

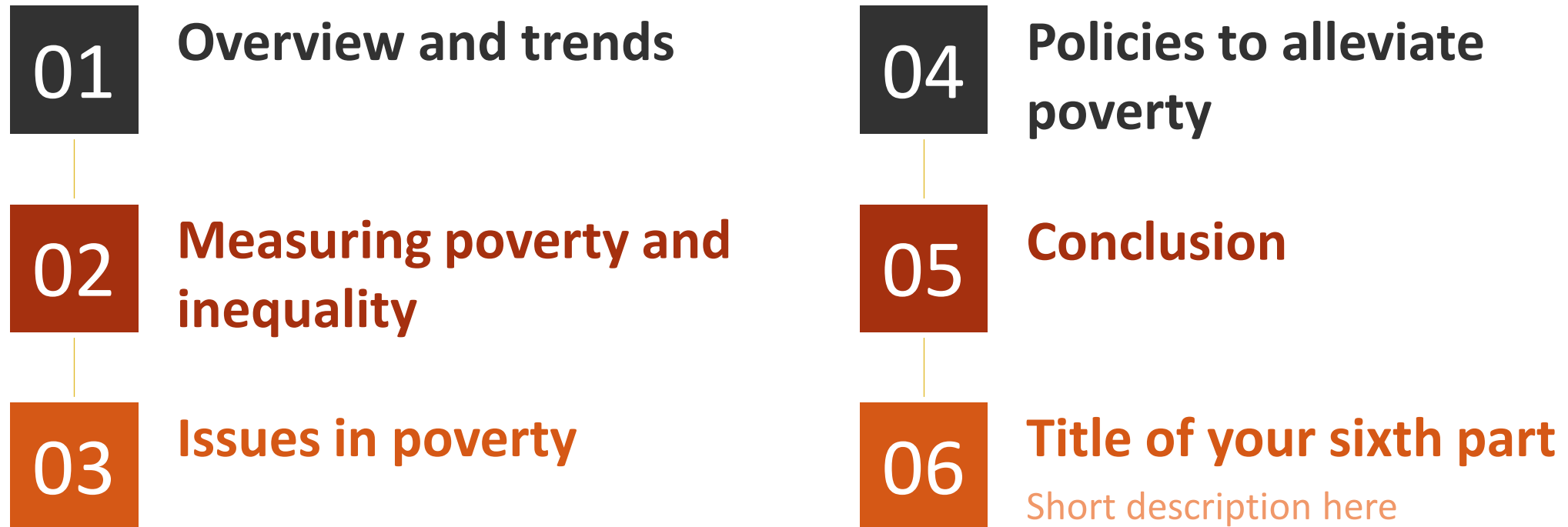


YOUR LOGO

# POVERTY AND INEQUALITY

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# Begin with an **outline** or **agenda** to give a big picture view



# Overview and trends

- Poverty is widespread; about 1.4 billion out of the world's population of 7 billion (roughly 20%) live below the poverty line which is \$1.25/day/person
- Absolute poverty exists because of low level of productivity and/or the lack opportunities to participate in the economy



# Overview and trends

- Raising people out of poverty requires economic growth; Without economic growth people will remain poor
- However economic growth alone is not sufficient; equitable distribution of income is also important



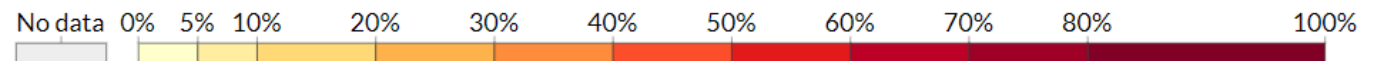
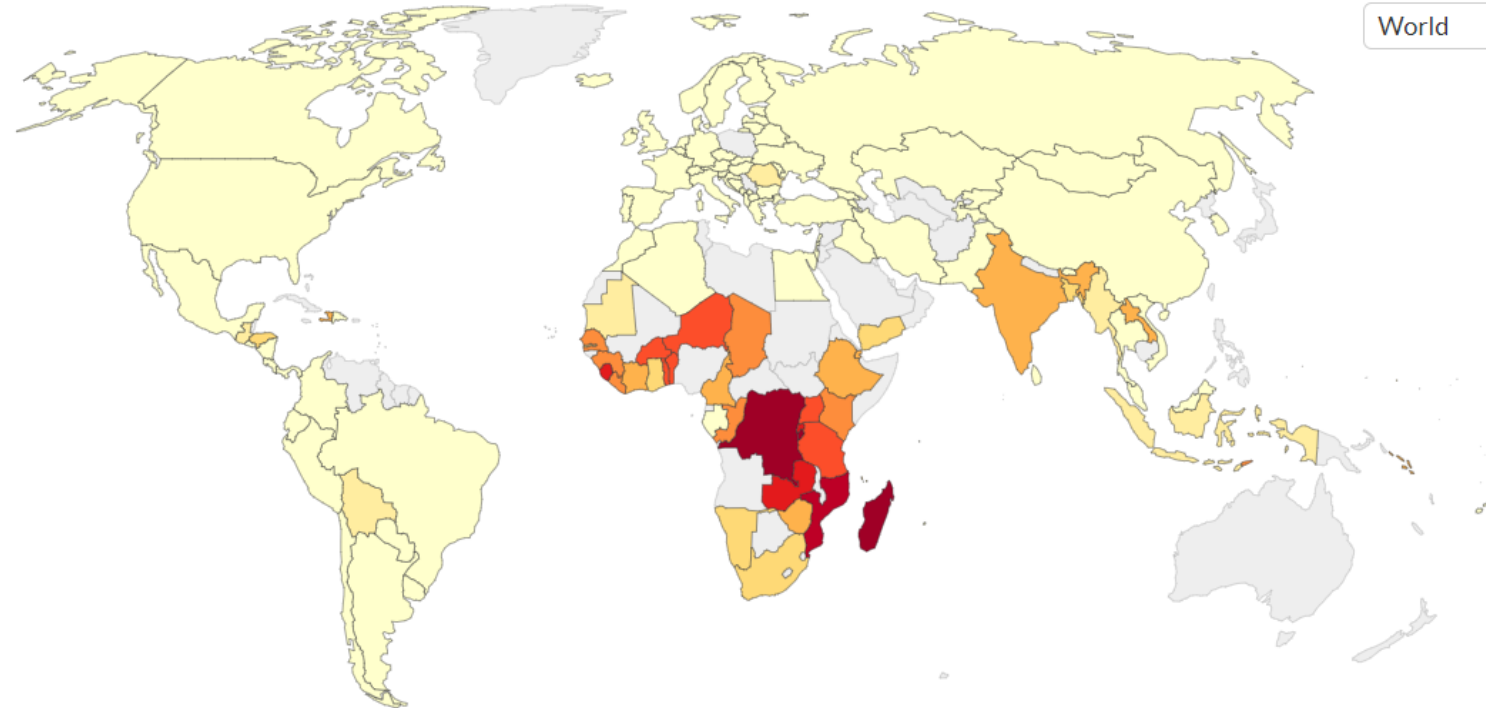
# The world poverty map

## Share of the population living in extreme poverty, 2017

The share of individuals living below the 'International Poverty Line' of \$1.90 per day.

