1. Stylized facts
2. The questions for this conference
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Some stylized facts on inequality

- Global **relative** inequality has been falling, due to higher growth rates in developing countries.
- Rising relative inequality within some countries, falling in others.
- Inequality is creeping up on average **within** countries.
- Signs of inequality convergence; probably from policy convergence.
- Rising **absolute** inequality globally and within many countries.

Source: Created from data in Bourguignon (2016, Table 1).
Some stylized facts on poverty

- Declining **absolute** poverty measures in developing world.
- Less progress against **relative** poverty, which is now greater in the developing world.
- Less progress in lifting the floor; poorest often left behind =>
The poorest have been left behind!
Fewer people living near the floor, but little change in the floor
And globally it looks like this!

![Graph showing the distribution of global income growth from 1988 to 2008. The x-axis represents the percentile of the global income distribution, ranging from 0 to 100. The y-axis represents the absolute real gain, ranging from 0 to 30,000 dollars per person per year. The graph shows a significant increase in income for the top percentile, with a question mark indicating a gap in data.](image-url)
Some stylized facts on rural inequality and poverty

• Poverty rates are typically higher in rural areas.
  • Around 2/3 of the absolutely poor in the developing world live in rural areas.
• Human development indicators tend to be worse in rural areas.
• Public service provision is also worse.
• Income inequality tends to be lower in rural areas than urban areas.
• Signs of convergence between rural and urban areas, but uneven.
• Economic development can be good or bad for inequality, either nationally or within rural areas.
  • Depends on initial conditions and policies.
1. Stylized facts

2. The questions for this conference

• Do policies to reduce rural poverty also reduce rural inequality?
• Should we care if the answer is “no”? 

The two main drivers of rural poverty reduction have ambiguous implications for rural inequality

- Agriculture and rural development is often inequality and poverty reducing, but how much so depends crucially on the nature of the growth process and initial inequalities, esp., land.

- Urbanization is an important driver of overall poverty reduction:
  - Migration, labor absorption and remittances
  - Trade in common markets (incl. labor)

- But urbanization has ambiguous implications for rural inequality and national inequality. May well increase, at least initially.

- Urban poverty measures can rise in a process of overall (national) poverty reduction.
Should policy makers care about rural inequality?

• Maybe, maybe not!
• Danger in focusing on just one sector in an economy, esp., when linked to other sectors through migration.
• A poverty-reducing and growth-promoting development path could well increase rural inequality. It depends!
• High rural inequality may impede prospects for future rural growth.
• We need to un-pack “inequality”; some aspects matter more.
  • We need to focus on rural inequalities that impede poverty reduction and human development.
  • Inequality of opportunity: ground for consensus for action; this also means enhancing access of rural poor to urban opportunities.
  • Specific inequalities of gender, race, ethnicity.
Country stories: China

• Huge progress against **absolute poverty**, but rising inequality incl. rural.
• Rural economic development has been the main driver of overall poverty reduction over the last 40 years.
• **Agricultural growth** has been very strong predictor of overall inequality.
• Provinces with initially **high rural inequality** saw **less** subsequent growth and slower pace of poverty reduction.
• Key factor to pro-poor rural growth: **low inequality of land**.
• Legacies of past (esp., HD) and early agrarian reforms established basis for growth and poverty reduction
• **Urban economic development** played an important role in labor absorption from rural areas.
• Absorbing rural surplus labor is putting a break on rising inequality.
Country stories: India

• Like China, historically, agriculture and rural development have been more important for overall poverty reduction than urban development.
• Yet, weaker effects on poverty than for China, due to India’s high rural landlessness.
• Weak and slow linkages through labor market, though this is changing.
• Accelerating progress against absolute poverty in post-1991 period.
• This has come with rising inequality.
• Poverty and inequality convergence between rural and urban.
• It now matters less for India’s poor whether growth comes from urban or rural economies.
Economic growth has driven past progress against poverty, but inequality threatens that progress

• Growth has been distribution neutral on average: falling in some growing economies, rising in others.
• Growth has been the main proximate source of progress against absolute poverty.
• However, high and (often) rising inequality undermines future growth, and dampens its impact on poverty.
• Poor countries have a harder time growing their economy, and a harder time assuring that their growth is pro-poor.
• And uninsured risks galore, both macro and micro!
How to assure rapid poverty reduction?

• This requires successful action in fostering the conditions for continued, reasonably rapid, pro-poor growth
  • Poverty-reducing economic reforms. Making markets work better for poor people
  • Assuring that poor people are able to participate fully in that growth, which will in turn require that they have access to schooling, health care, labor-market opportunities and financial resources when needed

• Complementarity between pro-poor growth and pro-poor social policies, esp., human development and social protection.

• And it will need a measure of good luck:
  • Avoiding major crises (financial and agro-climatic)
  • Success in dealing with climate change
  • Continuing progress in global trade
How to achieve more pro-poor growth?

Literature and policy discussions point to the need to:
• Develop human and physical assets of poor people
• Make markets work better for them (credit, labor, land)
• Remove biases against the poor in public spending, taxation, trade and regulation
• Promote agriculture and rural development; invest in local public goods in poor areas
• Remove restrictions on migration
• Foster labor absorption from urban economies, esp., small and medium sized towns
A new role for redistributive interventions, but many challenges

• Success against relative poverty, lifting the floor and reducing inequality will almost certainly require more effective redistributive policies.
  • Challenges: Information, incentives, fiscal, political economy.
  • Excessive emphasis on fine targeting. Menu of options should include basic (full) income.
  • Protection + promotion; role for smart social policies.
  • Monitoring + evaluation.
  • No one evaluation method! Tailor to policy and setting.
  • Learn from both success and failures.
Further reading:

economicsandpoverty.com

Thank you for your attention!