
Poverty and Growth Dynamics: Asian and International Perspectives

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THREE CONJECTURES

1. Growth reduces poverty worldwide
 - (a) particularly so in Asia
 - (b) even in the face of high or rising within-country inequality
 2. In rich countries high inequality associates with social malperformance
 3. Welfare matters
-

EVIDENCE, 1

1. World growth and poverty
2. Geographical distribution dynamics of the world's poor
3. Comparative distribution dynamics in growth and poverty

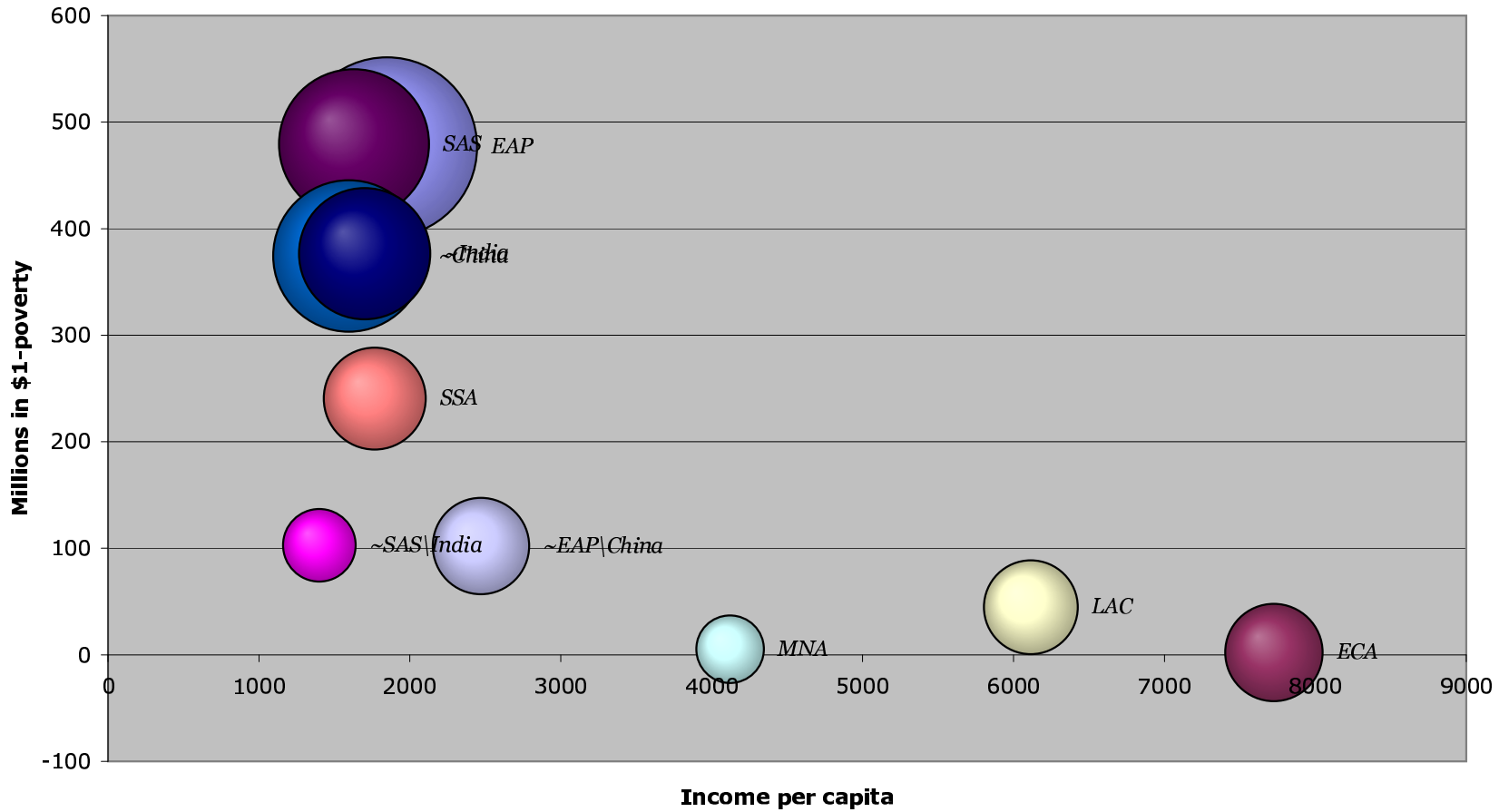
World growth and poverty

	1981	1990	1999	2004
GDP 10^{12} PPP\$	24.4	33.1	43.3	52.2
per capita PPP\$	5407.6	6291.5	7231.1	8198.5
World's \$1-poor (10^6)	1470.3	1247.7	1108.6	969.5
China's \$1-poor (10^6)	633.7	374.3	222.8	128.4
Remainder (10^6)	836.6	873.4	885.8	841.1

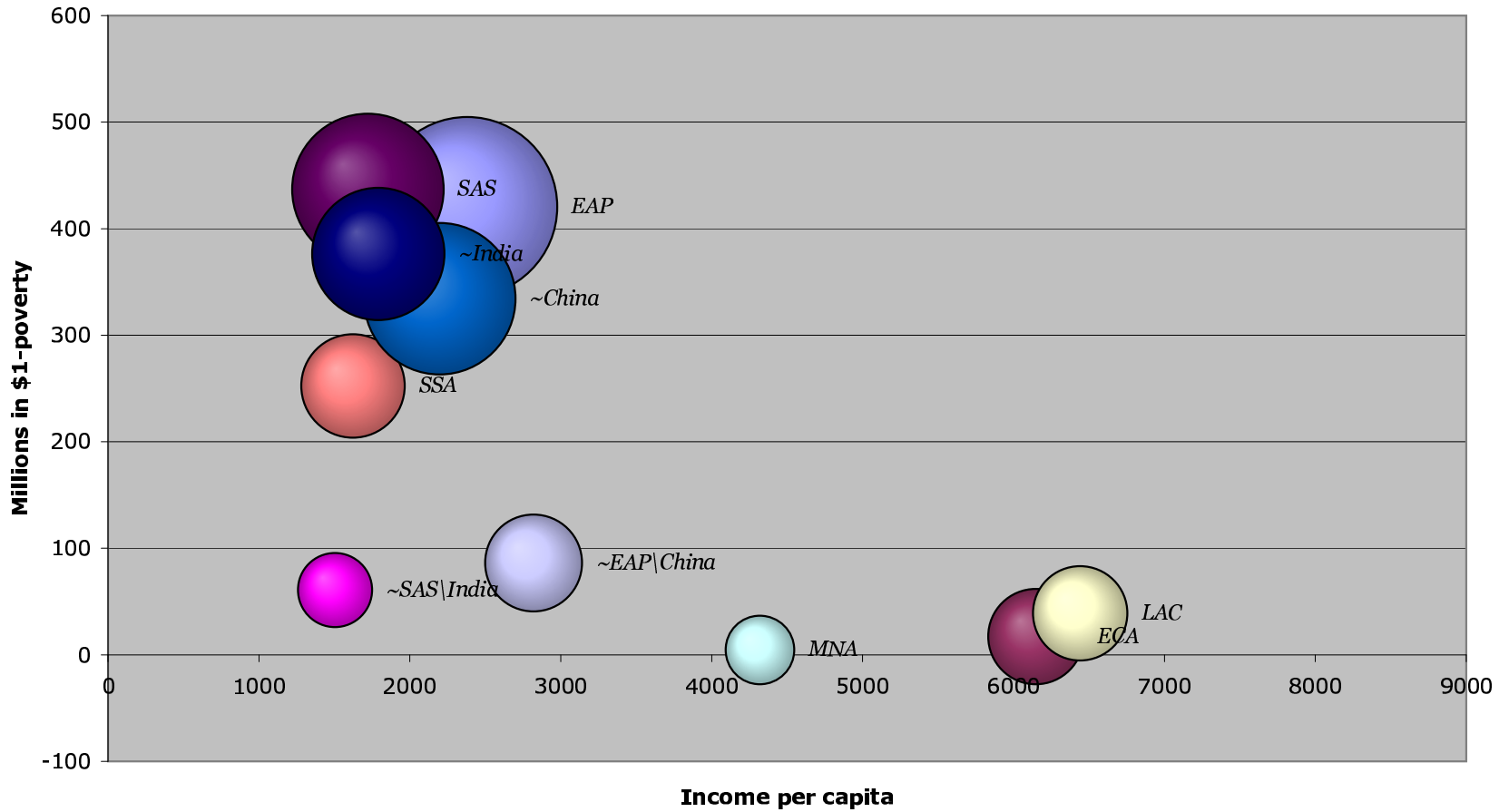
Table 1: The importance of China (PPP\$ means constant 2000 international\$)



