World Poverty and Inequality: long term trends

ECON 3240 Spring 2015

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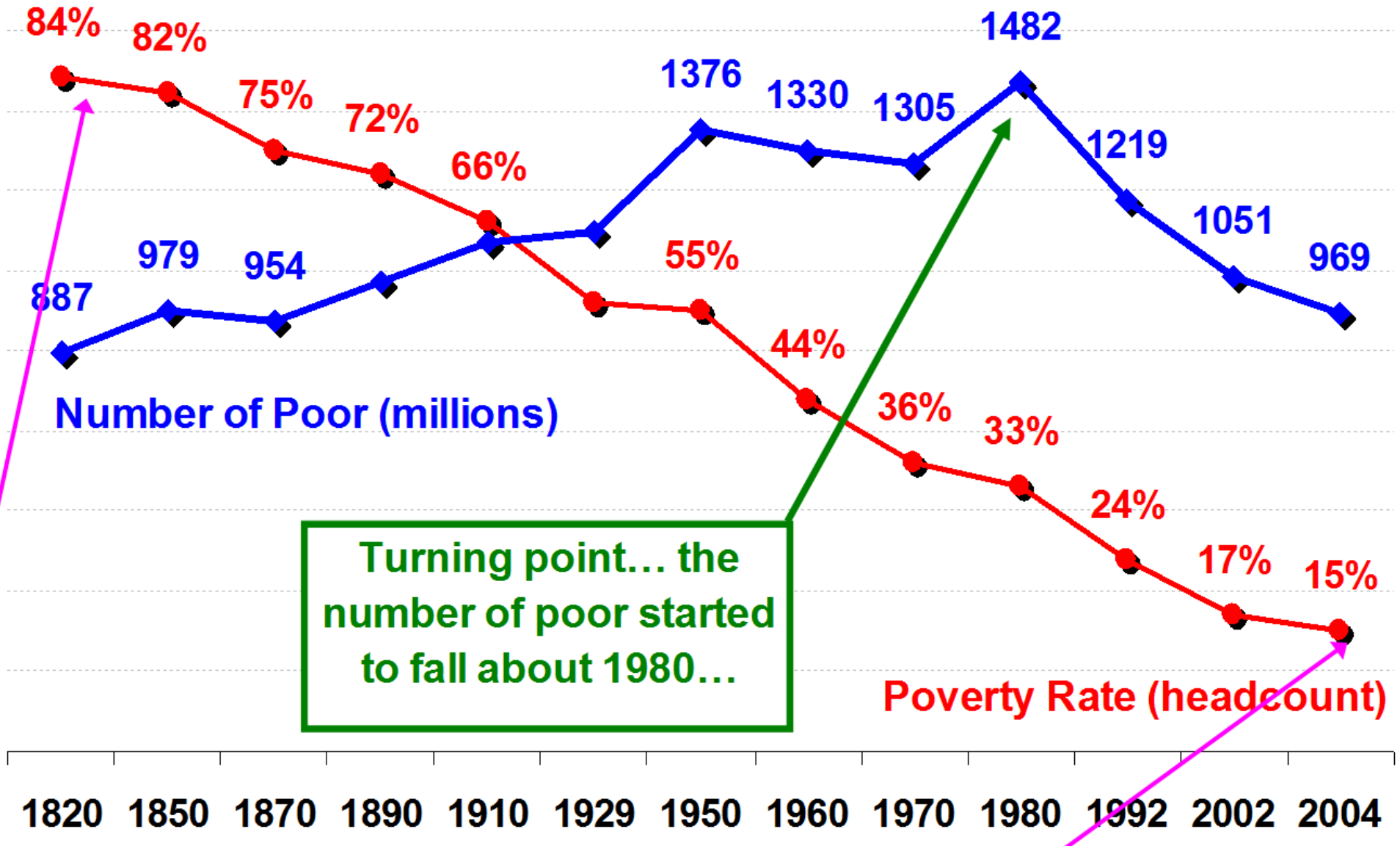
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Poverty: Long Term Trends

Great Poverty Reversal: $1/day poverty fell from 1820 to 2004: but the number of poor rose until 1980

Source: Bourguignon, François 2002

Figure 1: World $1/day Poverty Rates

84% 82% 75% 72% 66% 55% 44% 36% 33% 24% 17% 15%

887 979 954 1376 1330 1305 1482 1219 1051 969

Number of Poor (millions)

Poverty Rate (headcount)

