INEQUALITY

Why Does Poverty Persist Amid Progress?

A Political Economy Inquiry

SUMMARY

Somewhere on the outskirts of Accra, a woman wakes before sunrise and begins calculating. Not the grand arithmetic of policymakers and economists, but the small, brutal math of survival: whether there is enough left in the tin for school fees, whether the price of tomatoes has risen again at the market, whether she can afford to be sick this week. She is not lazy. She is not unlucky in any personal sense. She is, in the language of our time, poor — and she will, in all statistical

likelihood, die poor. Not because the world cannot afford otherwise, but because the world has not chosen otherwise.

This is the scandal that political economy forces us to confront. We live in an age of staggering material abundance. Humanity has, in the past two centuries, multiplied its productive capacity in ways that would have struck any prior generation as miraculous. We have cured diseases that once emptied cities. We have grown enough food to feed every human being alive. We have, in some pockets of the world, built societies where a child born into the bottom fifth of the income distribution can, with hard work and fortune, climb to the top. And yet. More than 700 million people remain in extreme poverty. Hundreds of millions more live lives of grinding precariousness, a single illness or drought away from catastrophe. The gap between the richest and the poorest nations is not narrowing in any meaningful way. In many respects, it is deepening.

The comfortable explanation — that poverty persists because the poor lack the culture, the discipline, or the institutional readiness to embrace prosperity — is not merely wrong. It is a story designed by its architecture to excuse inaction. The uncomfortable truth is that poverty persists because powerful people and powerful systems benefit from its persistence, because the rules of global trade and finance were written by the wealthy to serve the wealthy, and because the political will to change those rules has never been sufficient to overcome the resistance of those who profit from the status quo.

This essay is an investigation of that truth — told not through graphs and regressions alone, but through the lived texture of a world where a man in Lagos and a man in Luxembourg can be born with identical intelligence and ambition and end up in entirely different universes. It moves through a road trip

conversation, through the history of colonial dispossession, through the specific crucible of Africa's political economy, through the experiences of Asia and Latin America, through the ideology that makes inequality feel natural, and toward the hard, hopeful evidence of what it actually takes to change things.

The world is not as it is because it had to be. It is as it is because of choices — made by people, embedded in institutions, sustained by power. And choices, however entrenched, can be unmade.

Part One: The Road Between Here and There

A Conversation on the Lagos–Ibadan Expressway

It began with traffic. But then again, in Nigeria, most things do.

We had been sitting in a standstill on the Lagos–Ibadan Expressway for forty minutes — Dr. Emeka Osei, my senior colleague of fourteen years, and I — when he reached over and switched off the radio mid-news. Not in irritation exactly, but with the deliberate quiet of a man who has decided that something more important than the broadcast needs to happen.

Outside, the city sprawled and shimmered. Behind us, the Lagos skyline — a chaos of cranes and glass towers and half-finished ambition — caught the afternoon light and turned it gold. Ahead of us, a woman in a yellow dress balanced a tray of pure water sachets on her head with the kind of unconscious grace that only comes from years of

necessity. She moved between cars that had not moved in minutes, patient as weather, calling out in a voice that somehow carried above the horns.

Dr. Osei watched her for a long moment.

> **Dr. Osei:** *You know what bothers me most about this road? Not the potholes. Not the fact that we'll add two hours to a journey that should take forty minutes. What bothers me is that I had this exact conversation with my father on this exact stretch of road in 1987. The money for repairs has come. The contracts have been signed. The ministers have given speeches. And we are still here, thirty-seven years later, navigating the same craters.*

I looked at the cranes in the rearview mirror, then at the woman in the yellow dress, who had just made a sale to a man in a black SUV with tinted windows and a personalized plate.

> **Me:** *Isn't it just corruption? The money gets diverted, the road doesn't get fixed. It's almost too simple.*

> **Dr. Osei:** *That's the diagnosis they want you to make. Corruption is a fact. I'm not disputing that. But corruption is a symptom. You're treating the rash and calling it a cure. The fever underneath is something much older and much harder to name.*

He paused, watching a danfo bus — painted with scripture, dented in four directions, horn in a state of permanent emergency — wedge itself into a gap that could not possibly accommodate it. It did, somehow, fit. Lagos is a city of impossible negotiations.

> **Dr. Osei:** *Let me ask you something. Why did the British build railways in Nigeria?*

> **Me:** *To connect the country. Move goods. Develop the interior, I suppose.*

> **Dr. Osei:** *That is the story they told. Now let me tell you the geography. The railways did not connect Nigerian cities to each other. They ran from the interior — from where the*

groundnuts were in Kano, where the tin was in Jos, where the palm oil was in the east — directly to the ports. To the ships. These were not railways for Nigerians to travel between their cities and build an economy. They were arteries of extraction, built to move Nigeria's wealth outward. And when independence came, we inherited that geography. Roads, rails, ports — all pointed outward, toward the coast, toward the ships that were no longer coming. Not inward, where the building needed to happen.

I had a degree in economics. I had studied development theory. I had read Rostow's stages of growth and the Solow model and papers on total factor productivity. Nobody had ever explained it quite like that, in the low afternoon sun of a Lagos traffic jam, over the sound of commerce and horns.