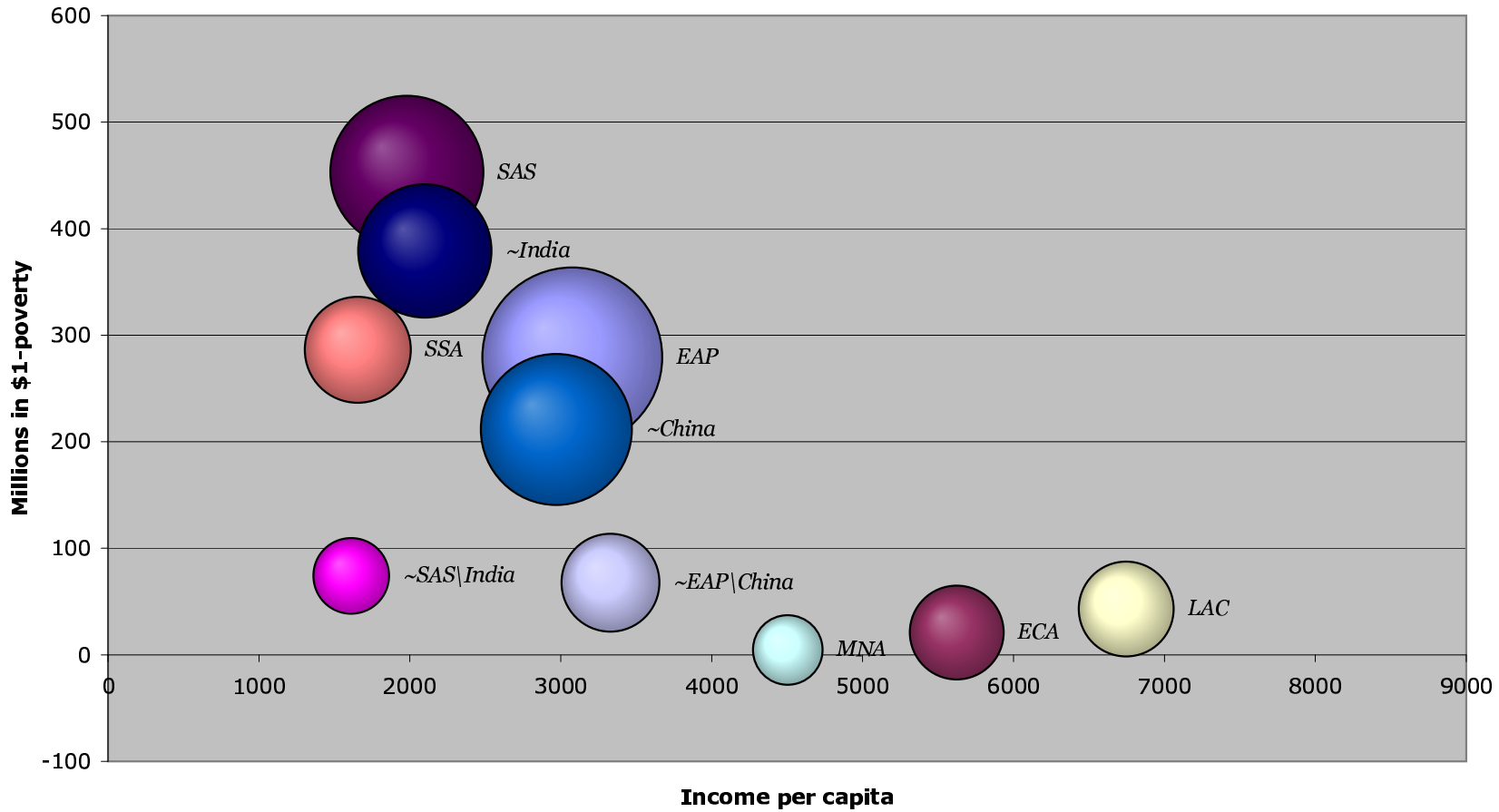
World Poverty 1990



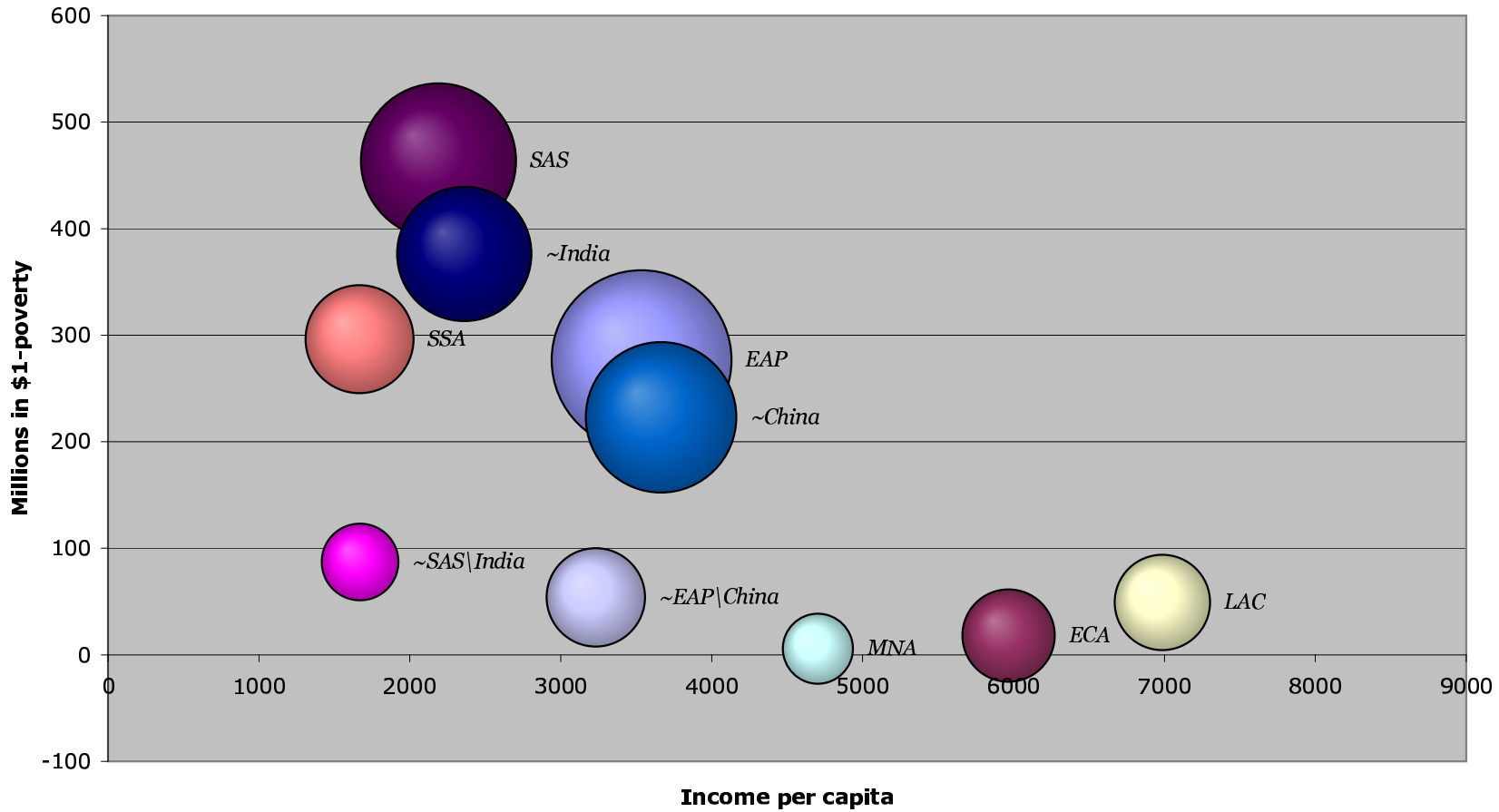
World Poverty 1993



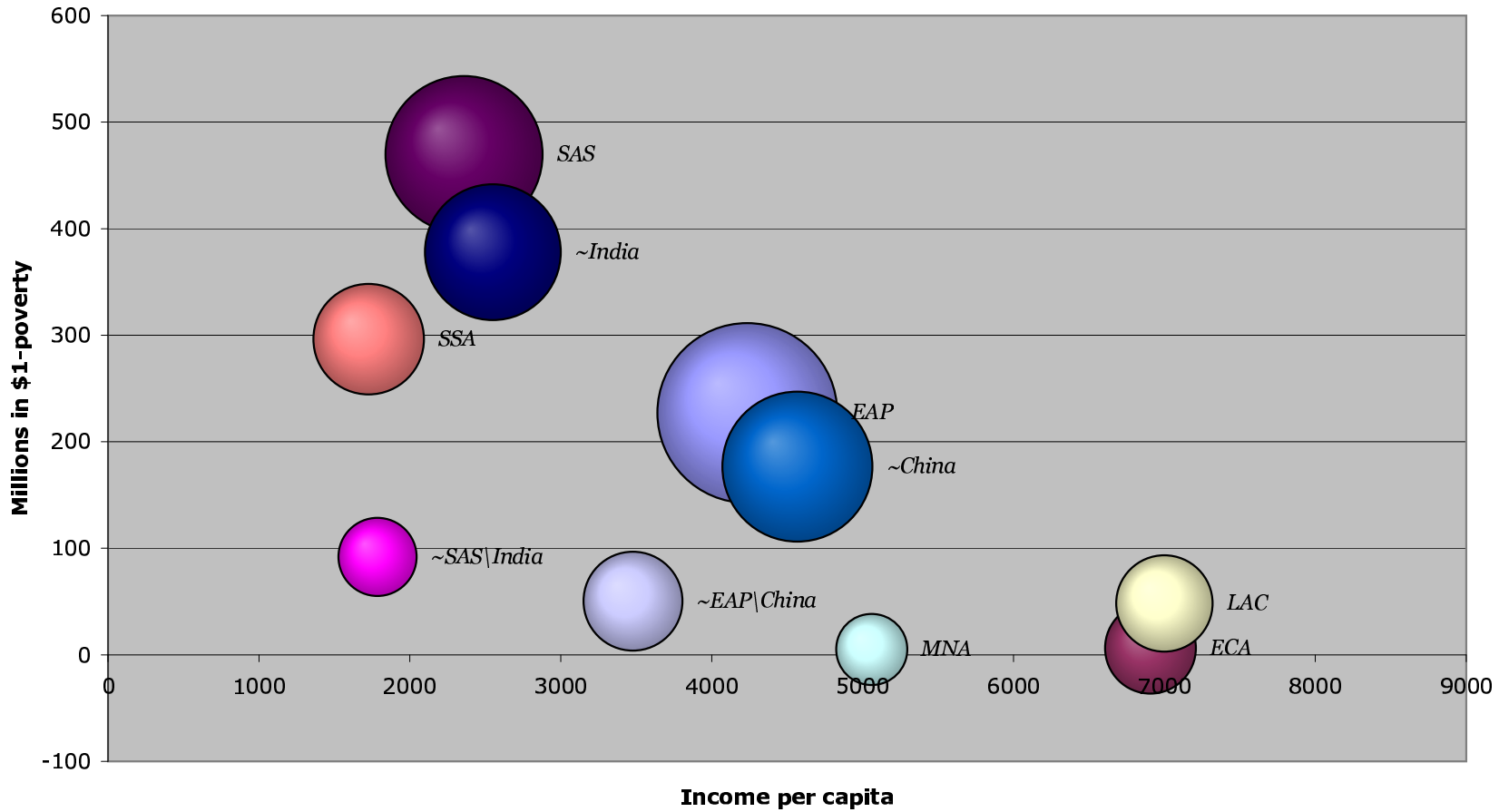
World Poverty 1996



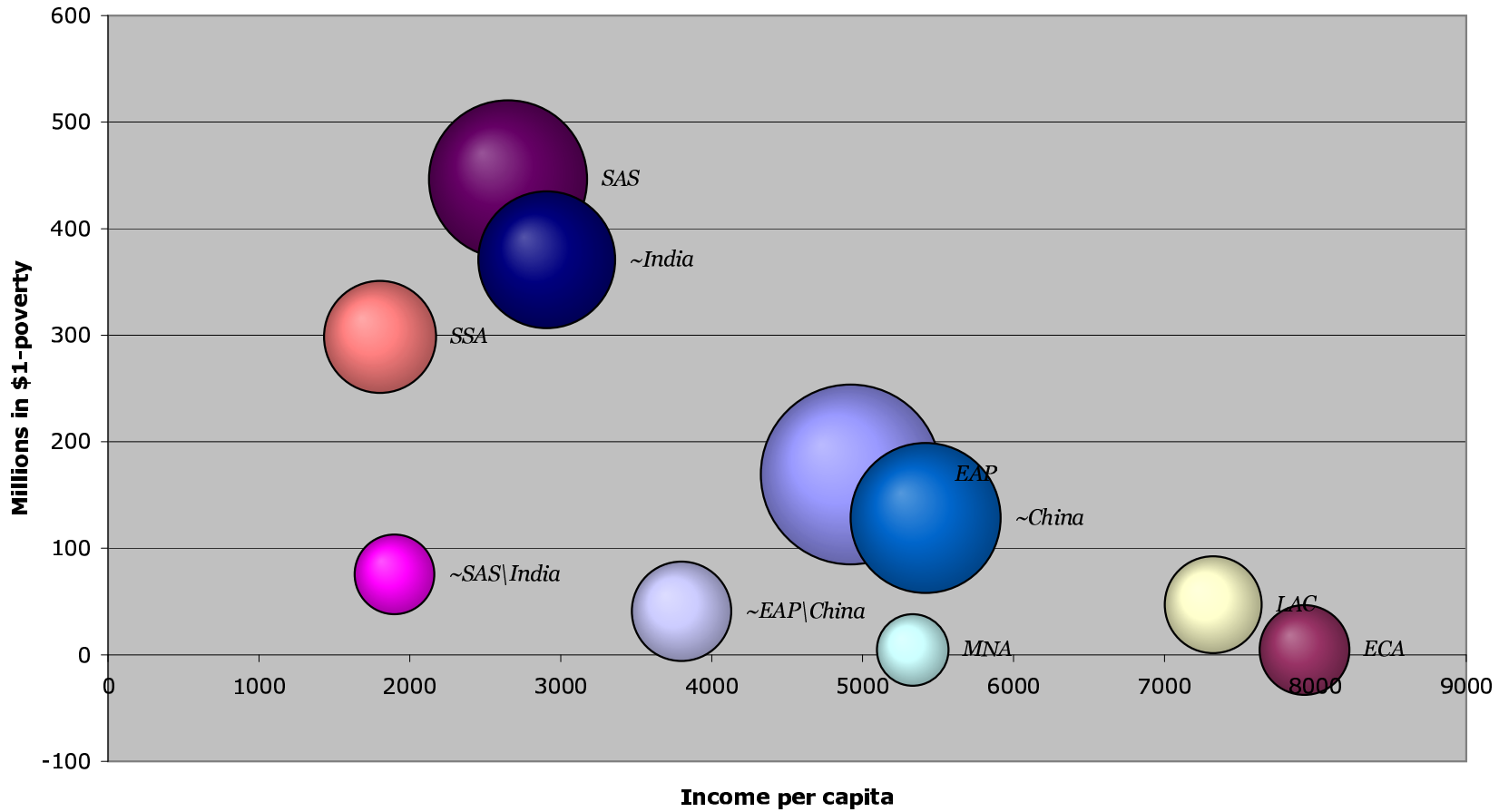
