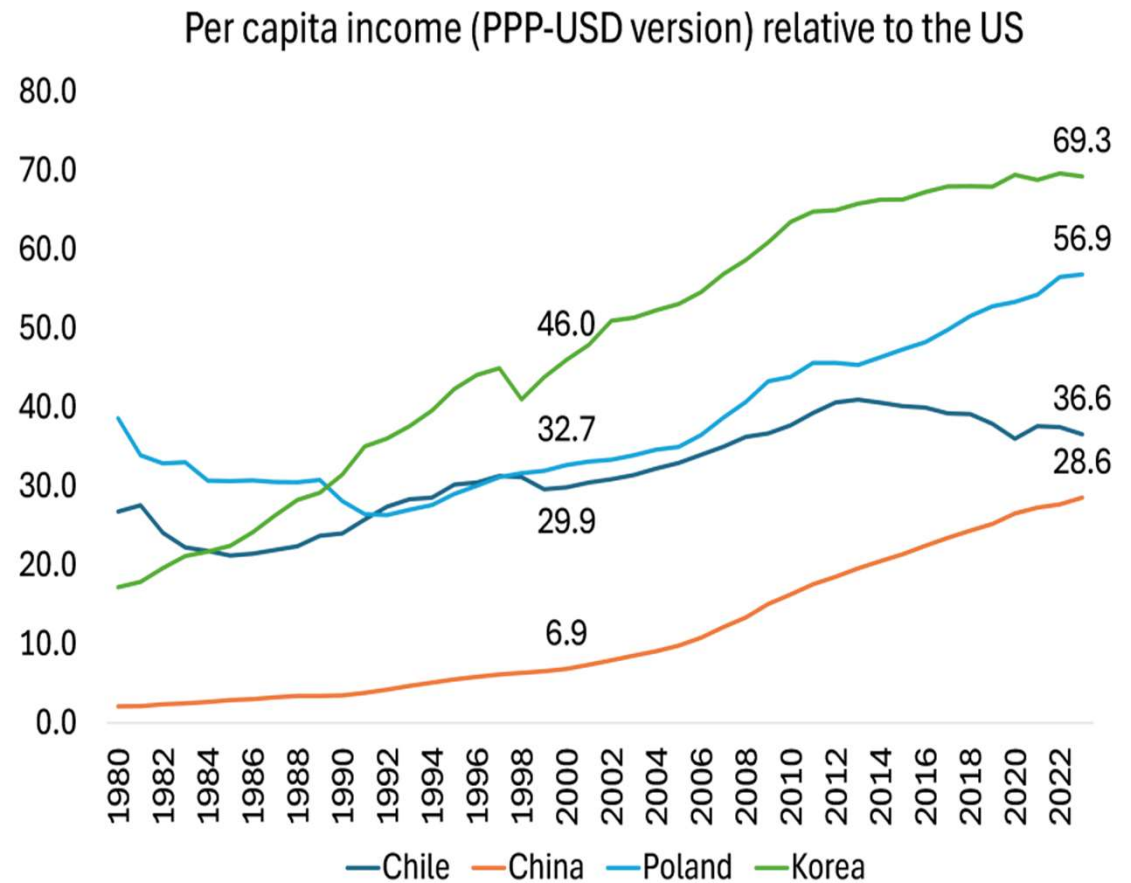


But a fading story....