Me: *So the foundation was broken from the beginning.*

Dr. Osei: *That is almost right. But not quite. A broken foundation is an accident. What we inherited was a foundation built perfectly — for somebody else's purposes. That is a much harder problem. You can repair what broke. But what do you do when the structure is working exactly as designed — just not for you?*

We sat with that for a while. The traffic shifted, grudgingly, like something enormous turning over in sleep. We passed a billboard for a luxury estate going up on land that, a colleague had told me, had been a community of several thousand people until eighteen months ago. 'Your Oasis of Excellence,' the billboard said. It looked very clean in the rendering.

Me: *But then what explains Korea? Singapore? They were roughly as poor as Ghana in 1960. Poorer than some parts of Nigeria. And now —*

Dr. Osei: *Now you are asking the right question.*

He smiled. It was the smile I had learned, over fourteen years, to recognize — the smile of a man who has been holding a thought for a long time and has finally found the right conversation to put it down in.

> **Dr. Osei:** *Korea had land reform that broke the old feudal structure. It had a developmental state — a government that actually directed industrial policy instead of just creating conditions and hoping. It had a geopolitical position that made the United States deeply invested in its success during the Cold War, willing to let it protect its industries, subsidize its exports, and develop domestic capacity in ways that the Washington Consensus would never have permitted an African country. And it had specific bureaucratic institutions — I'm not making cultural claims, I'm making historical ones — that when combined with all the above, could channel state capacity into long-term investment. Africa had different colonial legacies. Different institutions. Different geopolitical value to the powers that were positioned to help.*
>
> **Me:** *Which means nobody needed Africa to succeed the way they needed Korea to succeed.*
>
> **Dr. Osei:** *I would say: the incentives were different. And in political economy, incentives are almost everything. The question is never just what should happen. The question is always: who benefits if it does, and who benefits if it doesn't?*

We reached Ibadan as the sun went orange. I had gone quiet for the last twenty kilometres, which Dr. Osei seemed to understand. He parked outside a suya spot near the ring road and bought us both sticks without asking, and we stood eating in the warm evening while the city moved around us, and I thought: this is what they should have taught me in my first year of economics. Not the elegant mathematics of equilibrium, but the messy, resistant, human reality of who sets the terms and who lives with the consequences.

That conversation became the seed of this inquiry. What follows is an attempt to grow it into something that can bear the weight of what it was trying to say.

— — —

Part Two: The Question Nobody Taught Me to Ask

What Political Economy Actually Means

Economics, as it is typically taught — in lecture halls in Accra and Chicago and Mumbai, in the textbooks that have barely changed their essential architecture in forty years — operates in a remarkably clean world. Individuals make rational choices within given constraints. Markets allocate resources efficiently under the right conditions. Growth, properly managed, becomes the tide that lifts all boats. The question at the heart of mainstream economics is: how do markets work?

Political economy asks a different question. It asks: who decides how the markets are structured, and why? Who sets the constraints within which individuals make their rational choices? Who owns the boats? Who is trying to get somewhere, and who is treading water just to survive?

Adam Smith understood this. The Wealth of Nations, so often invoked as scripture for free markets, was as much a critique of political power as it was a celebration of commerce. Smith railed against the mercantile alliance between the British crown and its trading monopolies — the East India Company, the chartered corporations — not in abstract terms but by naming the interests at work: wealthy merchants and manufacturers who had captured the apparatus of the state and used it to write rules that enriched themselves at the expense of everyone else. His famous 'invisible hand' was not a claim that markets are always right. It was an argument against a specific form of crony capitalism in which the hand of government was very visible indeed, and very firmly in the pocket of the already-wealthy.

Somewhere between Smith and the modern curriculum, the political got bracketed out. Economics became a discipline of optimization within given structures, rather than a discipline of questioning who built the structures and why. The consequences of that shift have been profound. It produced generations of economists who could explain, with great sophistication, how prices clear markets — and who had no intellectual tools for asking why some people had nothing to bring to market, and why some markets were designed to exclude them.

> ***The real obscenity of global inequality is not the numbers. It is that we have built ways of thinking about the world that make the numbers appear natural — the inevitable consequence of talent, effort, and the impersonal logic of markets — rather than the consequence of choices that were made, embedded in rules, and can be unmade.***

Political economy insists on bringing the political back in — on treating every economic arrangement as the product of specific historical decisions made by specific people with specific interests, rather than as the neutral operation of impersonal forces. When you look at the world this way, the question 'why does poverty persist?' stops looking like a puzzle and starts looking like a crime scene. And crime scenes, unlike puzzles, have perpetrators.

Institutions: The Architecture of Fate

Let me show you two mornings.

In the first, a thirty-two-year-old woman named Sarah wakes up in a rented apartment in Toronto. Her lease is legally enforceable; if her landlord tries to evict her without cause, she has recourse. Her building meets safety codes that someone inspects and enforces. She takes a subway whose maintenance is funded by public taxation. She

works at a firm whose intellectual property — its code, its patents, its brand — is protected by a legal system she can afford to access if someone infringes on it. Her salary goes into a federally insured bank account. If she's discriminated against, she can sue. If she gets sick, her healthcare costs will not ruin her. When she retires, a pension will exist.