Our World  
in Data

World



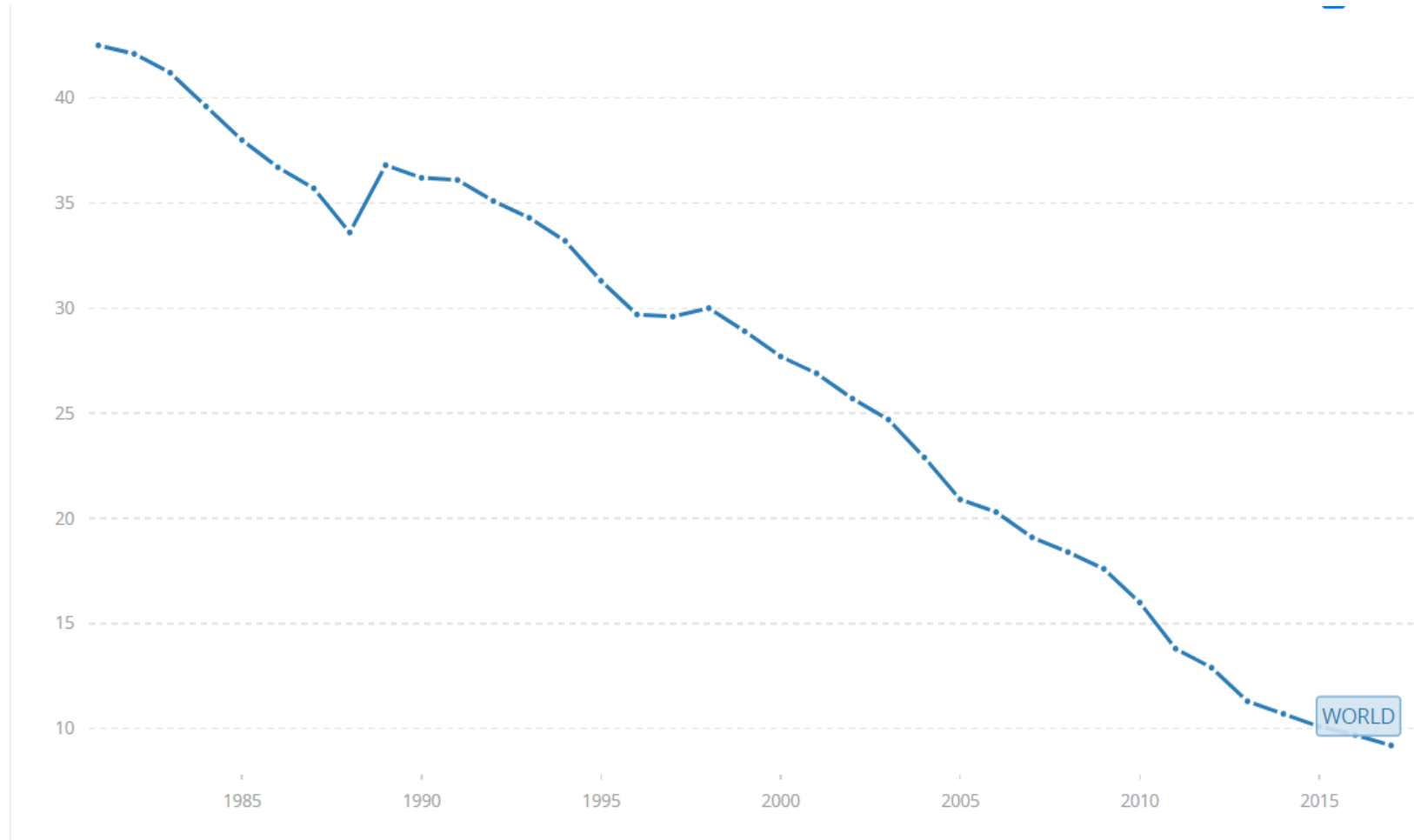
Source: World Bank

Note: Depending on the country and year, the poverty rate relates to either income or consumption. Figures are given in international-\$. This means they are adjusted for price differences between countries and adjusted for inflation to allow comparisons between countries and over time. Income/consumption is measured at the household level, and is assumed to be divided equally among all household members.

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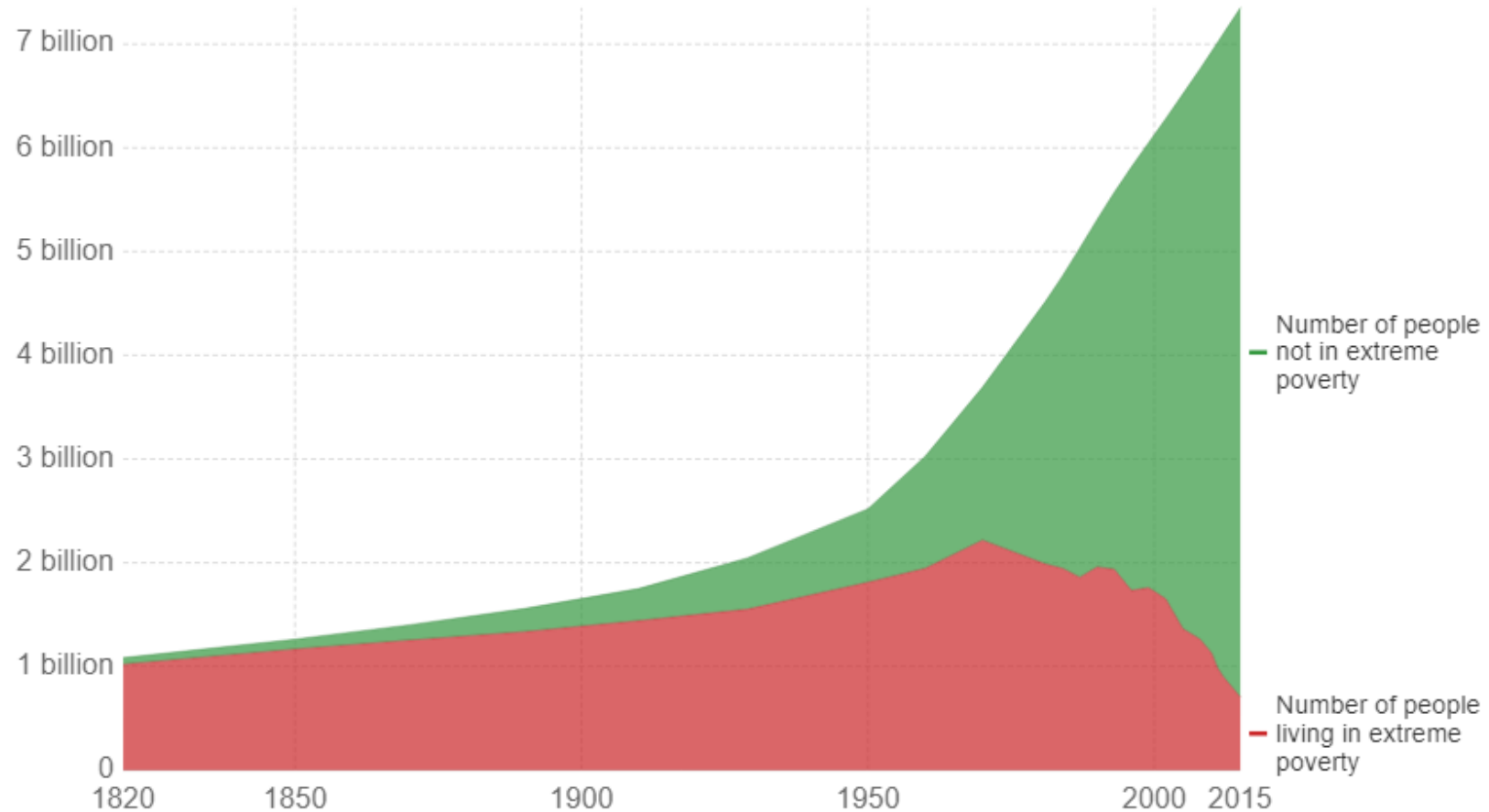
# Is poverty declining or increasing?