Turning point… the number of poor started to fall about 1980…

1820 1850 1870 1890 1910 1929 1950 1960 1970 1980 1992 2002 2004

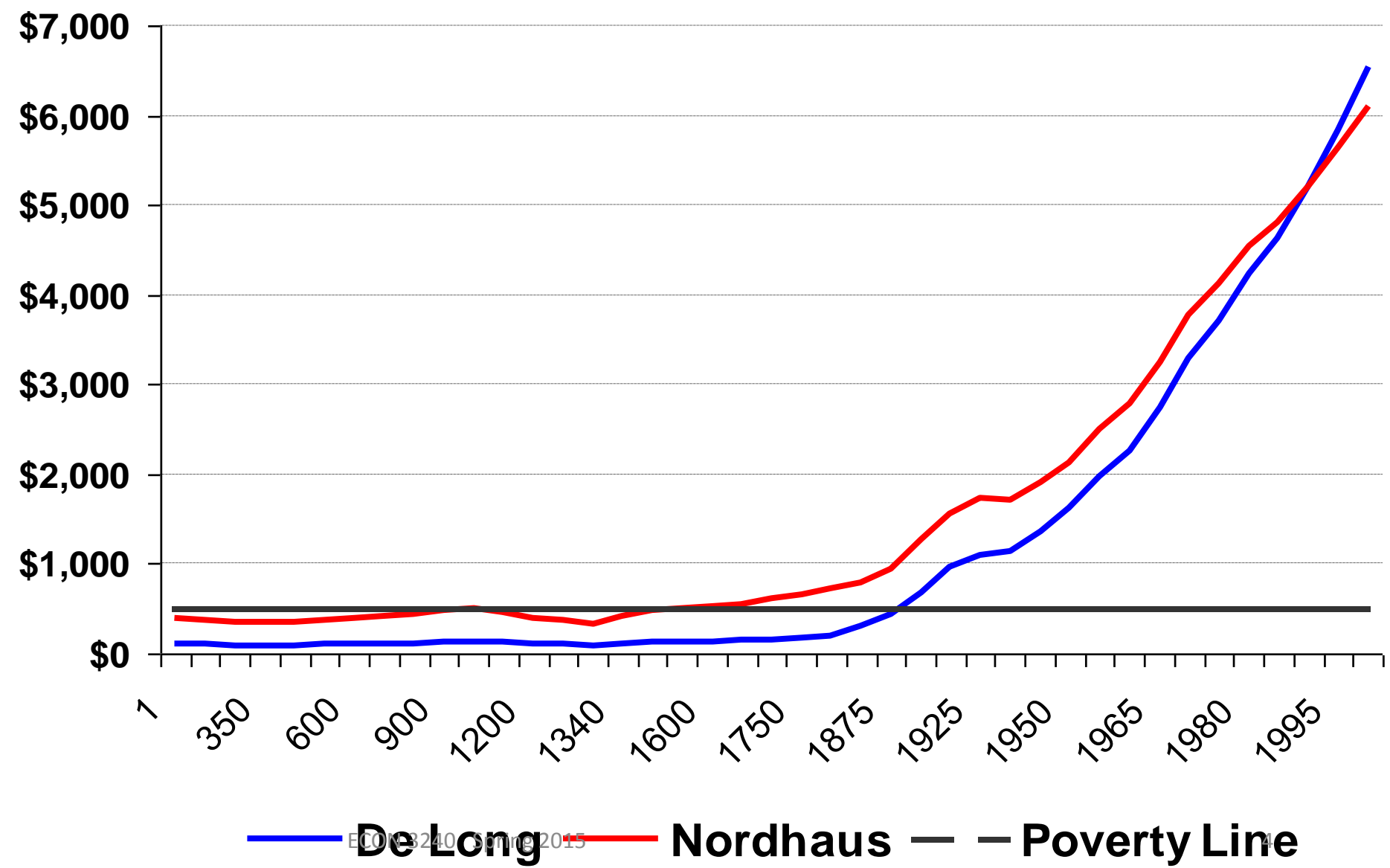*Great poverty reversal: from 85% to 15% poor…*

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Over the past 200 years world population increased 6-fold – to about 6.4 billion in 2004
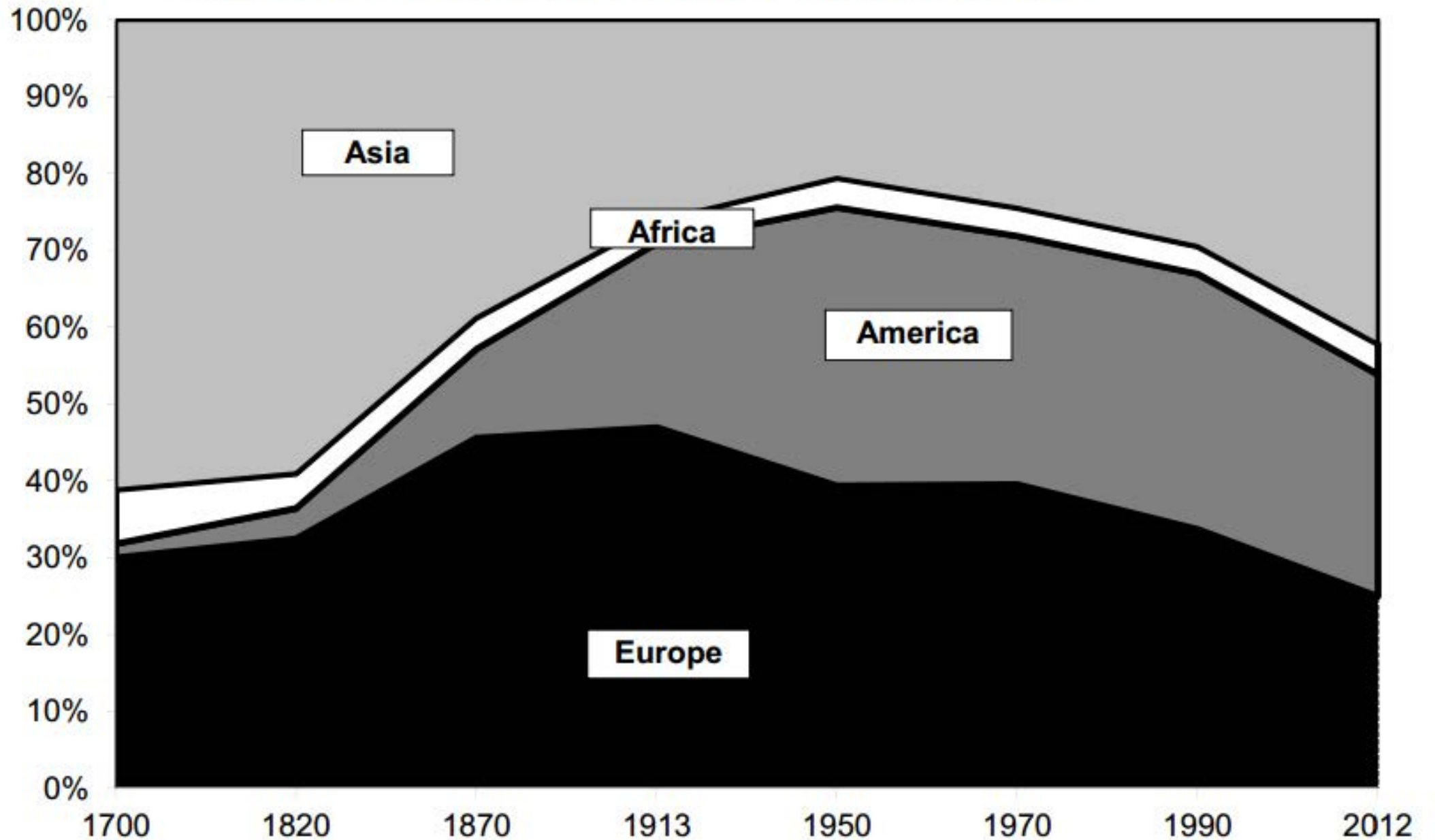
Figure 2: 1000 Years of World Population (millions)