In the second morning, a woman named Amara wakes up in a house in Conakry, Guinea, on land her family has occupied for three generations but holds no formal title to — meaning she cannot use it as collateral for a loan, and if the government or a well-connected developer wants the land, her claim is fragile. She walks to a market on a road that floods seasonally and has never been properly repaired. She runs a tailoring business on informal credit — borrowing from a savings circle at high rates because no bank will lend to her without collateral she doesn't have. She cannot reinvest in better machines because she cannot finance them. Her designs are copied freely; there is no mechanism to stop it. There is no pension. There is no safety net. If she gets sick, the cost comes from money she does not have, and it will take months to recover what is lost.

These two women might be equally intelligent. They might be equally disciplined, equally ambitious, equally hardworking. The difference in their economic trajectories is not, in any meaningful primary sense, a difference of individual virtue. It is a difference of institutions — the formal and informal rules that structure economic life, determine who can access credit and legal protection and public goods, and ultimately determine who can take the risks that lead to upward mobility.

This is the central insight of the institutional economics tradition, associated most prominently with Douglass North, who won the Nobel Prize for it, and more recently with Daron Acemoglu and James Robinson, whose Why Nations Fail made the argument for a popular audience with devastating clarity. Countries are rich or poor,

they showed, not primarily because of geography or culture or natural resources, but because of whether their institutions are inclusive or extractive.

Inclusive institutions distribute political and economic power broadly, protect property rights for everyone rather than just the elite, provide public goods, permit upward mobility, and create conditions under which people across the income spectrum can invest in themselves and their families. Extractive institutions do the reverse: they concentrate power and wealth in the hands of a narrow elite, exploit the many to enrich the few, and deny the majority access to the education, healthcare, legal protection, and credit that would allow them to improve their situation.

The crushing feature of extractive institutions is that they are self-reinforcing. Those who benefit from the current arrangement use their wealth to purchase political influence, which they use to protect the institutional arrangements that produced the wealth, which produces more wealth, which purchases more influence. It is a closed loop. A machine that runs on itself.

And breaking a machine like that requires more than good policy advice. It requires a shift in power. That shift is what most of recorded history has been about.

The Poverty Trap: When Survival Crowds Out Everything Else

There is research — meticulous, peer-reviewed, genuinely important research by Sendhil Mullainathan and Eldar Shafir — that documents something people who have never been poor sometimes struggle to understand: scarcity is cognitively expensive. When you are in a state of genuine financial precariousness, your mind is occupied in a way that crowds out the kind of long-term thinking that accumulates wealth. You are running so many simultaneous calculations — can I afford the bus fare and the school fees and still eat this week? what happens if the tro-tro breaks down and I can't get to work? — that there is simply less mental bandwidth left for everything else. Not

because you are less intelligent. Because you are managing a portfolio of risks that wealthier people have paid not to manage.

This produces a pattern that looks, from the outside, like poor decision-making, but is, on closer inspection, perfectly rational given the constraints. The smallholder farmer in northern Ghana who doesn't diversify his crops is not ignoring agricultural advice out of stubbornness. Diversification requires cash he doesn't have for inputs. Drought-resistant varieties may yield less in a good year, and he cannot afford a bad year — a bad year means his children do not eat. Soil improvement is a multi-year investment with returns that begin in year three, and in year one he needs to survive. Every choice he makes is the correct choice given the information and resources available to him. The poverty is in the constraints, not in the man.

The poverty trap, then, is not metaphorical. It is structural. It is what happens when people have no access to insurance against catastrophic loss, no access to credit that would let them invest in productivity, and no public goods to substitute for the private expenditures they cannot afford. Breaking out of it requires either individual luck of a dramatic kind, or systemic change that alters the constraints — that provides the insurance, the credit, the public goods — that wealthy countries have long provided to their citizens as a matter of course, and that enable the risk-taking from which upward mobility grows.

— — —

Part Three: A History Written in Dispossession

How the World Got This Way

Here is a fact that should unsettle every conversation about global poverty: the gap between rich and poor nations is not ancient. It is not the residue of immemorial cultural differences or the fixed consequence of geography. The historian Kenneth Pomeranz, in a meticulous study called The Great Divergence, estimated that as recently as 1800, the standard of living in the Yangtze Delta of China was broadly comparable to that in England. The divergence of the next two centuries — in which Western Europe leapt ahead and large parts of Asia, Africa, and Latin America fell catastrophically behind — was not the unfolding of a natural order. It was made. By specific decisions, specific violence, specific economic arrangements that transferred wealth from one part of the world to another.

Britain's Industrial Revolution — the origin point of modern prosperity — was not simply a triumph of English ingenuity. It ran on cotton picked by enslaved people in the American South. It was funded partly by the profits of the transatlantic slave trade, documented meticulously by the historian Eric Williams. Its textile mills undersold and destroyed the Indian cotton industry — at the time one of the most sophisticated manufacturing sectors in the world — through a combination of colonial policy, tariff manipulation, and raw power. The wealth that became British industrial capital was partly generated by the deliberate deindustrialization of others.

This is not ancient grievance. It is the foundation of the current distribution of wealth and poverty. And it connects directly — not metaphorically, directly — to the present.

The African Case: A Continent Made to Bleed

Africa's encounter with modern global capitalism is, in many respects, the most concentrated and instructive illustration of how poverty is made rather than found. The Berlin Conference of 1884–85, at which European powers divided Africa among themselves with cartographic precision and zero African representation, produced a

set of borders drawn by men who had never walked the land they were partitioning. These lines cut through ethnic communities, split watersheds, severed trade routes, and dismantled political formations that had been developing their own institutional complexity for centuries. The Asante kingdom in what is now Ghana; the Benin Empire; the Zulu state; the sophisticated trading cities of the East African coast — all of these were disrupted, subordinated, or destroyed by the colonial encounter.