- Worldwide poverty is declining
- Percentage of people living below poverty line, 1980-2015, world figures



# Is poverty declining or increasing?

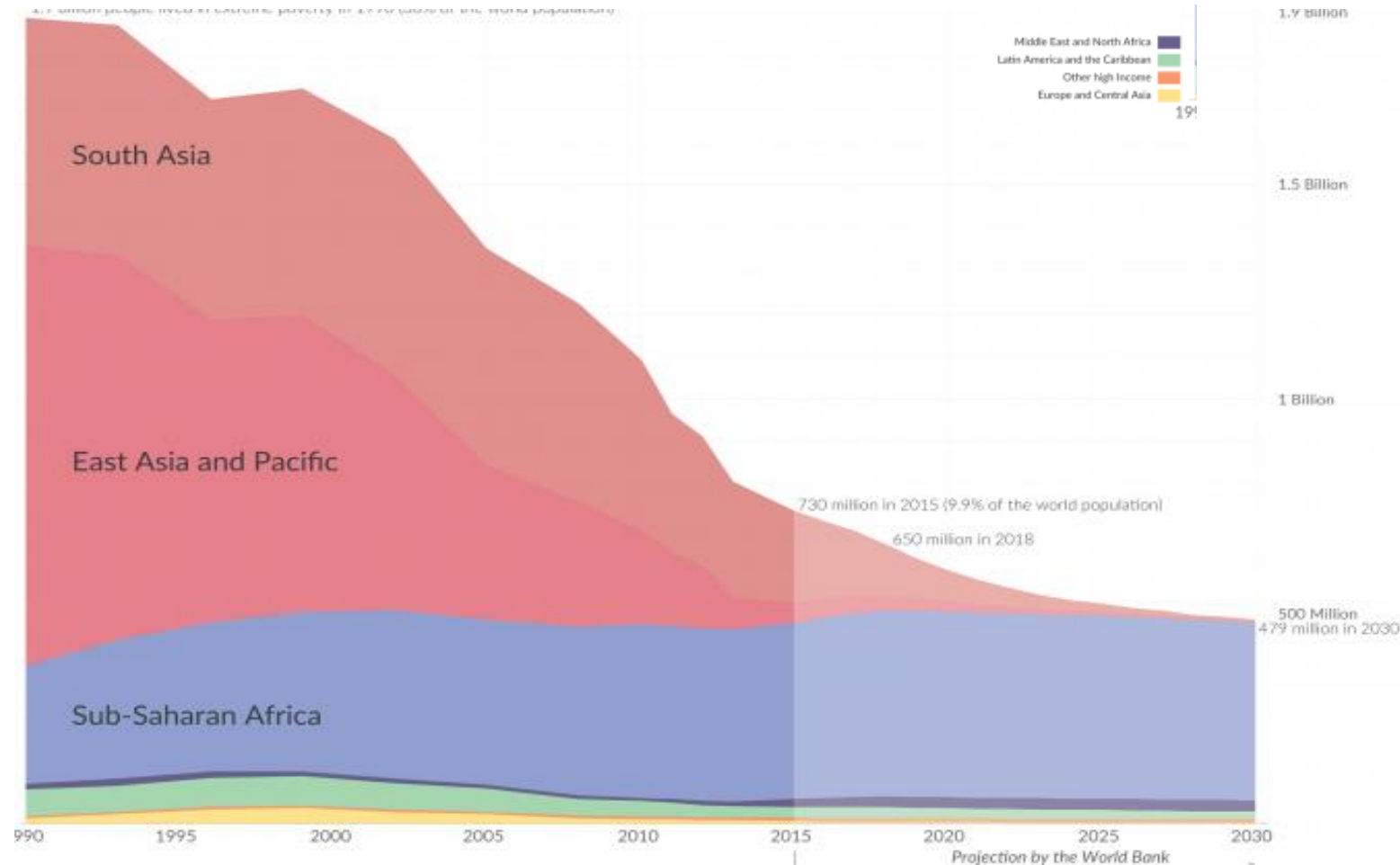
- However the absolute number remains high
- World population living in extreme poverty, 1820-2015