Figure 3: World Income Per Person (1990 $US)
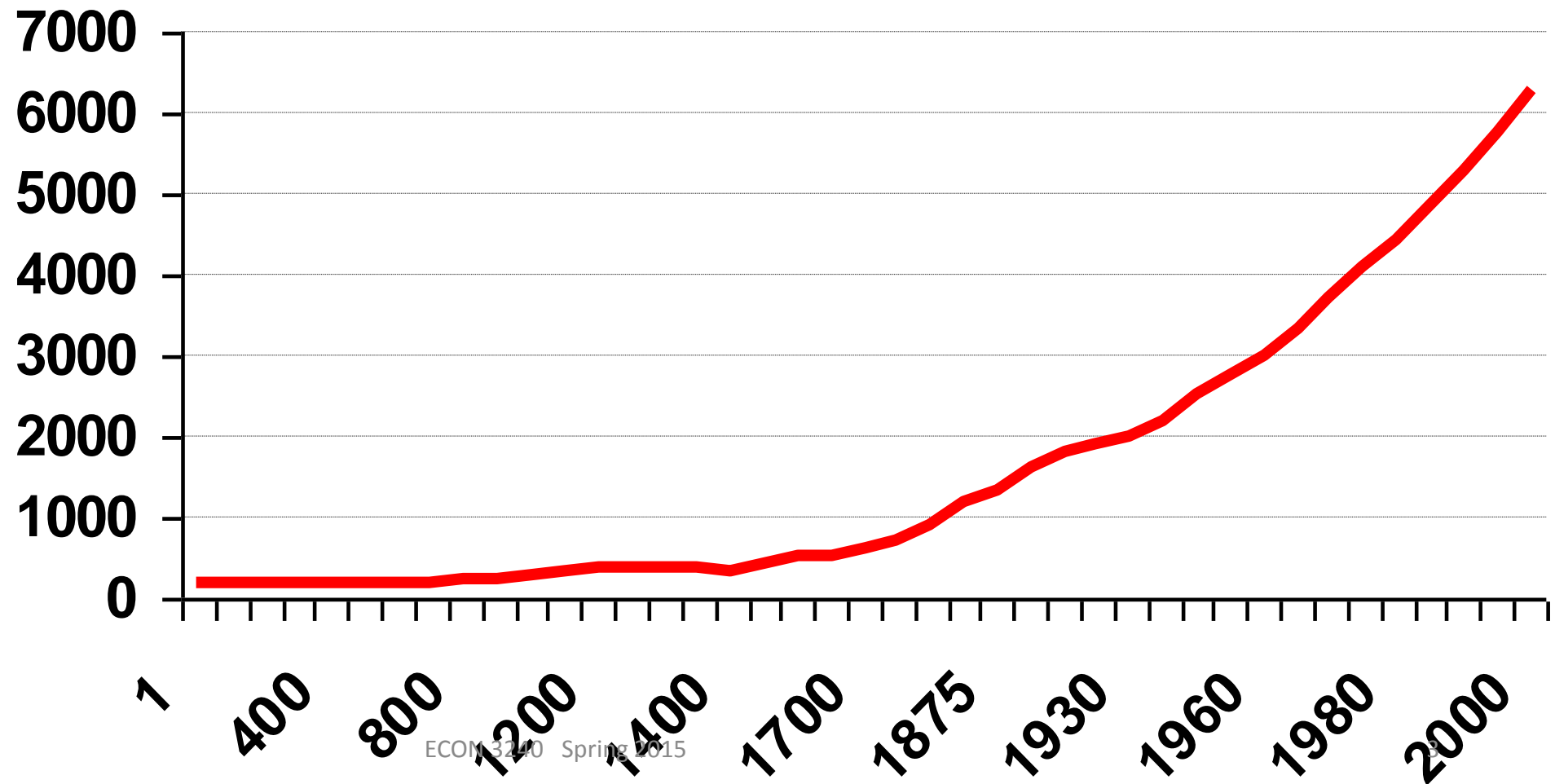
But incomes rose even faster so the world $1/day poverty rate fell from about 84% to about 15%.

**The Great Reversal of Fortunes**

Figure 1.1. The distribution of world output 1700-2012

Europe's GDP made 47% of world GDP in 1913, down to 25% in 2012.
Sources and series: see piketty.pse.ens.fr/capital21c.

Source: Piketty 2014

Great Divergence, then convergence post 1950: faster after 1990.
Asia and Africa began to close the Gap