What replaced them was not development. It was reorganization for extraction. Colonial economies across the continent were structured around a single logic: Africa would provide raw materials, and Europe would provide finished goods. Cash crop monocultures — cocoa in Gold Coast, groundnuts in Senegal, cotton in Uganda, copper in Northern Rhodesia — replaced diverse agriculture. Hut taxes and poll taxes, payable only in colonial currency, forced Africans off subsistence land and into wage labor on European farms and mines. Education systems were designed to produce clerks and catechists, not engineers or industrialists. Infrastructure, as Dr. Osei told me on the expressway, was built outward.

When the independence movements swept the continent in the late 1950s and 1960s, they inherited economies structurally calibrated to serve others. The more sophisticated leaders understood this with unusual clarity. Kwame Nkrumah, Ghana's first president, was a trained political philosopher as well as a liberation leader, and his concept of neo-colonialism — the idea that formal political independence could coexist with continued economic dependency — was not rhetoric. It was analysis, and accurate analysis. He argued that without control over one's own economic structures, political sovereignty was theatrical.

Nkrumah acted on this analysis. He nationalized key industries, built the Akosombo Dam for electricity, invested in education at a scale Ghana had never seen, and attempted to process Ghana's resources domestically rather than exporting them raw.

In 1966, while attending a summit in Hanoi, he was deposed in a military coup. The CIA's involvement has since been documented in declassified files, and it was not surprising: Nkrumah's economic nationalism threatened Western corporate interests that had been extracting value from Ghana for decades and preferred to continue doing so.

> ***Africa is not poor. Africa has been, and continues to be, made poor. The distinction is not semantic. It is the difference between a diagnosis and a sentence — between a condition that has causes and can therefore be addressed, and a verdict that has been passed and must simply be endured.***

The story repeats with local variation across the continent. Patrice Lumumba of the Congo, who was assassinated in 1961 with Belgian and American complicity, within months of independence, because he intended to use Congo's extraordinary mineral wealth for Congolese development. Thomas Sankara of Burkina Faso, who reduced the country's foreign debt, achieved food self-sufficiency, and built thousands of schools and health clinics in four years, before being assassinated in 1987 in a coup widely attributed to external instigation, partly because he refused to service a debt he argued had been imposed through coercion. The pattern is consistent enough to constitute a policy.

Structural Adjustment: Development by Subtraction

When the global debt crisis of the late 1970s and early 1980s struck — driven by rising interest rates on loans African governments had taken at the petrodollar-flooded banks of the 1970s, combined with collapsing commodity prices — the International Monetary Fund and World Bank arrived with conditions. The

conditions were: privatize state enterprises, cut public spending, liberalize trade, devalue the currency, and open capital accounts.

These were sold as the rational medicine of economic science. They were, in practice, an ideology — the Washington Consensus — applied with the rigidity of dogma and the leverage of necessity. Countries that could not service their debts had no choice but to accept the terms. And the terms, implemented across much of sub-Saharan Africa through the 1980s and 1990s, produced results that were, by almost any measure, catastrophic for ordinary people.

Zambia is the sharpest example. In 1970, Zambia had a per capita income comparable to South Korea's. It had a functioning copper industry, an expanding civil service, a healthcare system that was reaching rural areas, and secondary school enrollment rates that were competitive with the region. By 2000, after two decades of structural adjustment, the copper industry had been sold to foreign buyers at below-market prices, public spending on health and education had collapsed, real wages had fallen for the majority, and Zambia was classified among the Heavily Indebted Poor Countries. South Korea, which had also received World Bank advice throughout this period and had largely ignored it in favour of active industrial policy and strategic state direction of investment, had become one of the world's higher-income economies.

The comparison is not incidental. It is the argument. The policies that made some countries rich — protectionism, industrial policy, directed credit, patient state investment in infrastructure and education — were the policies that the Washington Consensus told African governments to abandon. The prescription was one that no rich country had ever actually used to get rich.

The Modern Extraction

The extraction did not stop with colonialism or structural adjustment. It changed form. Today, according to estimates from the Global Financial Integrity initiative, illicit financial flows out of Africa — through trade mispricing, tax avoidance, capital flight, and corruption — exceed the combined total of foreign aid and foreign direct investment coming in. The continent is, in net terms, a creditor to the rest of the world. It is financing global prosperity, not the other way around.

The mechanism is worth understanding in detail, because it is banal in a way that is more damning than drama. A mining company operating in, say, Zambia or the DRC will structure its operations through a network of subsidiaries in different jurisdictions. The subsidiary in Zambia — where the ore is extracted — sells the ore to a related company in a low-tax jurisdiction at an artificially low price. That company then sells it at the actual market price, and the profit — the difference between the transfer price and the real price — is booked where taxes are low. This is called transfer pricing manipulation, and it is legal. It is also, in its aggregate effect across hundreds of companies and decades, an enormous transfer of wealth from some of the world's poorest countries to the shareholders and tax havens of the wealthy world.