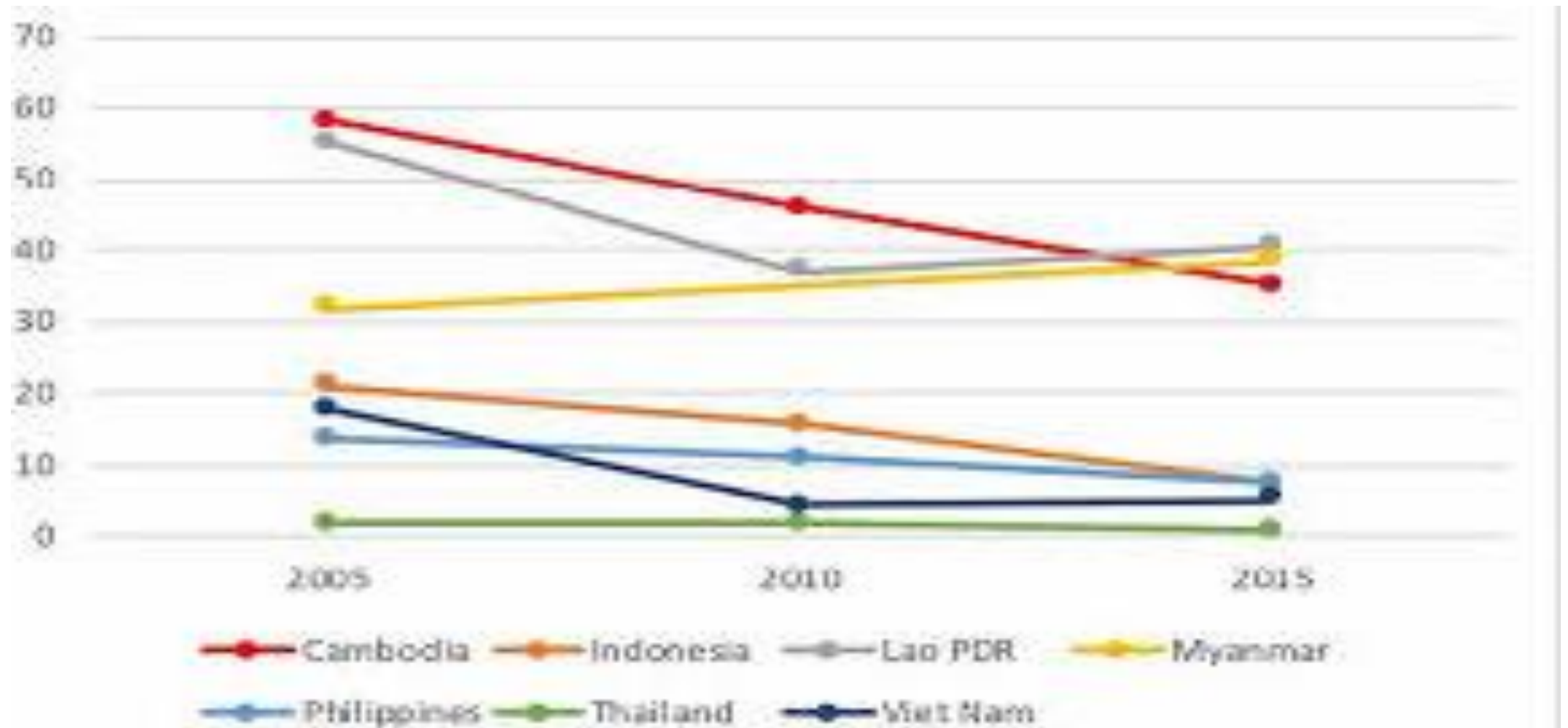
Source: World Poverty in absolute numbers - OWID based on World Bank (2016) and Bourguignon and Morrisson (2002)  
OurWorldInData.org/extreme-poverty/ • CC BY-SA

# Where the poor live

- In 1990, most of the poor lived in South Asia, East Asia, and Sub-Saharan Africa
- In 2015, most of the world's poor lived in South Asia and Sub-Saharan Africa; the rising affluence of China greatly reduced poverty
- It is expected that by 2030, most of India's poor will be reduced; however those living in Sub-Saharan Africa will likely to remain poor

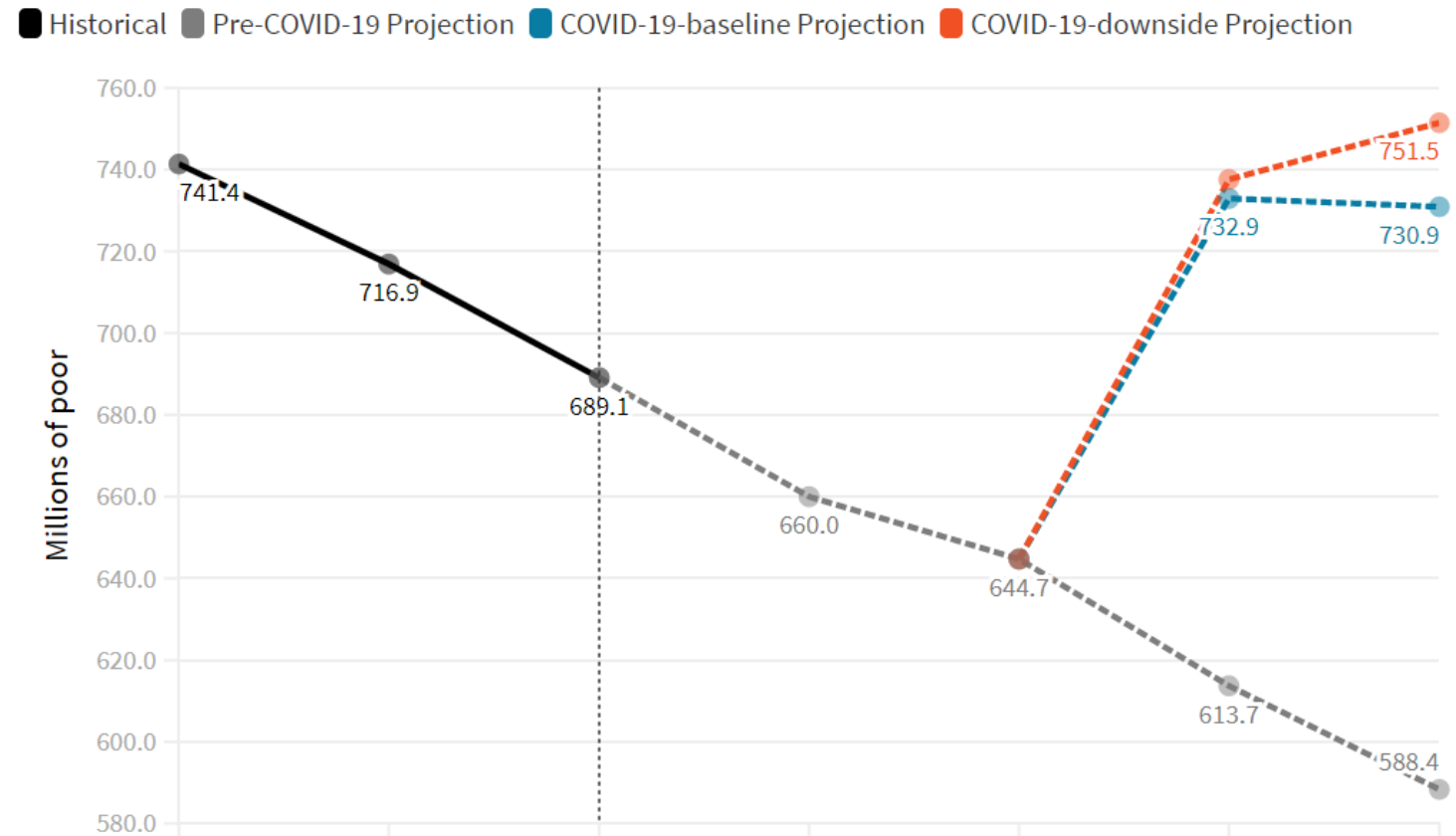


# Poverty reduction in Southeast Asia, 2005-2015



# Poverty reduction impact of COVID-19

- The pandemic-induced global new poor is estimated to be between 119-124 million in 2020
- In 2021, the estimated COVID-19-induced poor is set to rise to between 143-163 million



