The crises we choose

The annual meetings of the World Bank and the International Monetary Fund (IMF) are normally occasions where the establishment reinforces its faith in these institutions and the policy ecosystem presents its latest box of clever policy gadgets. This time is different because the world has changed. Two of these changes have caught the attention of the rich world. The need to urgently address the coming global recession, which, given war and elevated energy prices will likely be accompanied by high core inflation, has brought forth commentary from the best and the brightest and an expectation that multilateral institutions will rise to the challenge even if national governments falter.

The urgent imperative to scale up financing to invest in limiting climate change (now hopelessly conflated with the energy transition and little else given the strategic cost of fossil fuel dependence that the West is facing) means advocacy for the multilateral institutions to make this a lending priority. "Loss and damage" from historic climate debauchery by rich countries is on the back burner; but campaigns to shame the World Bank for investing in fossil fuel-based industries continue apace.

RATHIN ROY

Washington-based commentators call this a polycrisis[1]. But they, the rich country ecosystem, and the climate police that monitors investing to ensure its compatibility with "net zero" are noticeably silent on a third change that has been highlighted in a recent report by the World Bank[2]: The pandemic increased the global extreme poverty rate from an estimated 8.4 per cent in 2019 to 9.3 per cent in 2020, decades of global income convergence giving way to global divergence. Incomes in the poorest countries fell much more than incomes in rich countries. Global inequality rose for the first time in decades. The richest economies have recovered from the pandemic at a much faster pace than low- and middle-income economies in which geographies the bulk of those in extreme poverty live. By the end of 2022, as many as 685 million people could still be living in extreme poverty.

The polycrisis that worries the rich certainly has huge implications for poorer geographies and those less prosperous everywhere. Inflation will hurt the poor the hardest. But the rich will be reluctant to compensate for this as they secure their own future prosperity. This is causing serious ruptures in international economic relations. Thus, in Britain, the chancellor, having messed up the policy response to a difficult stagflationary situation, is contemplating withdrawing from international commitments. The home secretary rages about visa overstayers from India on the eve of a trade deal that the prime minister wishes to showcase as a significant step forward for global Britain, and which involves expanded skilled immigration from India. The US president is publicly threatening allies like Saudi Arabia for coordinating with Russia to limit petroleum output. The Chinese economic engine is diminished, propelling the Communist Party hereditary princelings that control the Chinese state to increase belligerence in Asia. The Europeans have turned to coal and nuclear power to counter the stranglehold that Russia has on their fossil fuel energy supplies that have secured a refined and cultured lifestyle for Europeans for many years now. They have embraced nuclear fuel as a Good Thing after hectoring and lecturing others for years about its evils.

In such a situation, expecting increased international and multilateral finance to be a silver bullet is a futile exercise in technocratic wishful thinking. What is required is statesmanship and increased international fraternity. A new analytical framework that recognises the polycrisis as a coincidence of outcomes caused by deep-seated flaws in global economic structure is of the essence. But status quo thinking continues to prevail. Thus, the stubborn refusal to work to reduce the trade-offs in consumption required to resolve the international sustainability crisis has now led to a situation where, in a time of war, it is clear that it is the developed world that is lifestyle-dependent on fossil fuels. A more equitable pathway to sustainability, with less consumed by the rich historic emitters and more by the poor, would have made this dependence less stark. Poorer countries would have been more prosperous if the unipolar focus of climate action on energy had been more multidimensional, focusing on things that matter for poorer geographies — food systems, urban and built environments, and biodiversity. This requires structural change, a pathway to end global warming that is not indifferent to *what* energy is used for and by *whom*. But there is a deafening silence on the subject, because structural change that inhibits today's fossil fuel billionaires from becoming tomorrow's climate billionaires cannot be sacrificed at the altar of inclusive global prosperity. There is neither the statesmanship nor the fraternity to do so, and the costs are socialised in climate inaction, rising extreme poverty and cost of living difficulties

The World Bank has done its job well by delivering the poverty message. It can do little more, as the pusillanimity of its recommendations indicate. Its majority shareholders have stagflation, war in their backyard, and high fossil fuel prices to worry about. The "polycrisis" ecosystem has little time for the inconvenient resurrection of yesterday's poverty problem. It is far more glamorous and lucrative to work on climate finance and macroeconomic challenges. Hence, you will not be seeing the *eminence grises* calling for urgent concerted international action on poverty at these annual meetings.

The writer is managing director, ODI, London. r.roy@odi.org. The views are personal

1. *"IMF-World Bank meetings are the last stop before a coming economic storm"* The Washington Post, *October 5, 2022*
2. *"Poverty and Shared Prosperity" The World Bank, 2022*