A government trying to stop this faces a structural disadvantage. The company's lawyers and financial engineers have spent careers designing these structures. The government official across the table, earning a fraction of a fraction of what they earn, may lack the technical expertise to identify what is being done, let alone the legal capacity to challenge it. The contract that gets signed will often include stabilization clauses preventing the government from changing its terms, even if the law changes. Reviewed by outside experts, these contracts tend to look less like negotiations between equals and more like sophisticated extractions from parties who did not fully understand what they were agreeing to.

Part Four: Inequality Is Everywhere — But Not the Same Everywhere

Rich Countries and the Politics of Upward Redistribution

There is a common assumption that income inequality is primarily a story about poor countries — that it is the natural state of places that haven't yet developed. The story of the past fifty years in the rich world has thoroughly discredited this assumption. In the United States, the Gini coefficient rose from roughly 0.35 in 1979 to over 0.49 by 2019. The share of total income going to the top 1% of earners doubled over roughly the same period. Median real wages — the wages of actual working people, in the middle of the distribution — barely moved for three decades, even as the economy grew substantially. The gains of growth were captured, with extraordinary precision, by those who already had.

The causes are not mysterious. Union membership in the United States fell from roughly 35% of the workforce in the 1950s to under 10% today, eroding the primary mechanism through which workers had previously been able to claim a share of productivity gains. Tax policy shifted repeatedly in favour of capital over labour — capital gains taxed lower than wages, estate taxes weakened, top marginal rates cut from 91% in the 1950s to 37% today. Financial deregulation created an enormous sector that generated spectacular returns for a small number of people. Healthcare and higher education costs rose catastrophically, converting what had been pathways to middle-class stability into sources of crushing debt.

None of this was accidental. It was legislated, at each step, by governments responding to the political pressure of organised money. The economists Emmanuel Saez and Gabriel Zucman have documented this with a precision that leaves little room for alternative interpretation: the concentration of wealth at the top of American society correlates not with any accelerating technological imperative but with specific policy changes made at specific moments under specific political conditions. It looks, in other words, like a political choice. Which means it could, at least in principle, be politically unmade.

The Post-Soviet Catastrophe: When Ideology Killed People

Nowhere has the failure of a particular economic ideology been more physically measurable than in the post-Soviet transition of the 1990s. When the Berlin Wall fell, there was genuine widespread belief — from Warsaw to Vladivostok, and among the Western economists who flew in to advise the transition governments — that rapid market reform would produce rapid convergence with Western prosperity. The prescription was shock therapy: simultaneous liberalization of prices, trade, and capital, combined with mass privatization of state enterprises, implemented as fast as possible to prevent political reversal.

What followed, particularly in Russia, was an event without modern peacetime parallel. Shock therapy in the specific conditions of a society with no property rights tradition, no banking system capable of allocating capital efficiently, no legal infrastructure for contract enforcement, and decades of suppressed inflation produced an economic catastrophe. State enterprises were privatized in ways that resembled organized looting: vouchers distributed to the population were bought up for trivial sums by insiders with political connections, who acquired factories, oil companies, and media outlets for fractions of their value. The oligarchs who emerged

from this process were not Schumpeterian entrepreneurs who had built something. They were the beneficiaries of one of history's most extraordinary transfers of state-built assets to private hands.

Russian male life expectancy fell by six years between 1989 and 1994. That is not an abstraction. Six years of life expectancy, in peacetime, in a country not experiencing famine. Men drank themselves to death. They died from a healthcare system that had collapsed. They died from the psychological devastation of losing not just employment and income but social identity, collective purpose, and a comprehensible narrative of the world. They died from what happens when an ideology is applied to human beings with more certainty than the evidence could possibly justify.

Asia's Heterodox Lesson

Set against the post-Soviet catastrophe — and against the stagnation of structurally adjusted Africa — the East Asian development record stands as perhaps the most important empirical fact in contemporary political economy. And what it shows, unambiguously, is that the countries that developed most successfully in the twentieth century did not follow the free-market prescriptions they were given. They followed a different playbook entirely.

South Korea protected its infant industries behind high tariffs, directed credit to priority sectors, ran nationalised banks that allocated investment according to government development plans, heavily subsidized exports, built national champions, and repressed labour organisation to keep wages low enough to support manufacturing exports — policies that would today attract condemnation from the IMF and WTO. It also invested massively in universal education and land reform that broke up the old feudal structure and created a more equal base from which growth could happen. The result was growth rates averaging over 7% annually for more than

three decades and a transformation from a country poorer than many in sub-Saharan Africa to a high-income economy in a single generation.

China's story is even more dramatic and even more heterodox. The largest reduction in poverty in human history — lifting several hundred million people out of destitution in roughly thirty years — was achieved not through market liberalisation but through a carefully sequenced combination of agricultural reform, export manufacturing supported by deliberate state policy, controlled capital flows, maintained state ownership of banks and strategic industries, and gradual market opening managed at the pace the developmental state chose rather than at the pace foreign investors preferred. China has not followed the Washington Consensus. It has built an economy that is, whatever its other failures, spectacularly more prosperous than it was.

The lesson that political economists draw from this — and that mainstream development economics has resisted drawing, partly for ideological and partly for institutional reasons — is that development is not a matter of liberalizing markets and waiting for growth. It is a matter of building state capacity, investing in public goods, deploying industrial policy selectively and intelligently, and managing integration into the global economy in ways that protect domestic capacity rather than expose it prematurely to competition it cannot survive.