Source: Piketty 2014 Chapter 1

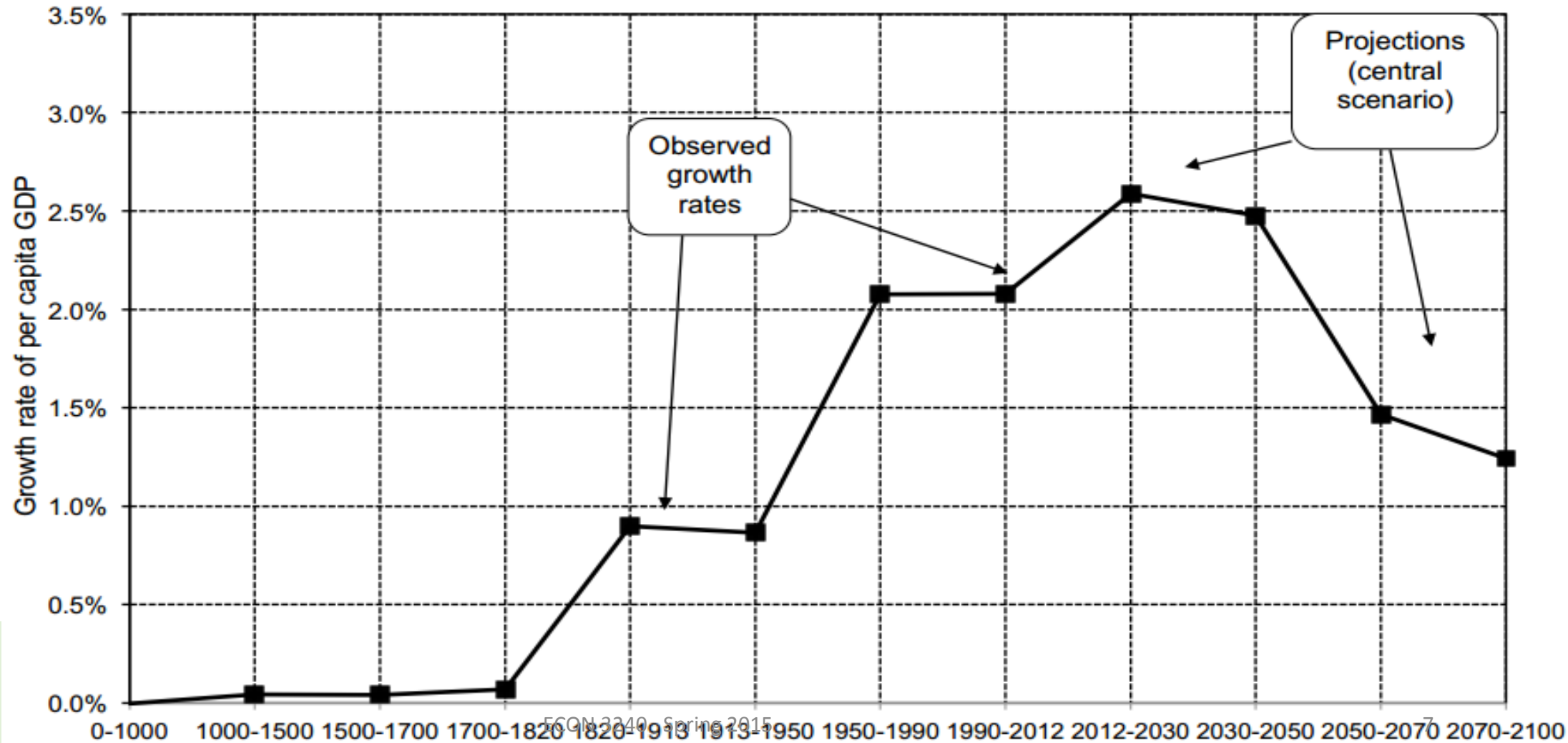Figure 1.3. Global inequality 1700-2012: divergence then convergence?
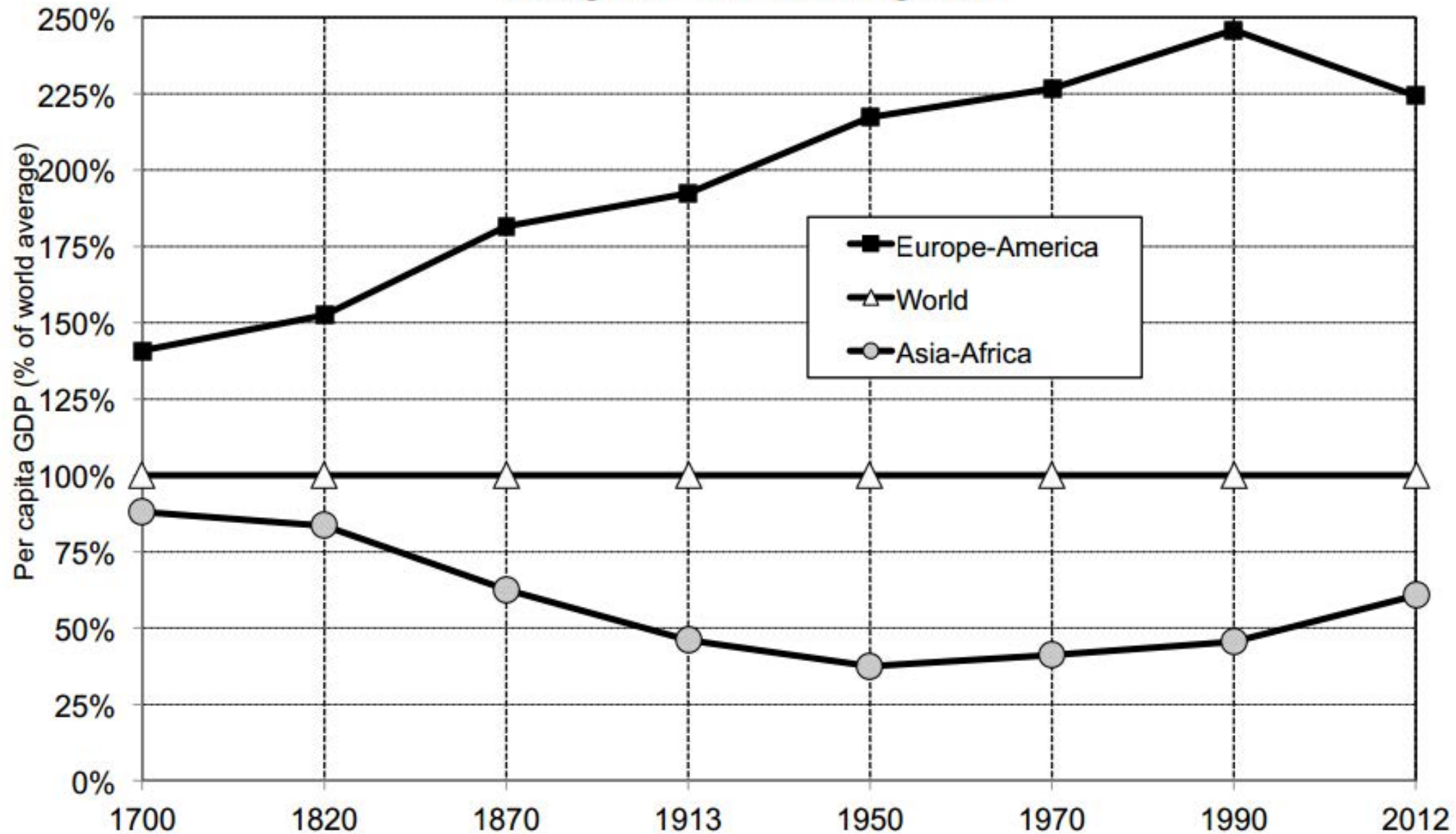
Per capita GDP in Asia-Africa went from 37% of world average in 1950 to 61% in 2012.
Sources and series: see piketty.pse.ens.fr/capital21c.