# Measuring poverty

- Poverty and inequality are related but are not the same
- For example, the bottom quintile (20%) in an advanced country may be much better off than the bottom quintile in a less developed country
- Poverty line: a specific monetary value based on the amount of some minimal consumption basket of food and basic necessities (e.g., 2,000 calories/day; \$1.25 per day)



# Vulnerability

- Vulnerability to adverse shocks: although people are above the poverty line, external conditions (economic/financial crisis, natural disaster) may cause them to fall below the poverty line
- This group is therefore vulnerable and require government intervention



# Measuring inequality

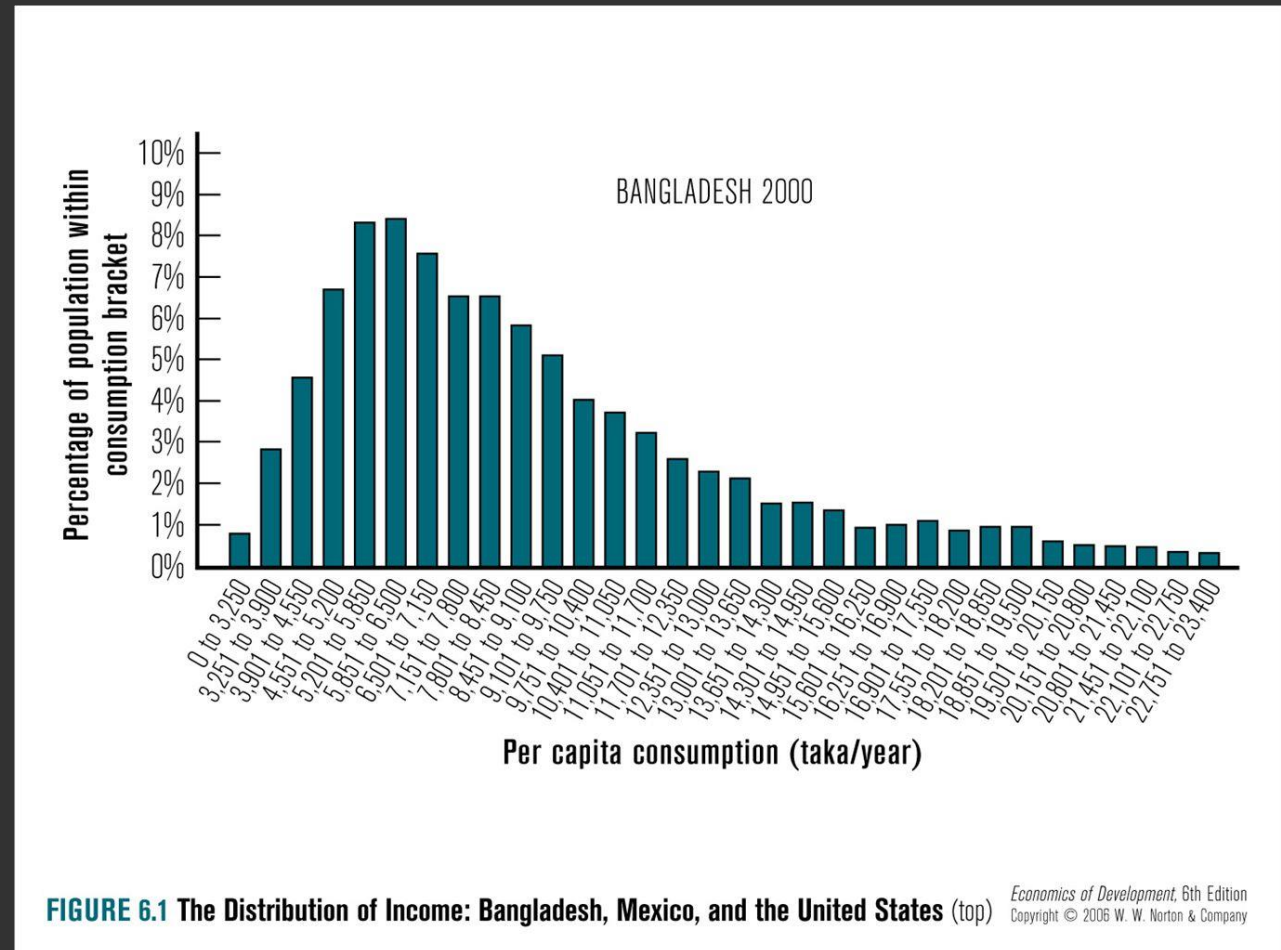
Inequality can be visualized and/or measured using:

- frequency distribution of income
- the Lorenz curve
- the Gini coefficient

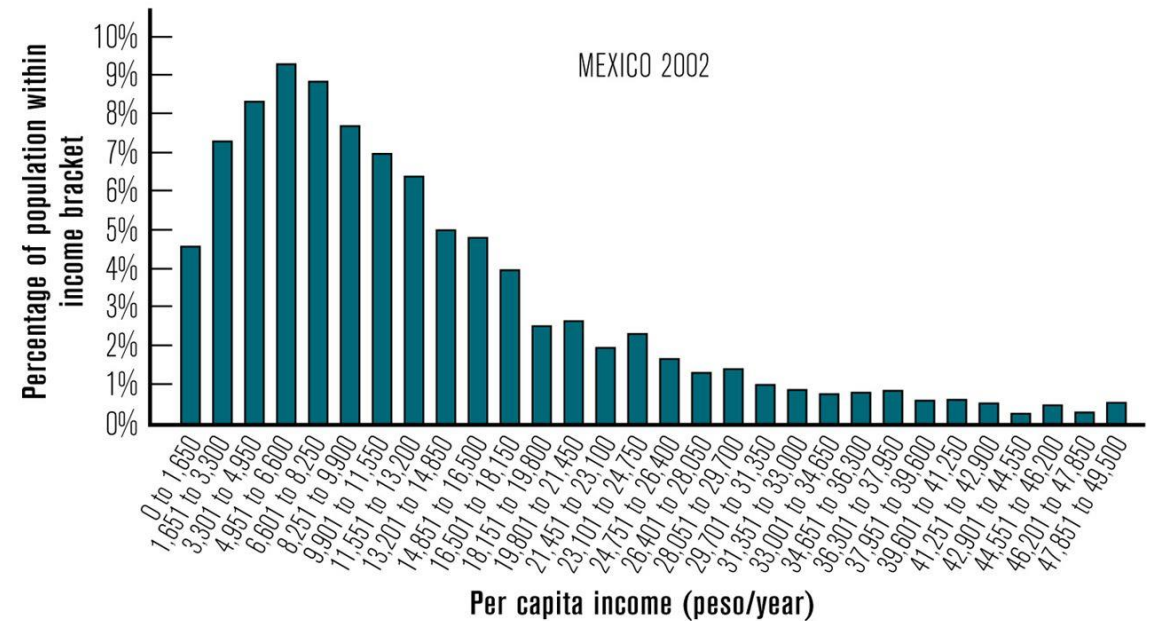


# Frequency distribution of income – Bangladesh

- The shape of the frequency distribution tells us how income is distributed in society
- Bangladesh's frequency distribution of income is skewed to the left (lower incomes)