Latin America: Inequality as Inheritance

Latin America is neither poor nor equal, and understanding why requires understanding history. The continent has enormous natural resources, high rates of urbanization, and per capita incomes that put most of its countries firmly in the middle income range. It is also, consistently, the most unequal region in the world.

And the inequality is not incidental to the development failure — it is its primary cause.

Brazil's Gini coefficient has hovered around 0.53 for decades — one of the highest in the world. The explanation runs directly back to institutions: slavery, which persisted until 1888, later than anywhere else in the Americas; a land distribution pattern that concentrated vast landholdings in the hands of a tiny elite from the colonial period onward; and an educational system that, through most of the country's history, served the elite and neglected everyone else. These are not cultural traits. They are institutional inheritances — the legacies of specific choices made centuries ago and never fully reversed.

Bolivia offers a partial counterexample worth studying. Under Evo Morales from 2006 to 2019, Bolivia used the revenues from nationalised natural gas to fund social programmes — cash transfers, universal pensions, investment in education and healthcare — on a scale the country had never seen. Poverty fell from 60% to roughly 35%. Extreme poverty fell by more than half. The economy grew faster than the Latin American average. Morales was, by the standard metrics, one of the more successful development leaders of his era. He was also removed from power in 2019 in circumstances that most independent analysts have described as a coup, partly because his resource nationalism threatened the interests of foreign companies and domestic elites who had not previously shared Bolivia's wealth.

The pattern should be familiar by now. The same pattern that removed Nkrumah in Ghana and Lumumba in the Congo. The political economy of change is not just a matter of having the right policies. It is a matter of surviving the resistance of those whose interests are threatened by the policies.

— — —

Part Five: The Stories We Tell About Why People Are Poor

The Ideology of Inevitability

Every durable system of inequality needs an intellectual justification — a story that explains to the many why the concentration of wealth and power in the hands of the few is natural, deserved, or inevitable. Without such a story, the arrangement is too obviously unstable. It depends only on force, and force is expensive to maintain.

Feudal inequality was justified by divine order: the king ruled because God had appointed him; the serf served because the social hierarchy reflected a cosmic plan. Colonial inequality was justified by race science: European domination was a civilizing mission, a burden assumed by a superior people for the benefit of those not yet ready to manage their own affairs. Industrial capitalism's early inequality was justified by social Darwinism: the fittest rose; poverty was not a social condition but a natural verdict on individual fitness.

Contemporary inequality has its own ideology, and it is considerably more sophisticated than its predecessors, which makes it more effective. It runs roughly like this: markets are efficient allocators of resources; individuals succeed or fail primarily based on their own effort and choices; inequality reflects the natural distribution of talent and ambition; redistribution creates perverse incentives and reduces the overall size of the pie; growth, not distribution, is the route to shared prosperity; and the policies that have made wealthy nations wealthy — open trade, deregulated markets, strong property rights, limited government — should, if applied consistently, produce convergence everywhere.

This ideology is not entirely false, and that is what makes it so durable. Markets do allocate certain resources with impressive efficiency under certain conditions.

Individual effort does matter. Perverse incentives are real. But the ideology works by universalizing partial truths in ways that conveniently strip away the context that would complicate them. It presents the outcomes of historically specific choices — colonial extraction, institutional exclusion, rigged trade rules, deliberate deindustrialization — as the neutral results of market forces. It locates the causes of poverty in the poor themselves — their culture, their governance failures, their institutions — rather than in the global economic architecture that shapes the conditions within which they must act.

When a young economist in Accra or Lagos or Nairobi asks why her country is poor and receives an answer centred on corruption and ethnic conflict and bad governance, that answer is not wrong. Corruption is real. Ethnic conflict is real. Bad governance is real. But framed as primary causes rather than as symptoms of deeper structural conditions — and framed in ways that locate the problem inside Africa rather than in the relationship between Africa and the global economic order — the answer performs a political function. It redirects attention from the architecture to the occupants. It says: the problem is you, not the structure you were handed.

The Seduction of Identity Politics

There is a related phenomenon that political economists have struggled harder to explain through the lens of rational interest theory: the regularity with which poor people vote for, support, and organise themselves around political projects that have minimal economic content for them, or that actively serve the interests of the wealthy.

The American working class that supports tax cuts for the wealthy while opposing the social programmes that benefit them. The Indian voter who mobilises enthusiastically behind Hindu nationalism while the economic distance between the bottom and the top of the distribution grows wider. The Nigerian voter who supports a politician

from his own ethnic group despite that politician's record of diverting the revenues that should build schools and roads. These are not inexplicable anomalies. They are predictable responses to specific conditions.

When people cannot rely on formal institutions to protect their basic security — when the state does not reliably provide healthcare, education, or justice — they rely on informal networks, and those networks are typically organised along lines of ethnicity, religion, and kinship. In these conditions, supporting a politician from your ethnic group is not irrational. It is a rational insurance mechanism in a world where formal insurance does not exist. The politician may be corrupt, but he is your corrupt politician, and when the chips are down, he is more likely to send the ambulance.

The tragedy of this logic is that it fragments the political coalitions that might otherwise press for the institutional changes that would make the ambulance available to everyone. When the poor vote along ethnic rather than economic lines, political competition offers cultural representation rather than material change. The wealthy — whose identity is secured by their wealth and who need no ethnic patron to deliver the ambulance — can afford to vote their economic interests. The poor, divided by the very conditions that make their poverty hard to escape, cannot.