In the next century, assuming convergence (developing countries growing at 5% and rich countries growing at 1.2%) the world as a whole will be growing at a rate below 2% by the end of century.

Figure 2.4. The growth rate of world per capita output since Antiquity until 2100

Figure 5.8. The world capital/income ratio, 1870-2100
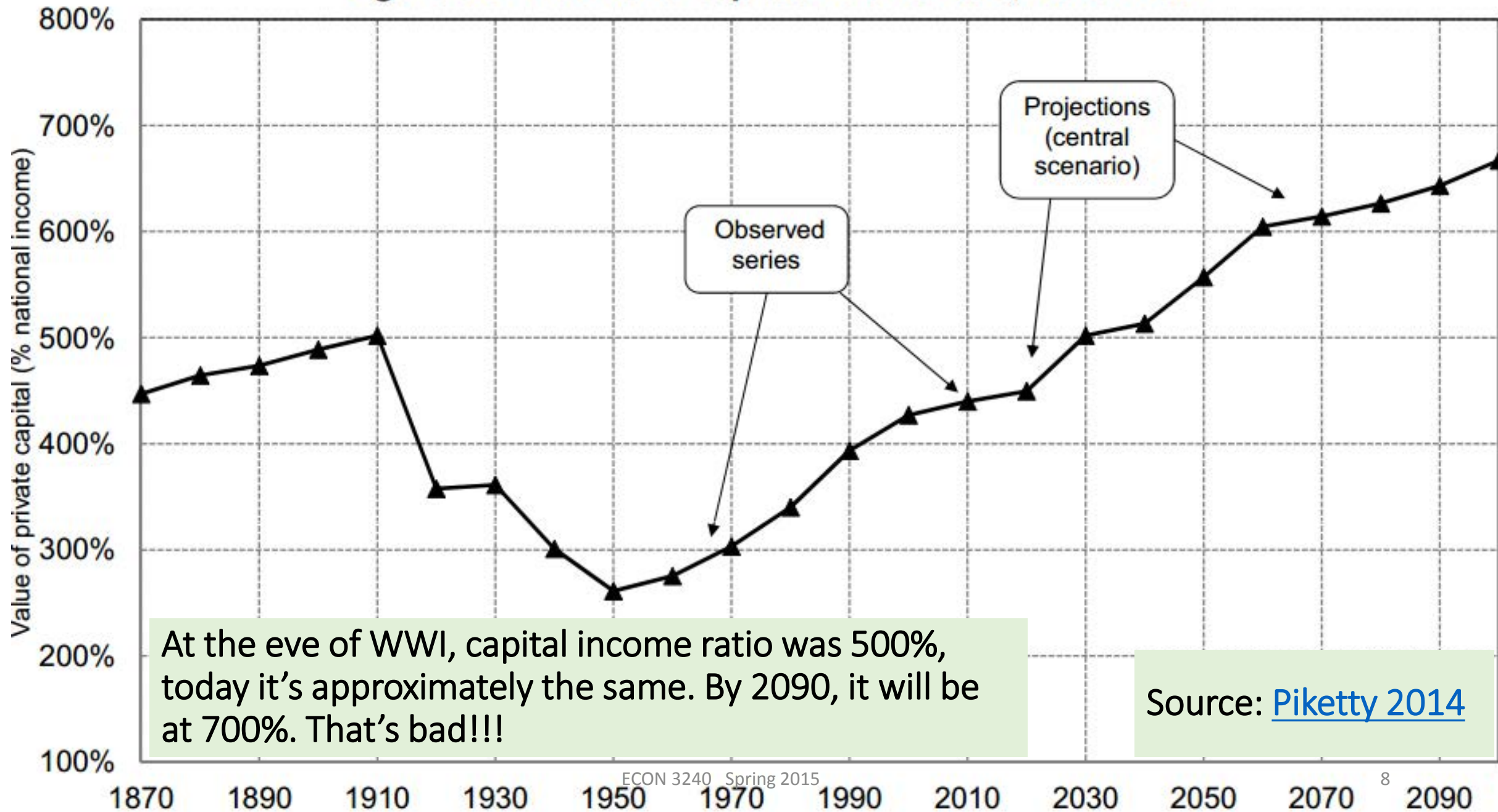
At the eve of WWI, capital income ratio was 500%, today it's approximately the same. By 2090, it will be at 700%. That's bad!!!