World Poverty 1999



World Poverty 2002



World Poverty 2004





Over the last 25 years

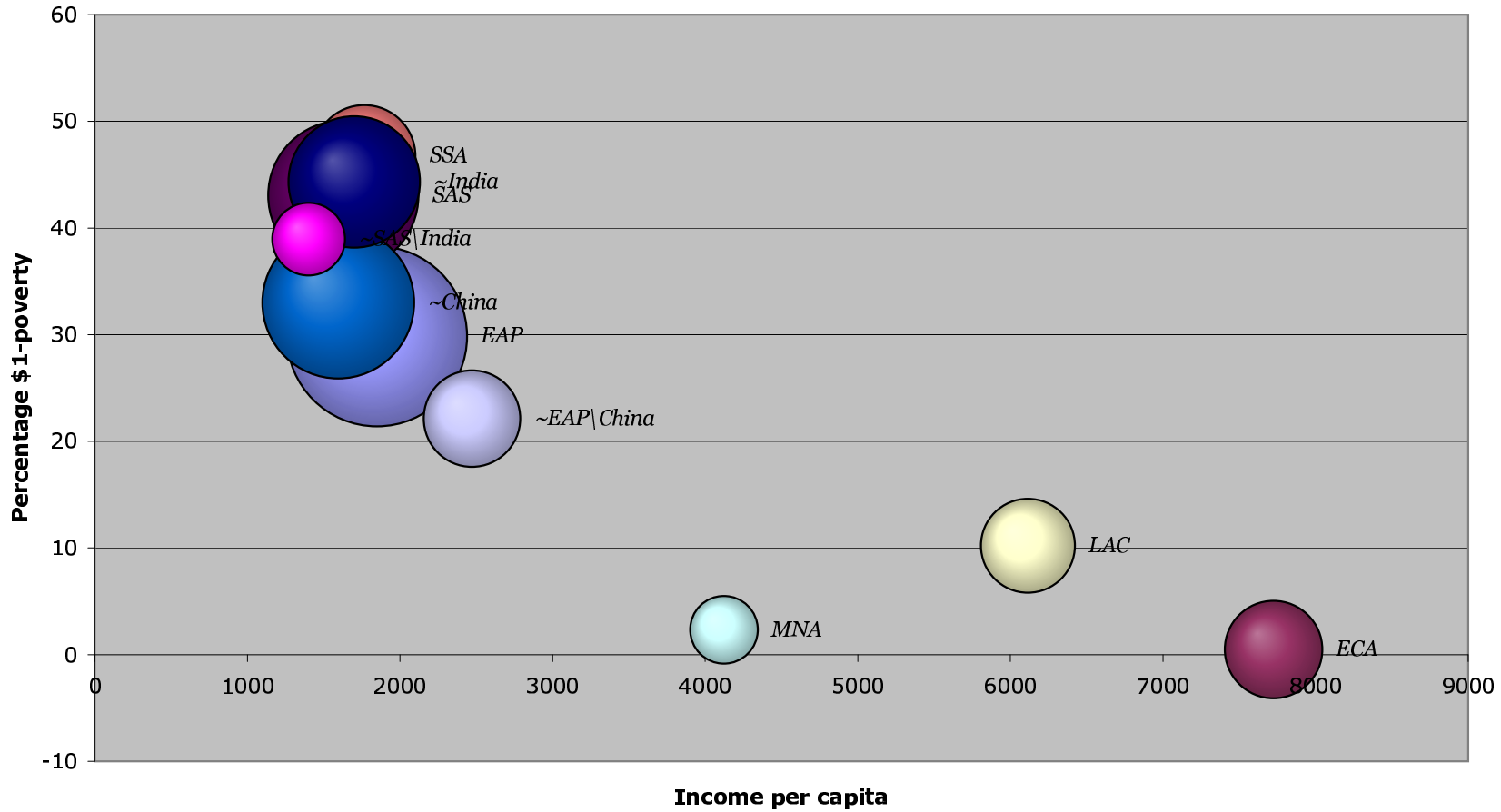
1. World income more than doubled.
 2. World poverty fell by more than 500 million people ...
 3. ... but poverty *outside China* remained roughly unchanged.
 4. Economic growth is everywhere strongly associated with declines in poverty.
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EVIDENCE, 1 (contd.)