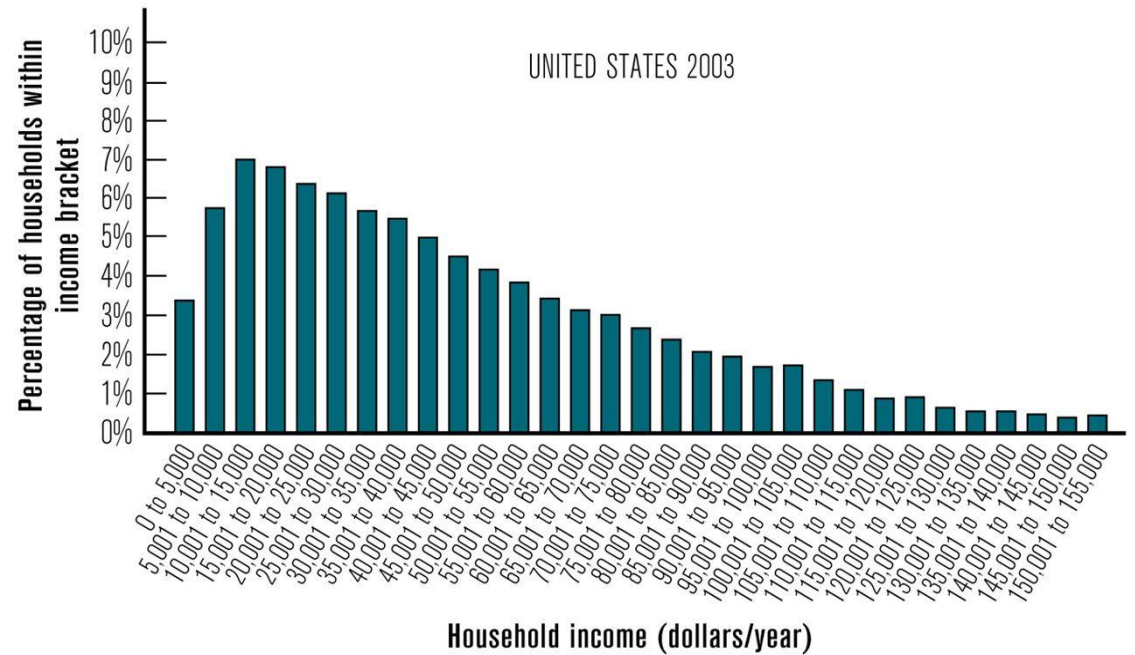


# Frequency distribution of income—Mexico



**FIGURE 6.1** The Distribution of Income: Bangladesh, Mexico, and the United States (mid) Economics of Development, 6th Edition  
Copyright © 2006 W. W. Norton & Company

# Frequency distribution of income—USA



**FIGURE 6.1** The Distribution of Income: Bangladesh, Mexico, and the United States (bot) Economics of Development, 6th Edition  
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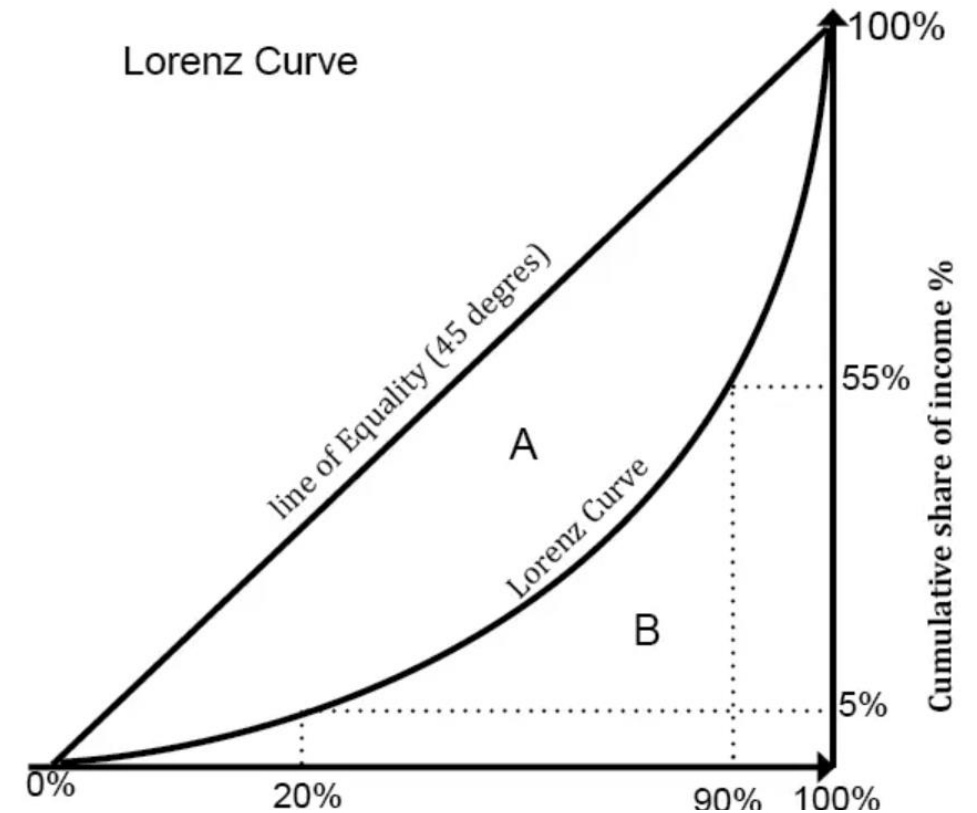
# Income distribution: Bangladesh, Mexico, USA