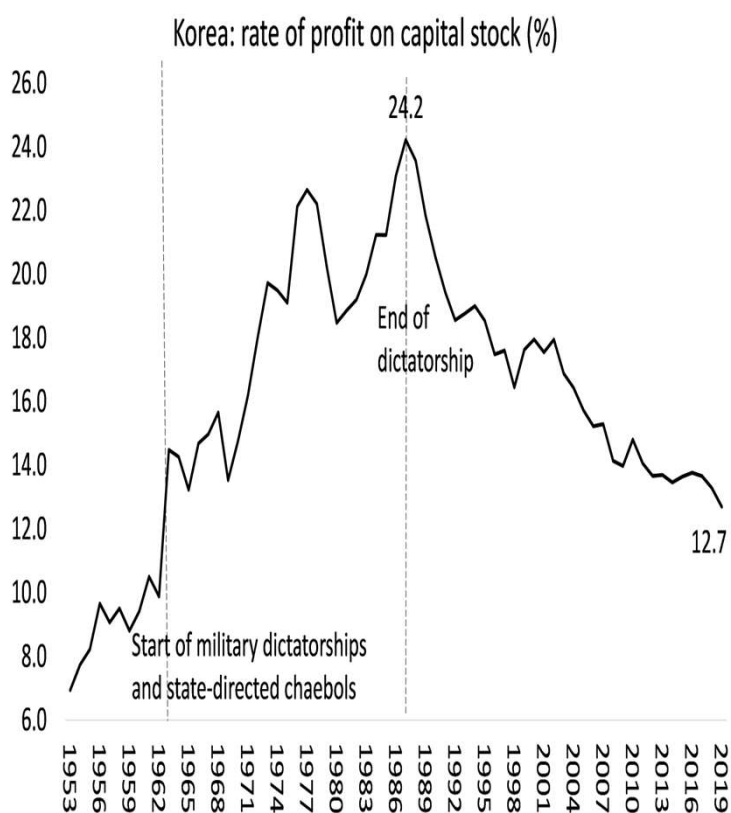
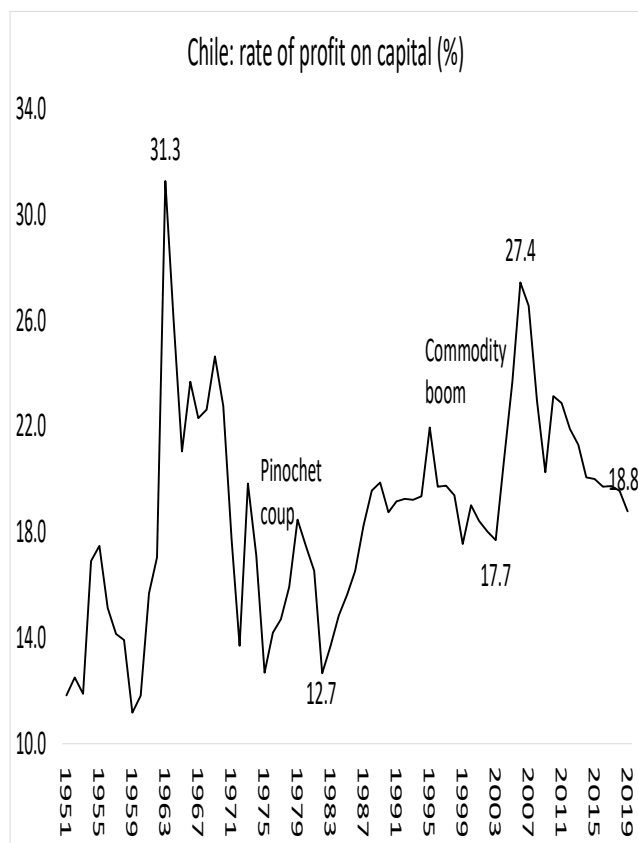
Chile's 'catching-up' has reversed, with its ratio of per capita income to the US falling from 29.9% in 2000 to 28.6% now.

Korea's has levelled off (if at a high level) in the last decade.

Poland's per capita ratio to the US rose over 74% from 2000. But that compares with a staggering 314% rise in China's per capita income ratio to the US.