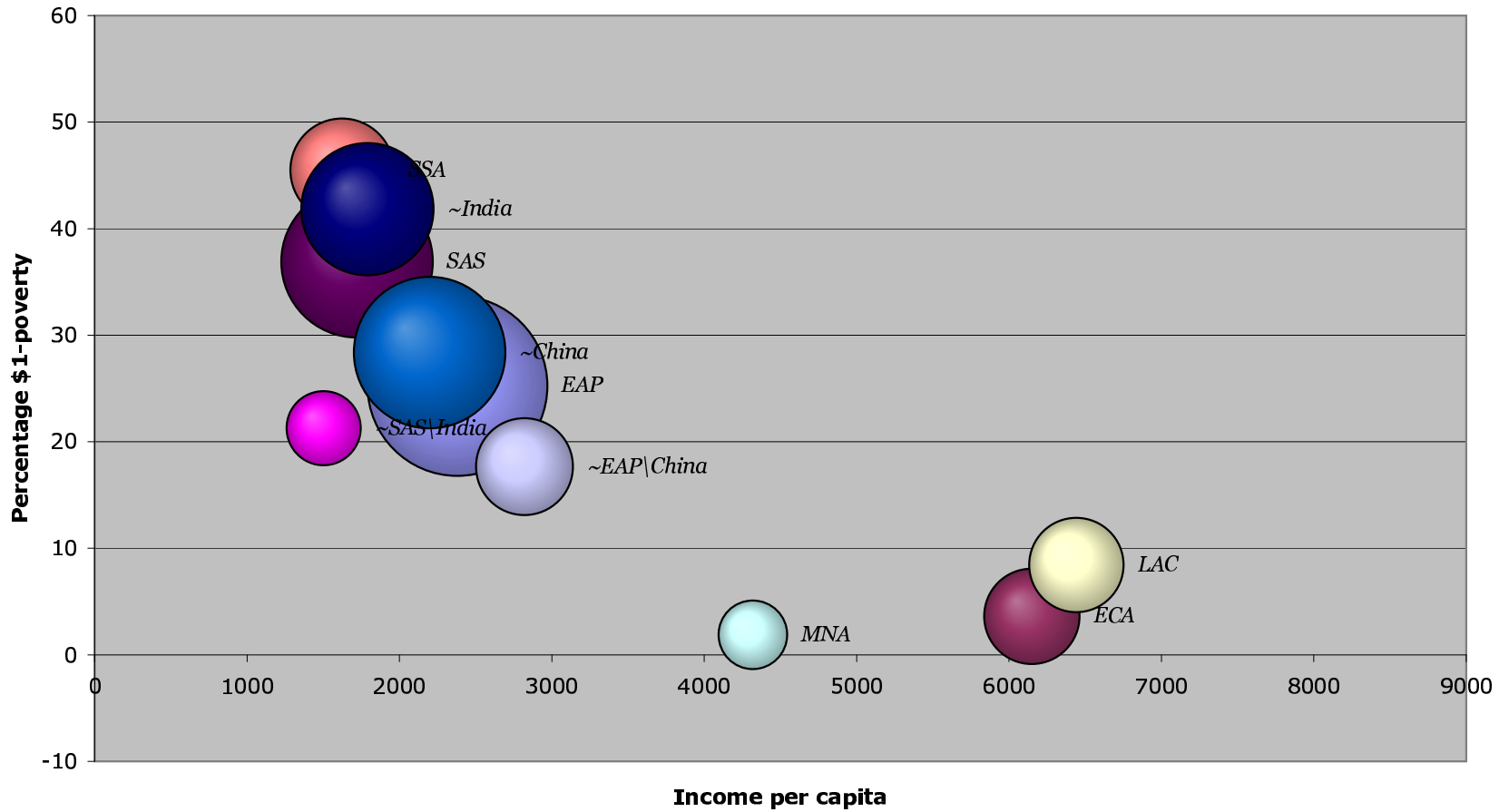
1. World growth and poverty
 2. Geographical distribution dynamics of the world's poor
 3. Comparative distribution dynamics in growth and poverty
 - (a) Growth and concentration of poverty
 - (b) China and Sub-Saharan Africa
 - (c) EAP and SAS
-