Source: Piketty 2014

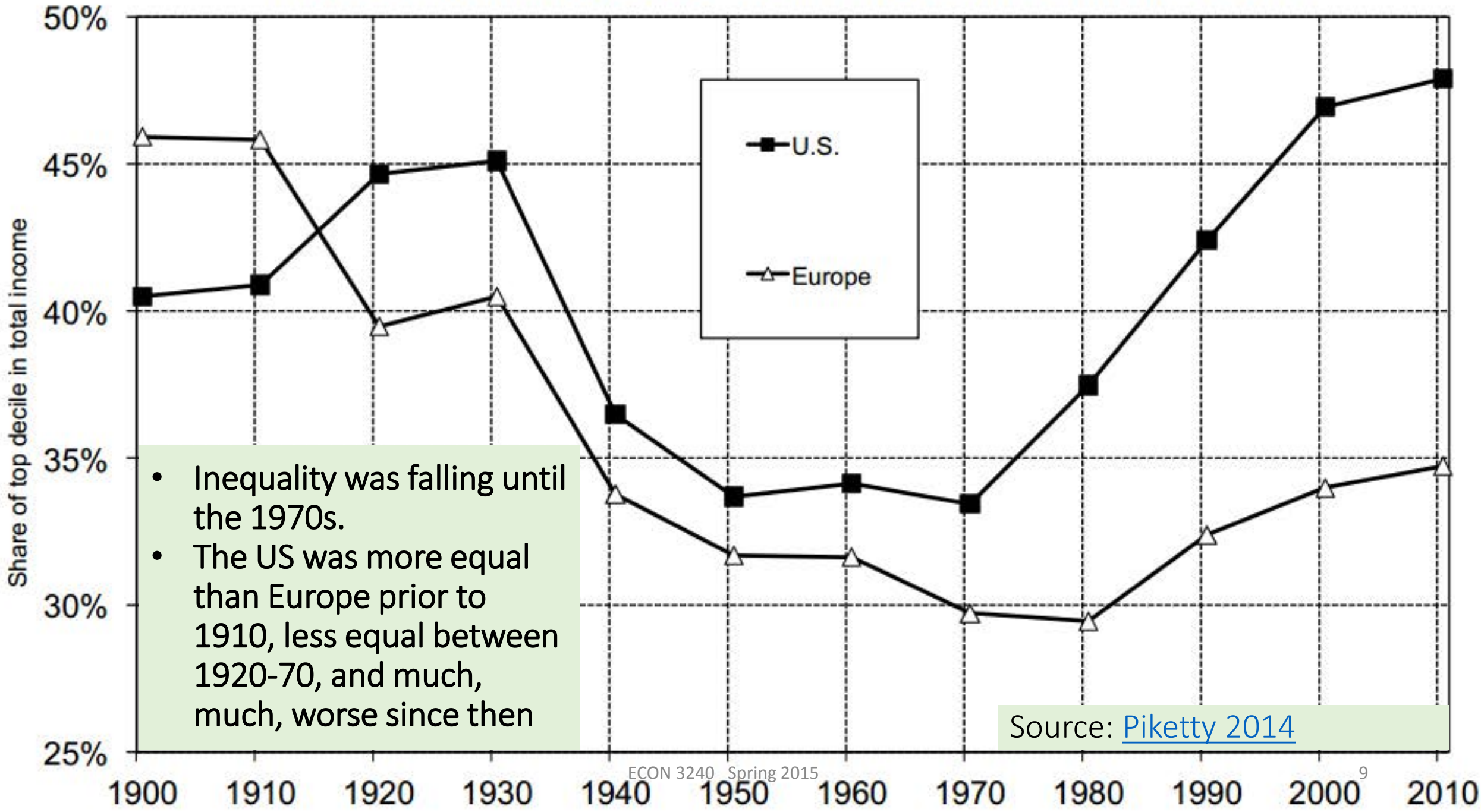Figure 9.8. Income inequality: Europe vs. the United States, 1900-2010

- Inequality was falling until the 1970s.
- The US was more equal than Europe prior to 1910, less equal between 1920-70, and much, much, worse since then

Source: Piketty 2014

Inequality was rising prior to the 1930s, falling between 1930s-80s, and now it is rising back to its initial levels.

Figure 9.9. Income inequality in emerging countries, 1910-2010

Legend:
- India
- Indonesia
- China
- South Africa
- Argentina
- Colombie
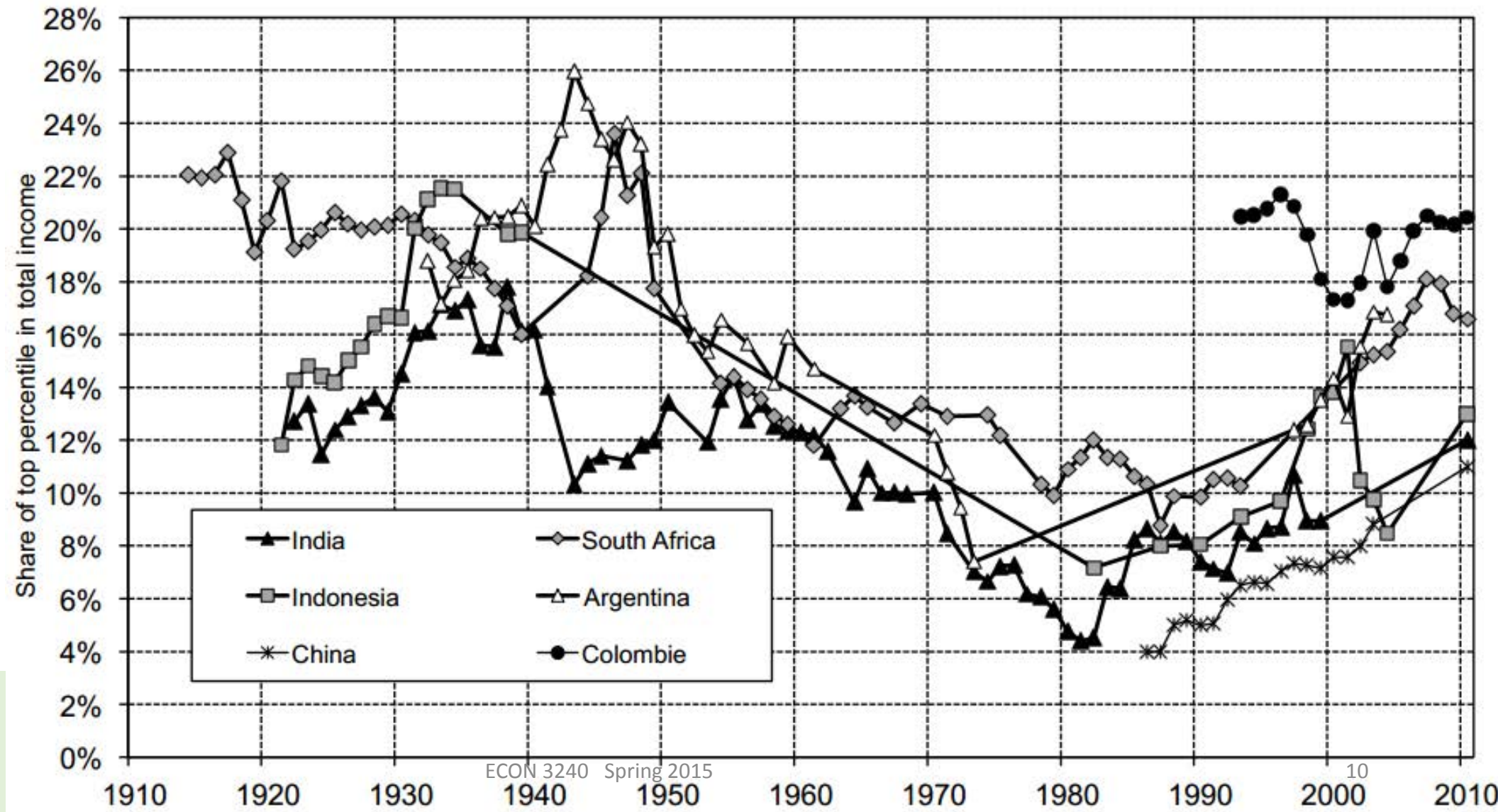
Source: Piketty 2014

