Poverty and Inequality – What’s Next?

Discussion

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Points to be addressed

• Policies to reduce inequalities

• Basic Universal Income

• The problem with piecemeal approaches

• Measurement issues
Policies to reduce inequalities

• Reducing poverty while keeping inequality at moderate levels

  • Equal opportunities, i.e. compensate for neg. circumstances (education, health etc.)

  • Redistributive policies (social insurance)
    Have shown to be effective in many circumstances and contexts
    Challenges: adverse incentives, targeting, financing, political opposition

• Pro-poor structural change:
  Enhance industrialisation to create jobs for the poor and the middle class
  Advantages: Less prone to political opposition, more sustainable, targeting less of a problem
Universal Basic Income

Pro
• More inclusive
• Less finely targeted
• Better incentive effects
• More feasible informationally
• More politically acceptable
• Financial inclusion
• Women empowerment

Contra
• Takes money away from the poor and gives it to everyone
• Incentive effects/ use of UBI?
• Too expensive, financing through progressive taxation really feasible/plausible?
• What if growth does not keep up with inflation?
• Prone to political abuse
The problem with piecemeal approaches

- Leverage on inequality of redistributive policies often weakened due to poor integration of these policies

  - Example Mexico: social protection of the poor vs. informalisation (see S. Levy)

  - More generally Latin America: Integration of subsidized social assistance and social insurance system financed largely out of taxes on formal sector employment, is neither efficient, nor equitable (see Ferreira & Robalino, 2010).
Measurement issues

• Demographic dynamics: Differential fertility is fueling inequality too.

• Missing focus on income mobility: “cross-sectional” measurement of poverty and inequality misses mobility.

Persistent inequality in a ‘less mobile’ society requires different policy responses than in a ‘very mobile’ society.

• Inequality in wealth including land holdings.