Chile, Korea, Poland: rising rates of profit

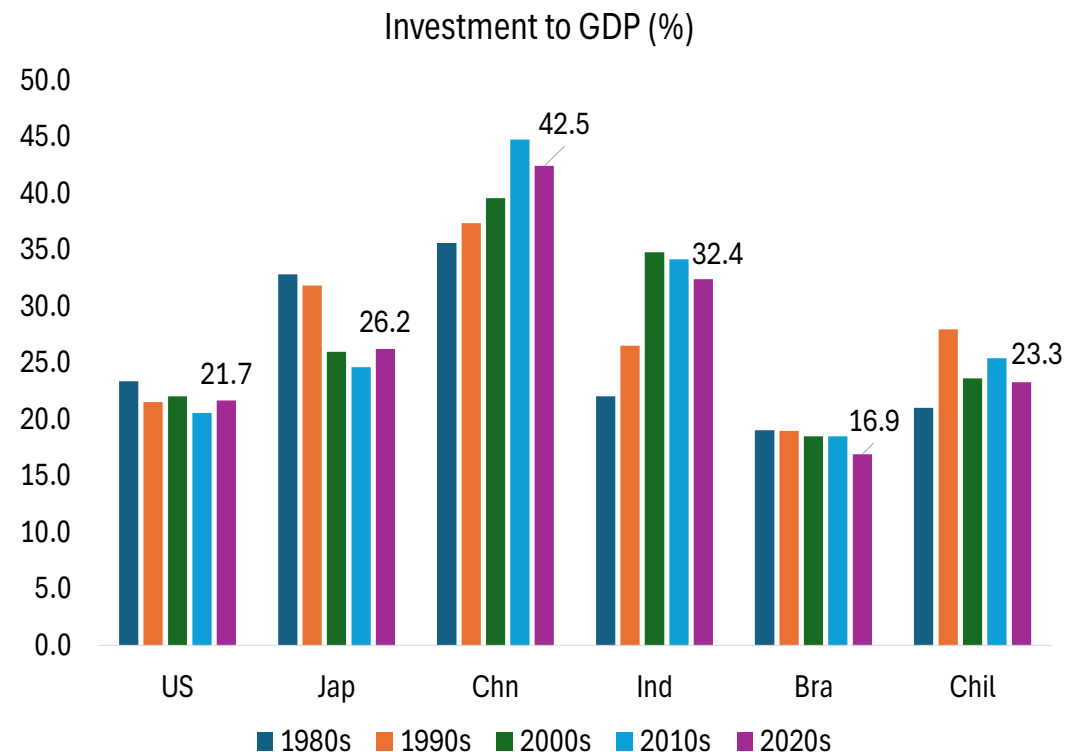


‘Democracy’ and development

- Daron Acemoglu, Simon Johnson and James A Robinson have been awarded the Nobel (really the Riksbank prize) in economics [“for studies of how institutions are formed and affect prosperity.”](#)
- Colonisation of the Global South in the 18th and 19th centuries could be ‘inclusive’ and so turn the likes of North America into prosperous nations (forgetting the indigenous population?) OR ‘extractive’ and so keep countries in dire poverty (Africa).
- Would Russia in the early 20th century be where it is today without the 1917 revolution or China be where it is in 2025 without the revolution of 1949? But our Nobelists do not present us with those examples: their examples are getting the vote in Britain in the 19th century or independence for the American colonies in the 1770s.
- A new studies conclude that democracy does not have a *direct* impact on economic growth. Democracy alone does not trigger economic growth which depended on other important structural variables such as social and physical infrastructure.

Investment is what matters

- What matters first is the level of productive investment in an economy. China's investment to GDP ratio is double that of the US and more than double that of Brazil. And China's investment to GDP ratio has risen 20% since the 1990s, while Japan's has fallen 20% and Brazil by 11%. China has been the fastest growing economy in the last 35 years, while Japan and Brazil have been the slowest growing.



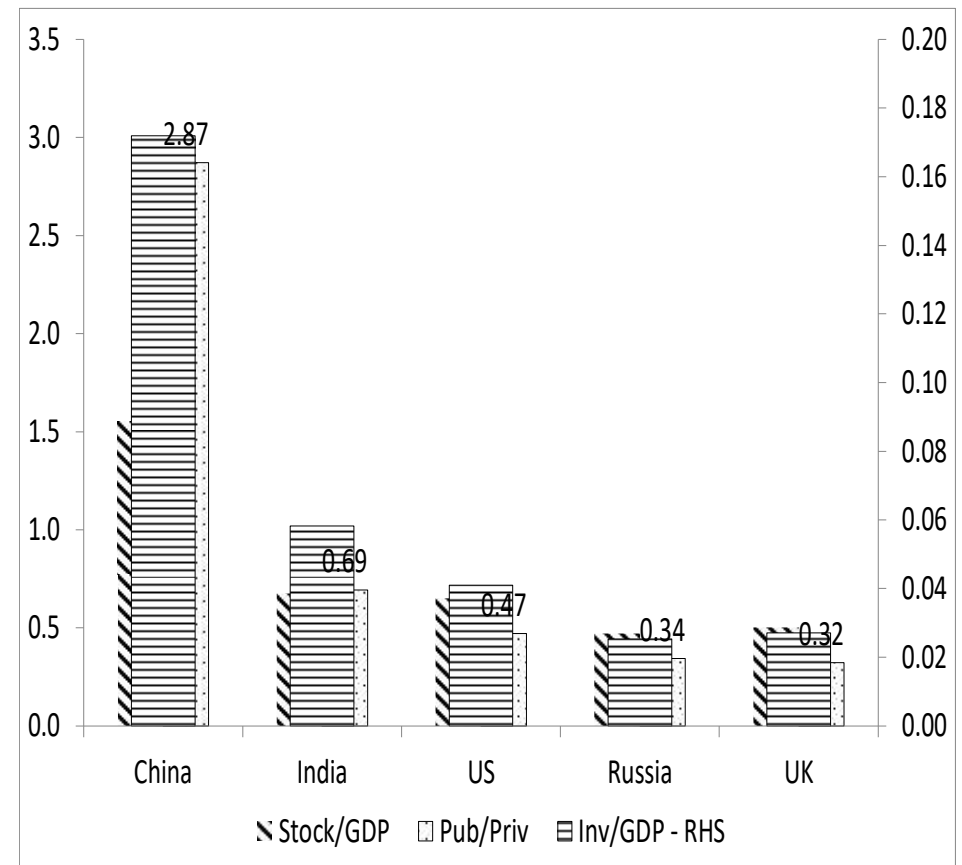
Public investment is key

Total assets of China's state sector stood at 167% of GDP – several orders of magnitude larger than in any other country. Every other major capitalist economy has less than 60% of GDP in public assets.

Every year, China's annual public investment to GDP is around 17% compared to 3–4% in the US and the UK.

And the stock of public productive assets to private capitalist sector assets in China is more than twice the ratio in the US and the UK or in “mixed economy” India or Japan.

This shows that in China public ownership in the means of production is dominant to a degree unlike any other major economy.



Key conclusions

- The countries of the Global South (6bn people) are not 'catching up' with the Global North (2bn people).
- The main reason is that wealth (value) is being persistently transferred from the South to the North AND profitability in the Global South is falling faster than labour productivity growth is rising.
- China may be the exception because its investment growth is less determined by profitability than in any other major Global South economy.

Follow up

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- <https://www.youtube.com/@michaelrobertseconomist9203/featured>
- And the slides will be available on my Facebook site:
<https://www.facebook.com/profile.php?id=100064268366203#>
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