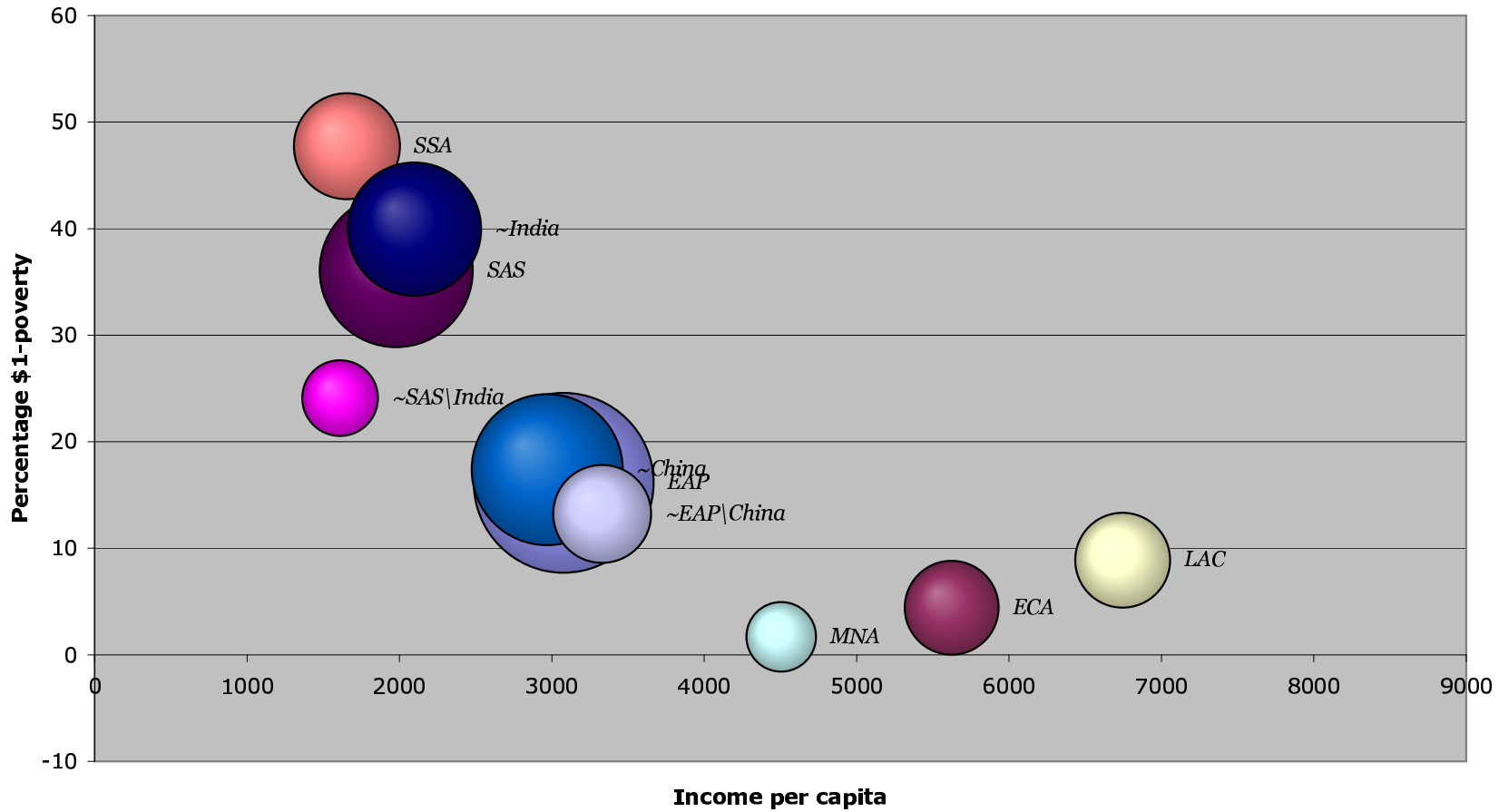
Poverty concentration 1990



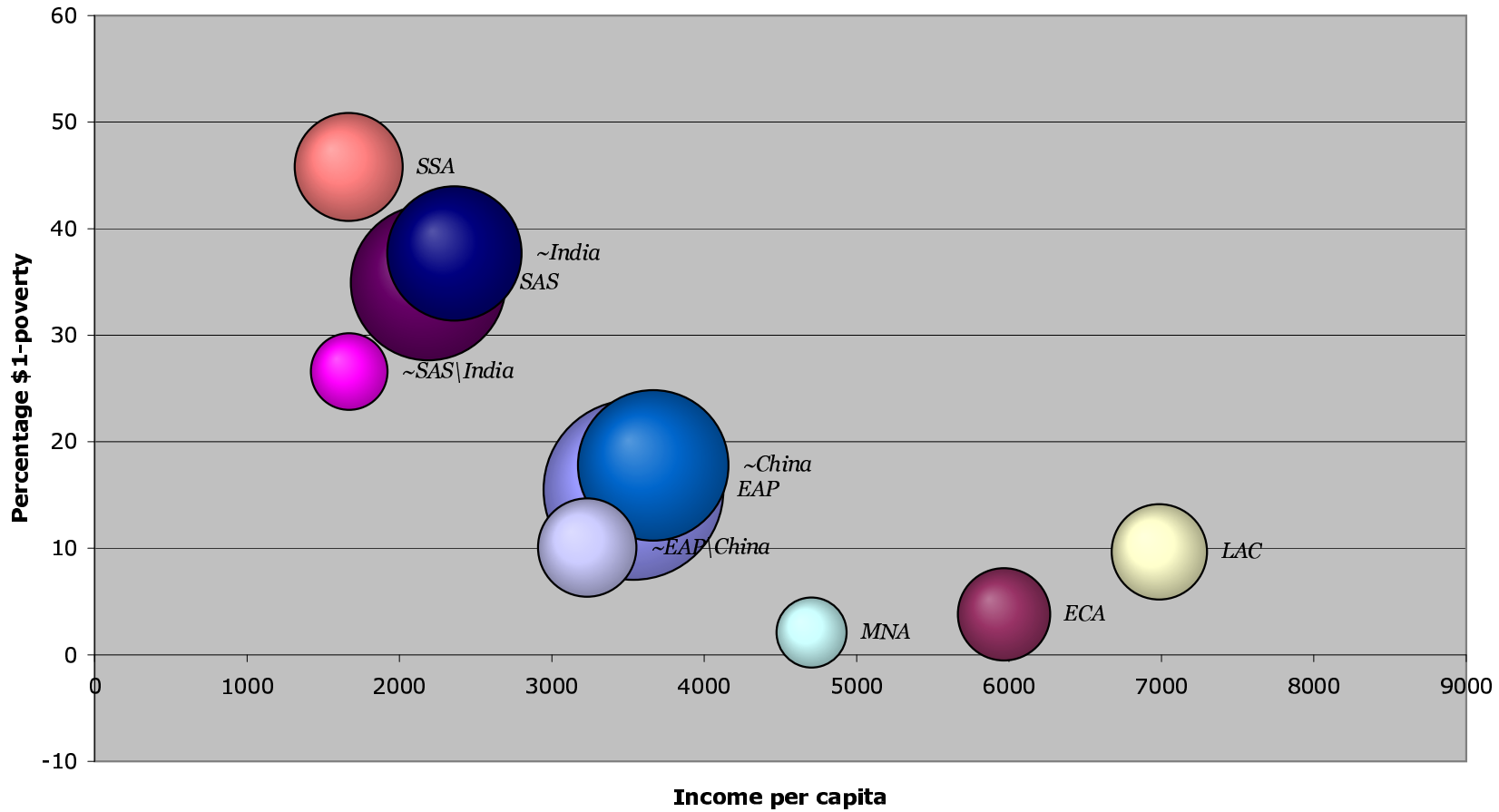
Poverty concentration 1993



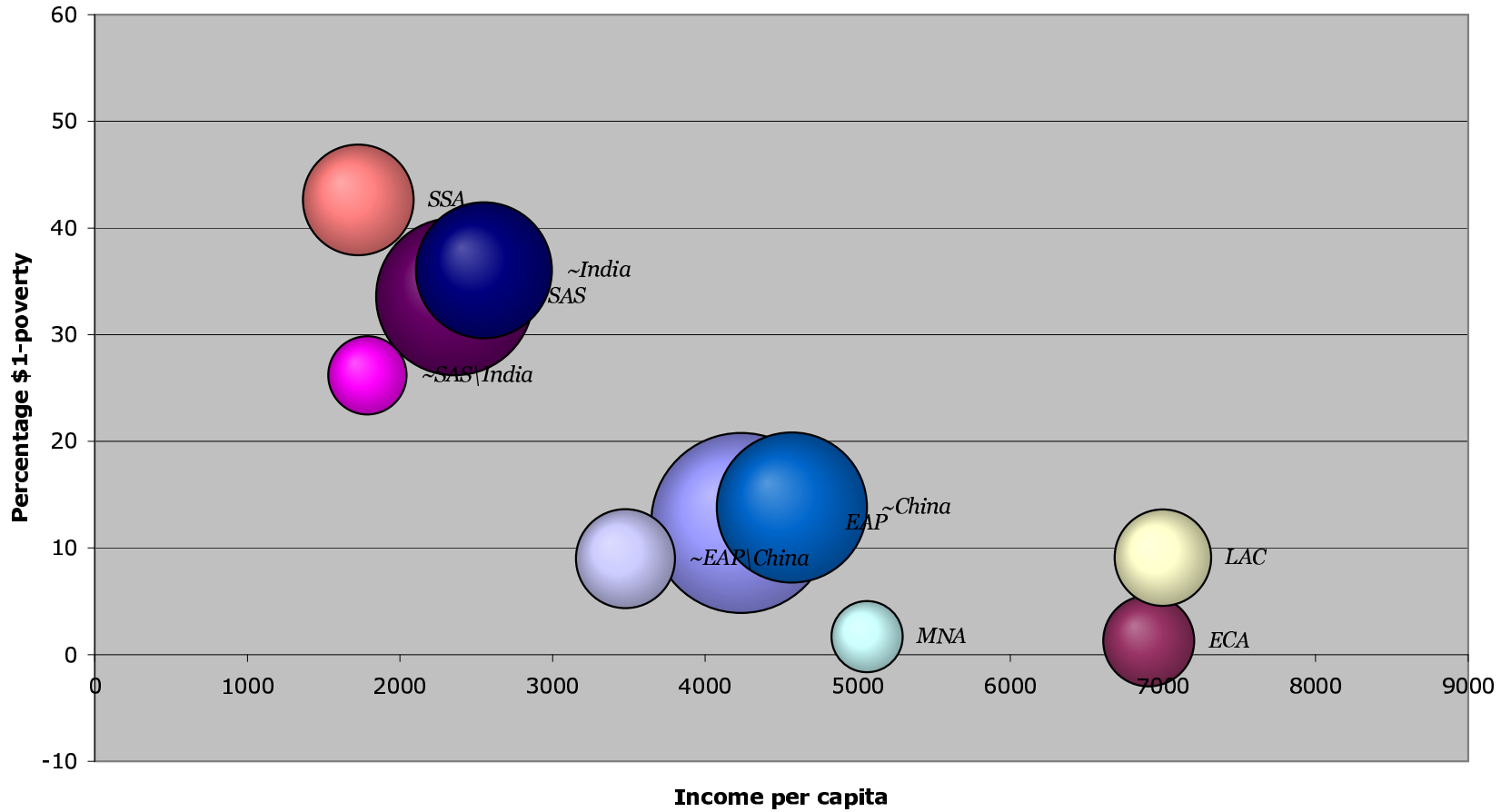
Poverty concentration 1996



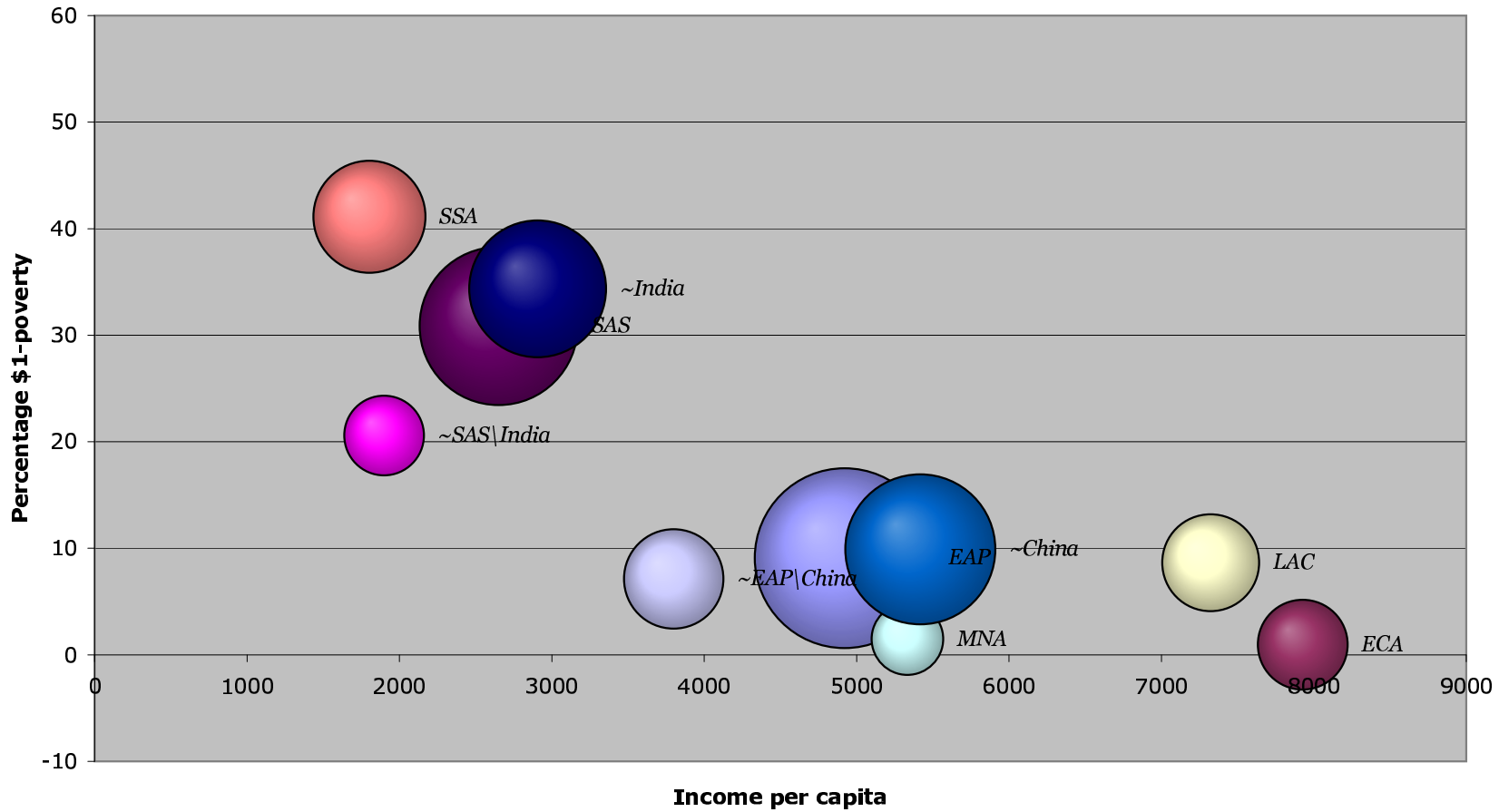
Poverty concentration 1999



Poverty concentration 2002

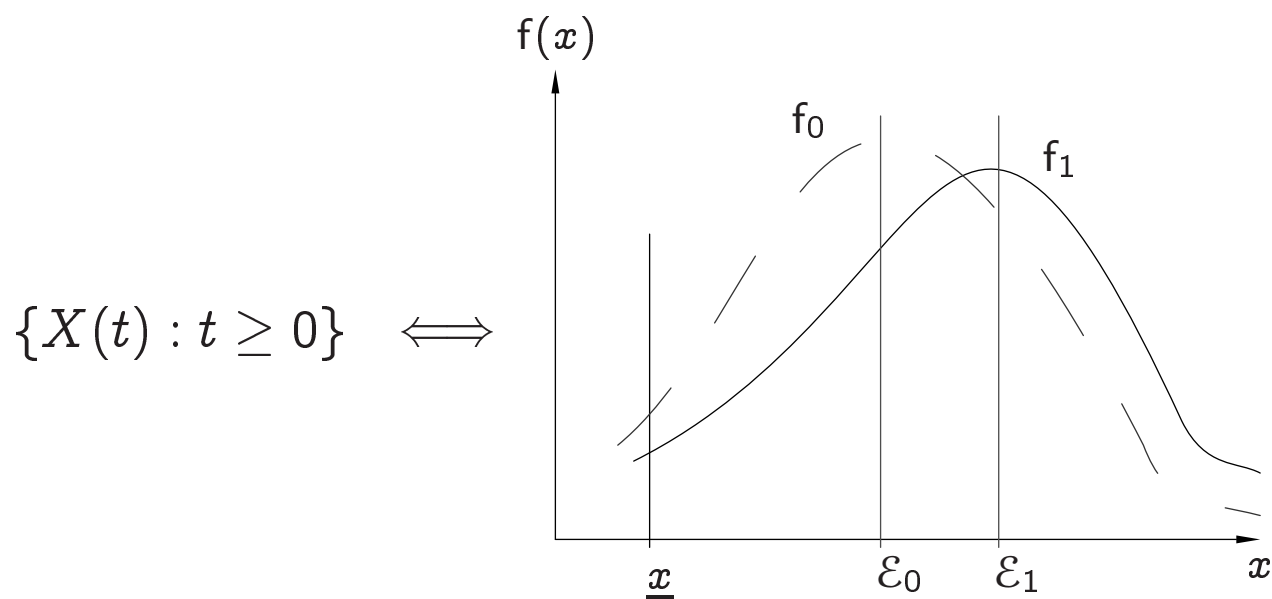


Poverty concentration 2004





ACCOUNTING IN DISTRIBUTION DYNAMICS



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INEQUALITY AND SOCIAL MALPERFORMANCE