When the Whole World Is the Trap

Even when countries develop the domestic political will to pursue redistributive policies, they face a global economic environment that systematically constrains what they can do. This is perhaps the most underappreciated dimension of the political economy of inequality — the way in which the international financial architecture limits the policy space of governments, especially poor governments, in ways that preserve the advantages of wealthy countries.

Take corporate taxation. If a government decides to raise its tax rate on corporate profits to fund public investment, the corporations most able to pay — the multinationals that generate large profits from operations in many jurisdictions — can and do respond by moving their taxable profits to lower-rate jurisdictions. The government must choose between lower taxes or capital flight. The rational response, for any individual government, is to keep taxes competitive — and so every government does, and the result is a global race to the bottom in corporate tax rates that has hollowed out public revenues worldwide for three decades.

This is not a failure of any particular government. It is a structural feature of a global economy that has liberalised capital flows without building the governance institutions to manage the consequences. Capital is mobile; workers are not; and the asymmetry means that capital can play countries off against each other in ways that workers and citizens cannot. The leverage that workers exercised over capital in the post-war decades — leverage that produced the welfare states and trade unions that compressed inequality in rich countries — was leverage that capital immobility created. Globalisation, by restoring capital mobility, has undermined that leverage without replacing it with anything at the international level. The result is that the nation-state still bears the responsibility for citizen welfare but increasingly lacks the fiscal capacity to fulfil it.

— — —

Part Six: What Change Looks Like, and Why It Is Hard

The Evidence on What Works

It would be a dishonest essay that catalogued the causes of poverty without spending equal time on the evidence of what has actually worked to reduce it. Because some

things have worked — dramatically, measurably, reproducibly — and they offer more than hope. They offer a blueprint, if anyone is willing to read it seriously.

Land reform has been among the most reliable pathways to rural poverty reduction wherever it has been implemented thoroughly. Taiwan's land reform in the 1950s, South Korea's comparable program, the redistribution of land in post-independence India's more progressive states like Kerala and West Bengal — all of these broke the economic and political power of large landowners who had used their control of productive assets to extract wealth from the landless, and created the conditions for broader-based development. The countries that did not implement meaningful land reform — Brazil, Guatemala, Colombia — are still paying the price in rural poverty and inequality a century later. The relationship is clear enough to constitute something close to an empirical law.

Universal public services — free or heavily subsidized education, healthcare, housing, and transport — have consistently been the mechanisms through which inequality has been most durably compressed in societies that have achieved it. The Nordic countries have the lowest Gini coefficients among developed nations not because their markets are managed by genius or their citizens are uniquely virtuous, but because they built comprehensive welfare states funded by progressive taxation, supported by strong trade unions, and sustained by political coalitions that understood that shared prosperity was more stable than concentrated wealth. These are not natural outcomes. They are policy choices — choices that were fought for, sustained against opposition, and can be dismantled if the political conditions allow.

Industrial policy — active state support for domestic industrial development, including protections for infant industries, directed credit, and strategic investment in research and development — has underpinned virtually every major development success story in recorded history, from the United States in the nineteenth century

(which built its industrial base behind some of the world's highest tariff walls) to East Asia in the twentieth. The doctrine that free trade is always optimal for development is contradicted by the actual history of how wealthy nations became wealthy. It is sustained by the interests of those who are already competitive and prefer to face competitors without protection.

International financial reform — binding agreements to combat illicit financial flows, meaningful debt restructuring that does not require austerity, reform of the IMF's governance to give developing countries real voice, and international minimum tax agreements that prevent the race to the bottom — would, according to serious estimates, free up more resources for development than the entire global aid budget many times over. The G7 agreed in principle to a global minimum corporate tax in 2021. The implementation has been slower, more riddled with exceptions, and less ambitious than the principle suggested. This is what the political economy of change looks like from the inside: partial, contested, slower than the urgency demands.

The African Agenda

For Africa specifically, the structural agenda for shared prosperity is not mysterious. It requires, at minimum, significant domestic resource mobilization — taxing extractive industries at rates that reflect the actual value of what is being removed, and taxing the wealthy at rates that do not permit the kind of evasion that presently occurs. It requires renegotiating trade relationships to create space for industrial policy — the EU's Everything But Arms arrangement and similar preferential access schemes could be restructured to allow African governments to add value to their own resources rather than exporting them raw. It requires regional integration serious enough to create markets large enough to support domestic manufacturing — the African Continental Free Trade Area represents the most ambitious attempt at this in a

generation, and its early signs are more promising than the sceptics predicted. And it requires the radical reform of the global financial architecture, beginning with automatic information exchange to combat illicit flows and meaningful debt restructuring that releases fiscal space for investment.

None of this is impossible. Some of it is already happening. Rwanda, for all its deficits in political freedom, has built governance institutions of unusual quality and invested systematically in health and education at rates that have produced some of the most dramatic improvements in human development indicators on the continent. Ethiopia is attempting to use the Grand Ethiopian Renaissance Dam to break its energy deficit and create the electricity supply that manufacturing needs. Ghana's universal senior high school programme, whatever its implementation challenges, is a recognition that education is the single most powerful investment a society can make in its own future — a recognition that every wealthy country acted on a century ago.

