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Why the title of 'developing country' no longer exists

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They are exploited by ruthless multi-nationals. They are under the jackboot of champagne-swilling currency traders. They are in hock to the banks, crushed by unfair trade agreements, and their workers are virtual slaves, turning out clothes in sweatshops on starvation wages. To many people on the Left, vast parts of the world are impoverished by a greedy West, while the professional poverty industry insists that the world is becoming more and more unequal all the time.

But here is a strange thing. The World Bank has just decided to get rid of the term "developing countries". Why? Because these countries have become so successful, the World Bank has decided the term no longer has any real meaning. On the measures that actually count, such as infant mortality, life expectancy, educational standards, or public health, there isn't much difference any more between the "developed" and "developing" world. Those differences that do remain are more likely to be within countries than between them.

The change has been achieved through free markets, competition and more open and more liberal trade. Capitalism has worked remarkably well for most of what used to be regarded as the third world. It is about time that the Left, and indeed a lot of mainstream liberal opinion, caught up to the way that the global economy has changed – instead of constantly ramping up the rhetoric about how evil the West is.

When you look at the actual numbers, many of the traditional divisions turn out to be way past their sell-by-date. In its 2016 update of its Development Indices, the World Bank decided to get rid of the distinction between the "developing" world, defined as low and middle- income nations, and "developed" world, defined as high-income nations, across its whole range of statistics and programmes. The reason for that decision was fascinating. "There is no longer a distinction," it concluded.

On most crucial measures, that is certainly true. Take infant mortality and fertility rates, for example, which are often used as a proxy for the over-all well-being of a country. In 1960, there was a clear divide between a large group of counties where people had lots of babies, and a lot of them died, and a much smaller group where people had far fewer children, but almost all of them survived. Fast-forward to today, and pretty much every country has the same record.

Most countries in what had been classified as the developing world have made huge progress, and closed most of the gap. The World Bank cites the example of Mexico, which now has a gross national income (GNI) per capita of $9,860. It is ridiculous to bundle it in with a genuinely poor country such as Malawi, with a GNI of $250. Likewise, relatively few Mexicans are living in what the Bank regards as “absolute poverty” – less than 3pc of that country’s population are below that level.

Indeed, when you take the Bank’s overall measures of absolute poverty, which include such factors as having enough to eat, clean water, basic sanitation, access to reasonable healthcare, education, affordable energy and so on, there was no longer a meaningful distinction to be made between the developed and the developing world. The real differences are now more likely to be within particular countries.

We can see that even in this country – Glasgow now has a significantly lower male life expectancy than Vietnam (71 years against 75, in case you were wondering), but it doesn’t make much sense to re-classify Britain as a “developing” country just because some bits are very poor. There are similar pockets of deprivation within most advanced economies.

For all the talk of global poverty and inequality, the world has been making remarkable progress towards higher levels of prosperity. Take the World Bank’s extreme poverty measure, which it defines as living on less than $1.90 a day. Thirty years ago, that covered close on 40pc of the world’s population. Now it is less than 10pc. That is a dramatic shift in a relatively short period of time.

In the main, that has been driven by open markets, freer trade, and more competition – in other words by liberal capitalism. The American think-tank the Cato Institute has a remarkable graph showing the decline of poverty on one axis and the rise of economic freedom – as measured by declining levels of state control, the ending of restrictions on trade, and the enforcement of property rights – on the other. As economic freedom has risen, so poverty has declined, and that is true right across the world. From the collapse of communism in Russia and Eastern Europe, to the reforms in China, to the opening up of markets by successive trade agreements, to the free flow of people, goods and capital, and the globalisation of manufacturing, the entire world has made huge strides since the 1980s.

Many people in the poverty industry have tried to shift the goal posts by focusing on ownership of capital – always a lot less evenly distributed than income – or else by redefining poverty as “relative” rather than absolute, which means that just about all of us are always going to be poor compared to the people working at Goldman Sachs or Facebook. And yet those efforts are failing, and deservedly so.

The World Bank’s decision is just the latest example of that. Semantics matter. The titles of developed and developing world reinforce the sense that the global economy is split between the haves and the have-nots. The reality is very different. As long as we keep liberalising markets, the gap will close even more – so much so that the very idea of a “developing” world can be consigned to the dustbin.