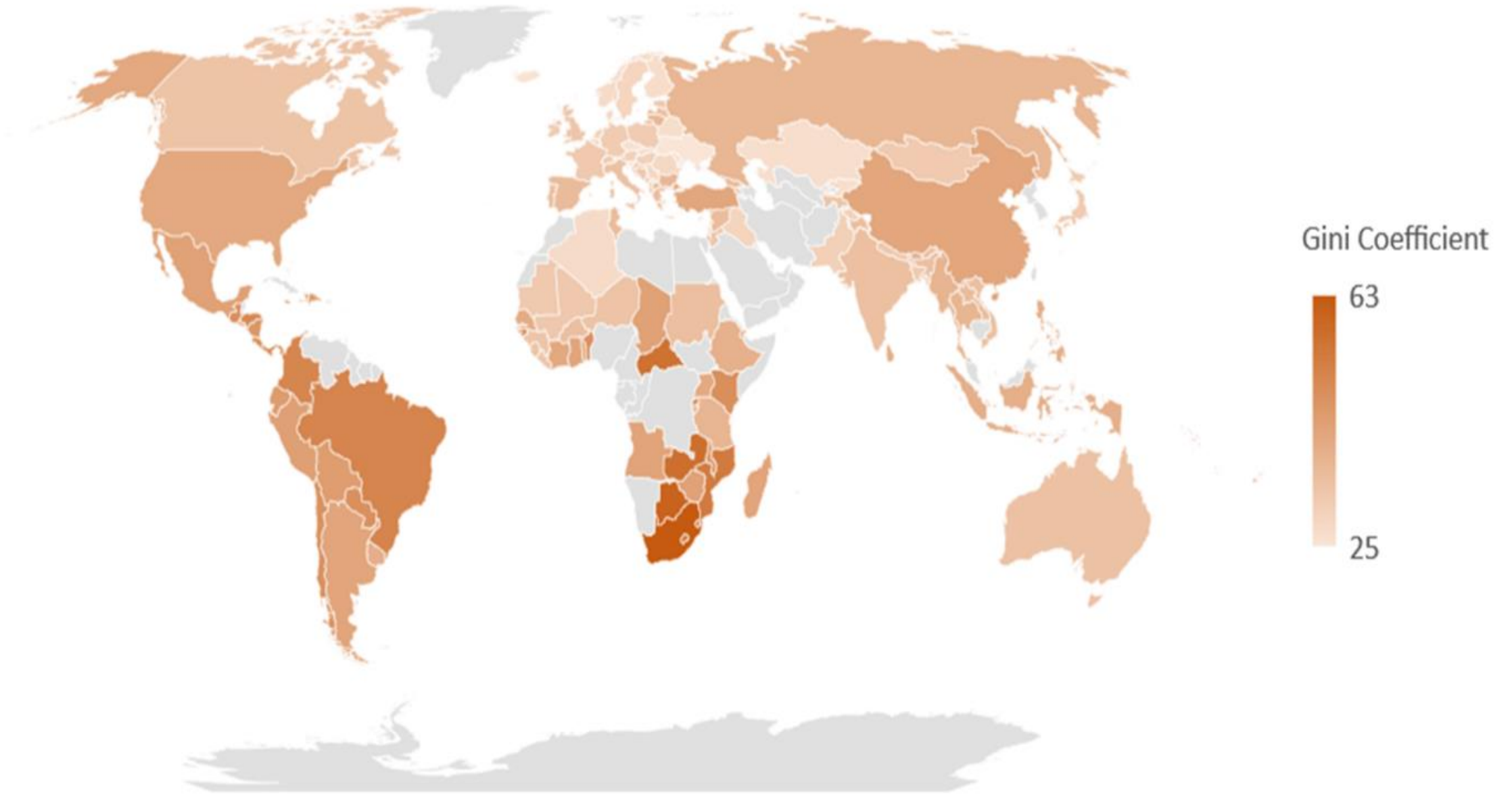
QUINTILE	SHARE OF TOTAL CONSUMPTION OR INCOME		
	BANGLADESH (2000)	MEXICO (2002)	UNITED STATES (2003)
Bottom 20%	9.0	3.5	3.4
Second 20%	12.5	8.2	8.7
Third 20%	16.0	13.3	14.8
Fourth 20%	21.5	21.2	23.4
Top 20%	41.0	53.7	49.8

Sources: Collaboration with Claudio E. Montenegro, World Bank; *U.S. Current Population Survey*, March supplement, March 2004.

# Lorentz curve

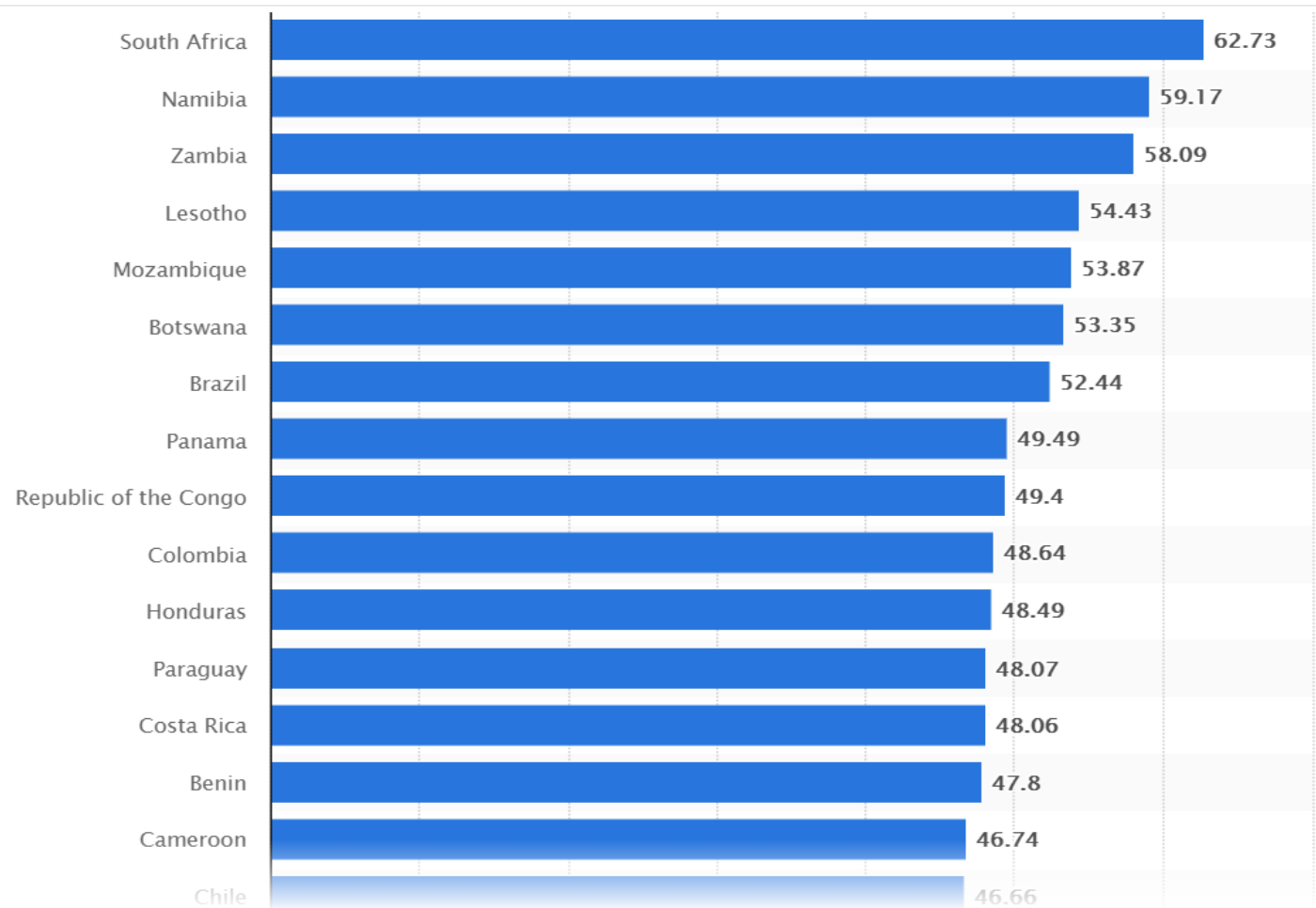
- Developed by Max Lorentz (1905), the curve shows the distribution of income (or wealth) within an economy
- Cumulative percent of income/consumption is plotted against cumulative percent of recipients
- It shows the cumulative share of income from different sections of the population
- If there was perfect equality the poorest 20% of the population would gain 20% of the total income; likewise the poorest 60% of the population would get 60% of the income





