
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.