Poverty: recent trends

Figure 3: Health Inequality_ Trends in the gap in life expectancy at birth between each region and the world average
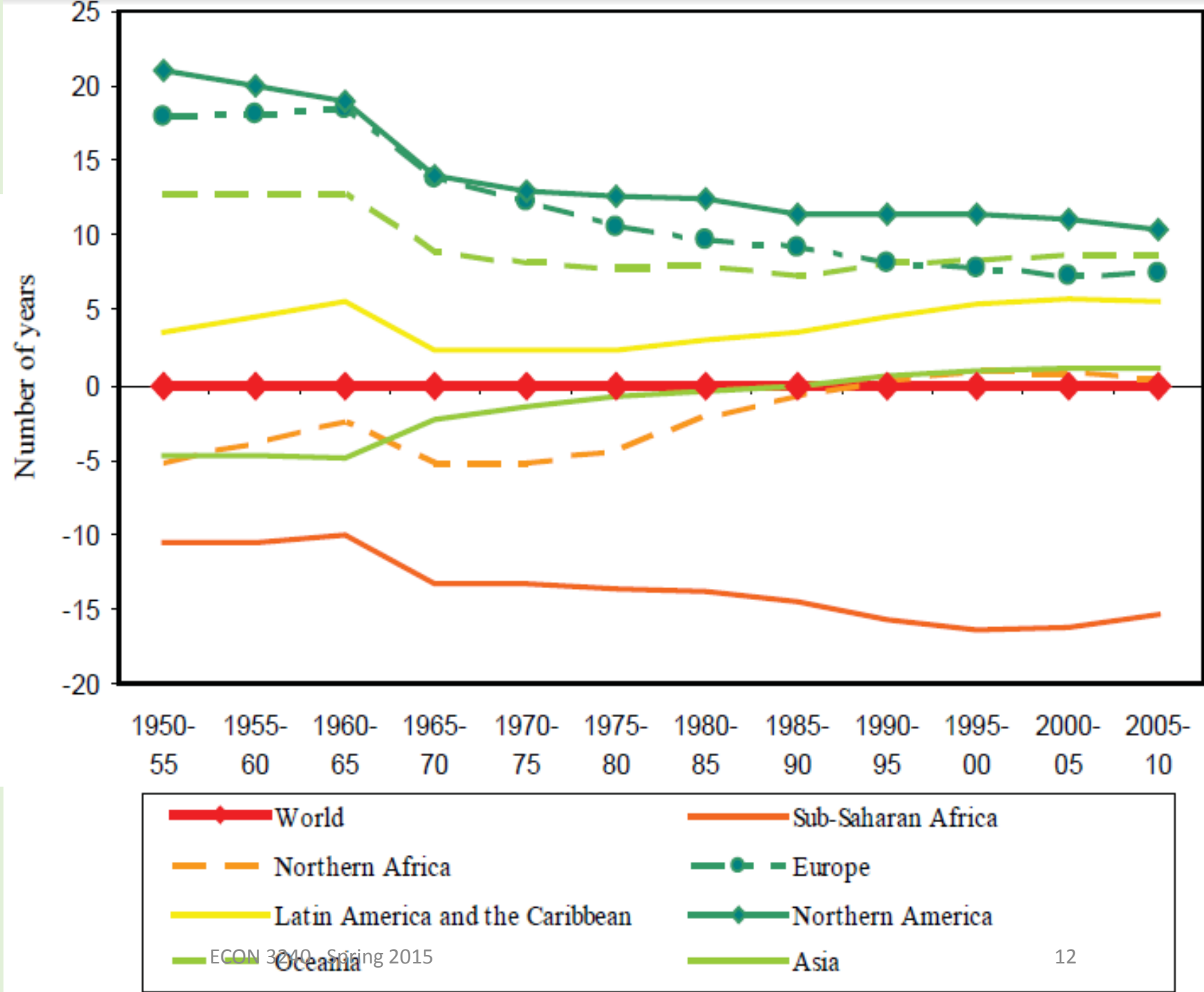
Source: Inequality Matters: Report on the World Social Situation 2013. Department of Economic and Social Affairs, The UN.

Figure 6: convergence in childe mortality possible by 2035

Deaths per 1,000 births

200

150

100

50

Low-income and lower-middle-income countries

By 2035, child mortality in nearly all countries can be as low as the U.S. in 1980.