# Gini coefficient

- The **Gini coefficient** is a single number aimed at measuring the degree of inequality in a distribution.
- Often used in economics to measure how far a country's wealth or income distribution deviates from a totally equal distribution
- Gini coefficient = 1 means total inequality; if it is = 0 then it means all receive an equal share



# Declining inequality

- During the American occupation of South Korea, land was redistributed from Japanese owners to Korean farmers. This policy decreased inequality
- In Eastern European and former states of the Soviet Union embarked on reforms, which resulted in decreasing inequality



# Increasing inequality

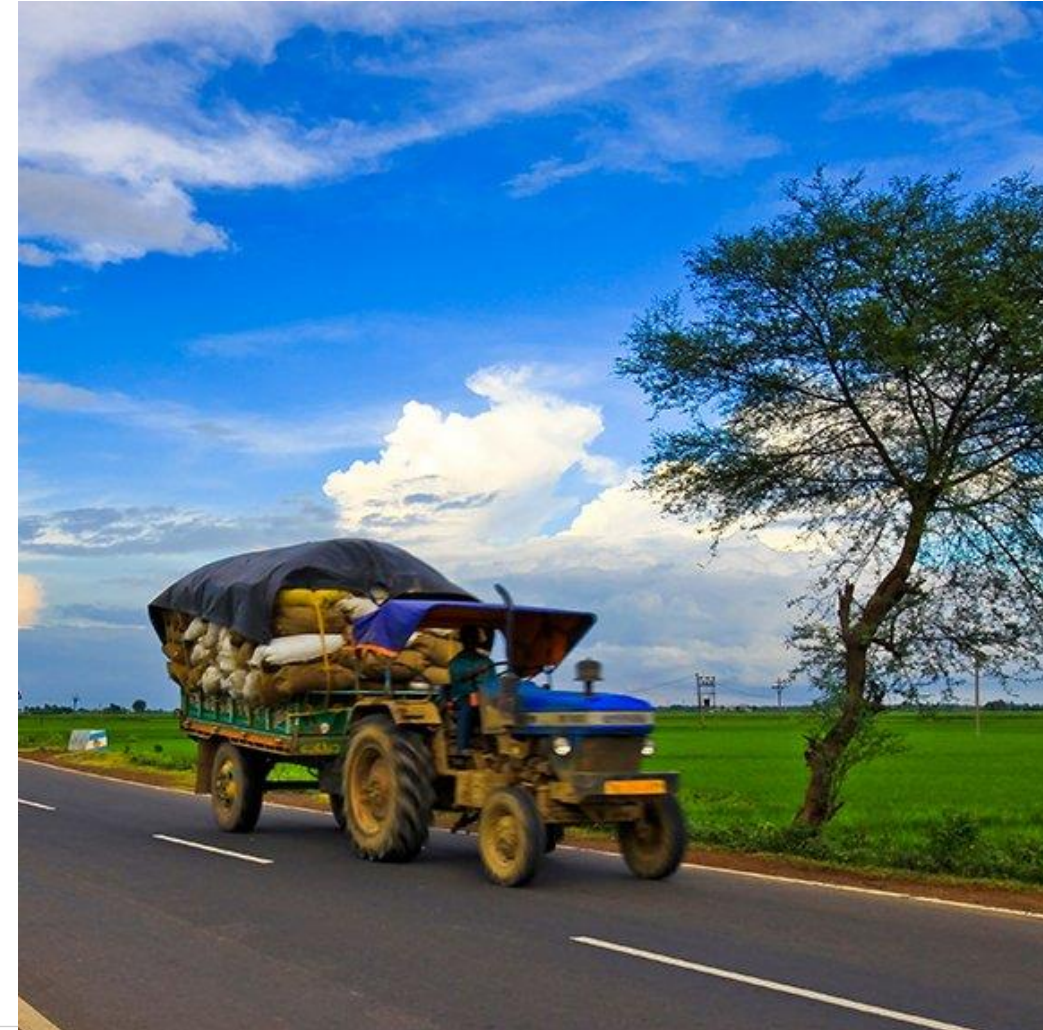
- South Africa has one of the highest Gini coefficient which means that inequality is high. This is a result of apartheid policies in the past which segregates blacks and whites
- High inequality in Latin America is due to land ownership in the hands of a few



# Strategies to reduce poverty

## Promote market-oriented growth

- Ensure macroeconomic stability
- Facilitate open trade and investments
- Increase investments in infrastructure
- Improve credit markets



# Strategies to reduce poverty

Invest in human capital

- Promote health and education
- Provide basic services to the poor

Provide cash transfers

Develop social safety nets



# Thinking behind cash transfers and safety nets

People are poor because they

- lack opportunities and assets
- are beyond the reach of the market (old, the sick, handicapped)
- have no support networks

The poor are vulnerable to systemic shocks; which market cannot resolve

Therefore government intervention is required:

- income/cash transfers
- safety nets



# Thinking behind cash transfers and safety nets

Cash transfers can take the form of

- cash grants
- food vouchers
- food distribution programs

Safety nets are similar to cash transfers

- safety nets apply to households that are not necessarily poor
- applies to those that have temporary shortfalls in consumption
- example: public employment scheme; cash-for-work



# Conclusion

Poverty is diminishing in countries that are growing rapidly, while in the absence of economic growth rising poverty is virtually unavoidable

Some methods of poverty intervention such as improving opportunities and providing income transfers and safety nets



**T**HANK **Y**OU!