(Summary: Wilkinson diagrams on inequality in rich economies)

- Poor health; obesity; teenage birth rates; mental illness
 - Morbidity, mortality
 - Imprisonment; homicide rates
-

WELFARE MATTERS

1. Artificial calculations

- Risk and uncertainty. Mobility. Envy?
- China: Inequality 29% ↗ 45%; growth 8.4%. Improvement or deterioration?

2. US vs. Europe

Continuous time growth and inequality, 1

$$C_j(t) = e^{Z_j(t)} e^{\xi t}$$

$$W_j(t) = E_t \left[\int_t^\infty e^{-(s-t)\rho} U(C_j(s)) ds \right], \quad \rho > 0,$$

$$U(c) = \frac{c^{1-R} - 1}{1 - R}, \quad R > 0.$$

Continuous time growth and inequality, 2

1. Z Brownian motion
2. Z (discrete) Markov chain
3. Z ...

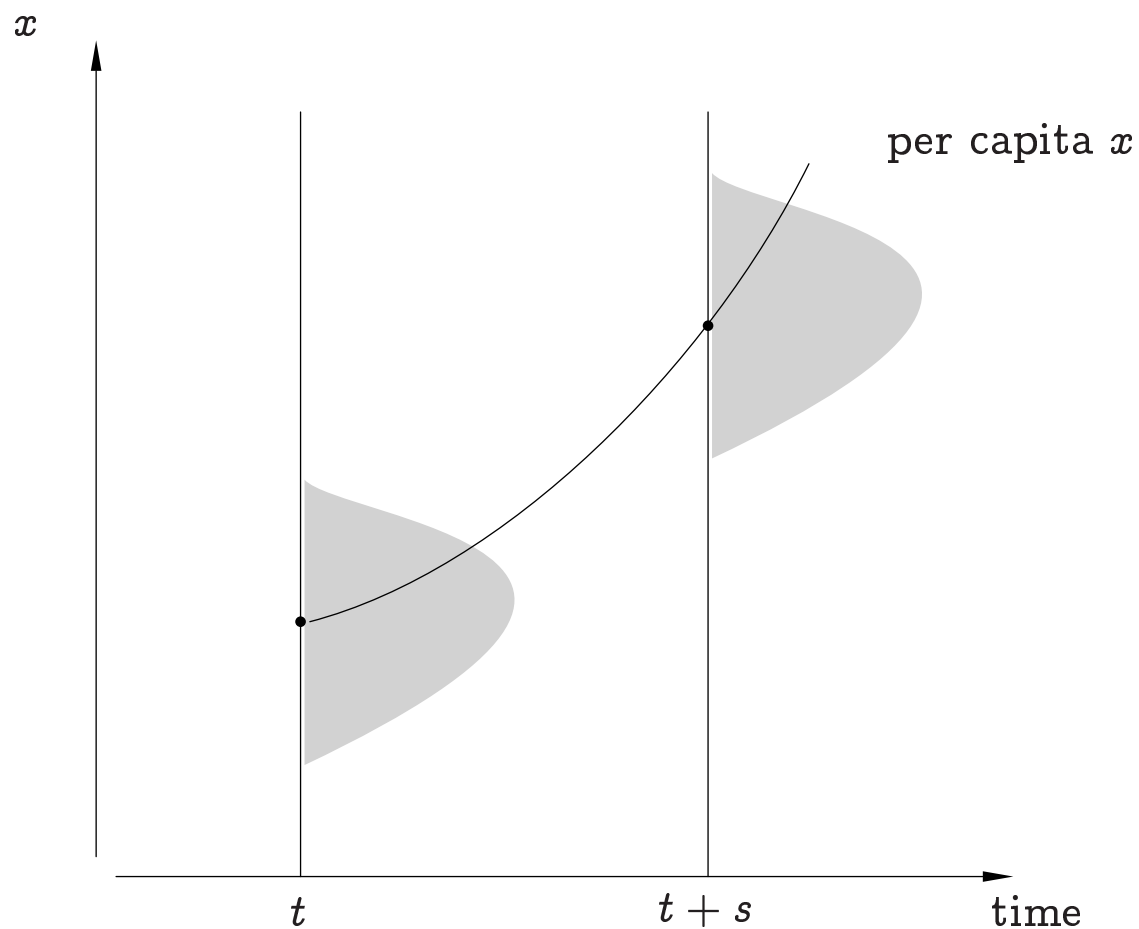


Figure 1: Growth and inequality Z fluctuations around a ξ growth path

Analytical framework

$$U([1 + \Psi] C_A, Z_A) = U(C_B, Z_B).$$

- Welfare, not just inequality
 - Dynamics
 - permanent, transitory
 - depth, duration
 - not just current inequality
-

CONCLUSIONS

1. Growth reduces poverty worldwide
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