These examples do not represent a solution. They represent evidence that solutions are possible, that the variables are not fixed, and that the choices made by governments, citizens, and the international community matter more than any theory of inevitability would suggest.

The Power Question, Which Never Goes Away

And yet here we return to Dr. Osei's point, which is the oldest and most resistant point in all of political economy: the problem is not, and has never primarily been, knowledge. We know what works. The problem is power.

The policies that would most effectively reduce inequality — progressive taxation that is actually enforced, land reform, industrial policy, universal services, international financial regulation — all require taking something from those who have it and giving it, in some form, to those who don't. Those who have it have, by definition, the

capacity to resist. And they exercise that capacity, consistently, with intelligence and resources and patience, in every country and in every era.

Every major expansion of economic inclusion in history has required sustained political struggle against organized opposition. The labor movements that built the European welfare state were not politely invited to share in prosperity. They organised, they struck, they were arrested and beaten, they rebuilt themselves, and over decades they built enough collective power to impose reforms on elites who would not have chosen them voluntarily. The post-war settlement in which European capital accepted the welfare state was driven partly by the fear — given what had happened in Russia and what was being promised by communist parties across Europe — that the alternative to reform might be replacement.

The decolonisation movements that ended formal empire were not granted independence by newly generous colonial powers. They were won — through decades of organising, agitation, civil disobedience, armed struggle, diplomatic pressure, and the sheer, accumulated moral weight of people refusing to accept the terms they had been assigned.

What history tells us, in other words, is that the question for those who care about poverty is not primarily 'what is the right policy?' It is 'what are the political coalitions that could demand better policy, and what would it take to build them?' These coalitions look different in different contexts. In some places they are trade unions. In others they are social movements, or political parties, or reform coalitions within governments, or international civil society organisations that build pressure at the level where the rules are set. But they share a common requirement: the organized power of the many, sustained over time, against the organized resistance of the few who benefit from things as they are.

— — —

Epilogue: The Boy at the Interchange

On the way back from Ibadan, we stopped at a food stall just past Sagamu — one of those miraculous Nigerian enterprises that produces, from a small fire, two pots, and an improbable organisation of ingredients, something that tastes like civilization itself. We ate jollof rice and fried plantain and argued about Ha-Joon Chang's industrial policy thesis versus Acemoglu's institutional determinism, about whether the AfCFTA had a real chance, about whether China's success was replicable or was too historically specific to serve as a model.

At one point, a boy came to the car window. He was perhaps ten years old. He wore a school uniform — white shirt, dark trousers, the collar fraying slightly at the edge — and he carried sachets of pure water in a black polythene bag. He had been working the road, I guessed, for most of the afternoon. He was bright-eyed and businesslike and he gave change with the focused care of someone who could not afford to make arithmetic errors.

Dr. Osei watched him go — watched him move to the next car with the same quiet discipline — and when he turned back to me, he said this:

> **Dr. Osei:** *That boy is probably as intelligent as anyone at any university in this country. Possibly more. But his entire life will be shaped not by how intelligent he is, not by how hard he works, not by the content of his character, but by the circumstances he was born into. That is what inequality is. Not a coefficient. Not a Gini score. Not a line on a chart. It is a ten-year-old boy selling water on a highway on Saturday afternoon because the system that should have provided for his family hasn't, and so his family needs him to provide.*

I thought about that boy often in the weeks that followed. I thought about what his life might look like in a different version of the same country — one in which Nigeria had built the tax base to fund the schools that should have been free, in which the roads were maintained not as occasional political gestures but as a structural commitment to public infrastructure, in which the oil revenues stayed in Nigeria and funded clinics and scholarships instead of disappearing through the mechanisms that Dr. Osei had spent his career documenting. I thought about the fact that none of those things were impossible. None of them required a miracle of human nature or a revolution in technology. They required choices.

That is what political economy, at its most humane and most honest, insists upon: that the world is as it is because of choices, not fate. Colonial extraction was a choice. Structural adjustment was a choice. Transfer pricing manipulation is a choice. The race to the bottom in corporate taxation is a choice. The underfunding of African schools is a choice. The luxury estate built on the land of a displaced community is a choice. Choices made by specific people in specific moments with specific interests — and therefore choices that could, in principle, be made differently.

The gap between the world we have and the world we could have is not primarily a gap of resources. The world produces enough food to feed everyone alive. It generates enough wealth to house everyone. The knowledge exists to prevent most of the childhood deaths that still happen, to make the diseases of poverty manageable or curable, to educate every child who would benefit from education. What is missing is the political economy to distribute what exists — the institutional arrangements, the power balances, the collective will — to ensure that the abundance of the twenty-first century reaches the people who have been deliberately kept from it.

> ***The real question is not whether we can end poverty. We can. It is whether we can build the political conditions in which ending it becomes more attractive***

> ***to those with power than perpetuating it. That is a harder question. But it is the honest one.***

And it begins, perhaps, where most hard things begin: with two people in a car, stuck in traffic, willing to ask the question that changes how you see everything after.

Because once you see the boy at the interchange clearly — not as background, not as local colour, not as an unfortunate statistic in a development report, but as a specific human being whose life is being shaped by choices that other people made and that other people could unmake — you cannot unsee him. And the discomfort of having seen him, if you let it, becomes the beginning of something.

Maybe that is enough to start with.

End.