U.S. in 1980, 15 deaths per 1,000 births

1980   1985   1990   1995   2000   2005   2010   2015   2020   2025   2030   2035
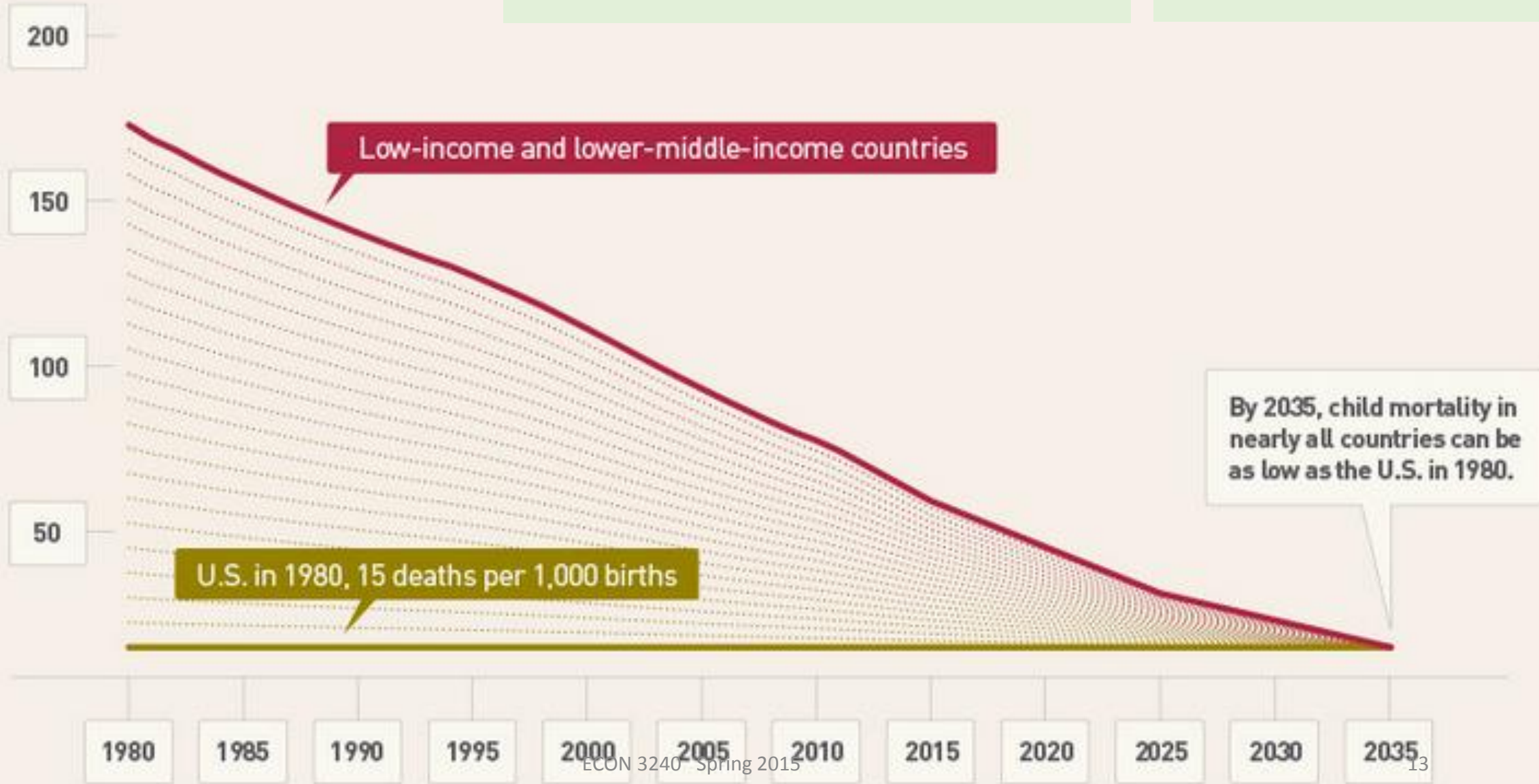
Figure 7: MDGs Established in 2000, 1990 base 2015 targets: goals, targets and indicators MDG 1. Cut 1990 $1/day poverty in half MDG 4: Cut Under 5 mortality rate by 2/3

Source here

1. Eradicate extreme poverty and hunger

2. Achieve universal primary education

3. Promote gender equality and empower women

4. Reduce child mortality

5. Improve maternal health

6. Combat HIV/AIDS, malaria and other diseases

7. Ensure environmental sustainability

8. Develop a Global Partnership for Development

Figure 8

GROWTH'S CONTRIBUTION HAS BEEN CRUCIAL

IN REDUCING EXTREME POVERTY   AND   IN FOSTERING SHARED PROSPERITY
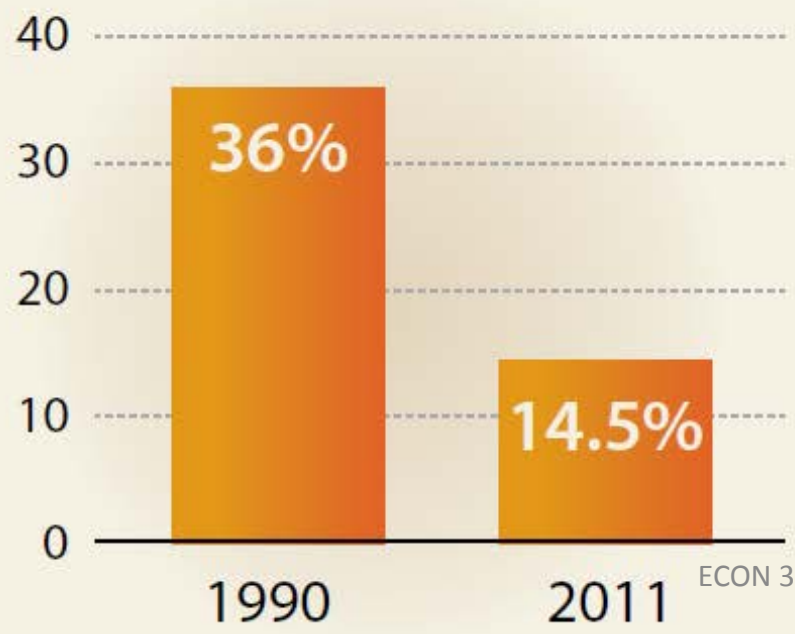
From 2006 to 2011, in

58 out of **86**

countries, the bottom 40% fared better than the country average.

36%

14.5%

1990   2011

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Figure 9

LIVING STANDARDS OF THE BOTTOM 40% LAG BEHIND THOSE OF THE TOP 60%

BOTTOM 40%   TOP 60%

92%

68%

COMPLETION OF PRIMARY EDUCATION (MDG 2)

BOTTOM 40%   TOP 60%

85%

66%

ACCESS TO SAFE WATER (MDG 7)

Source: GMR
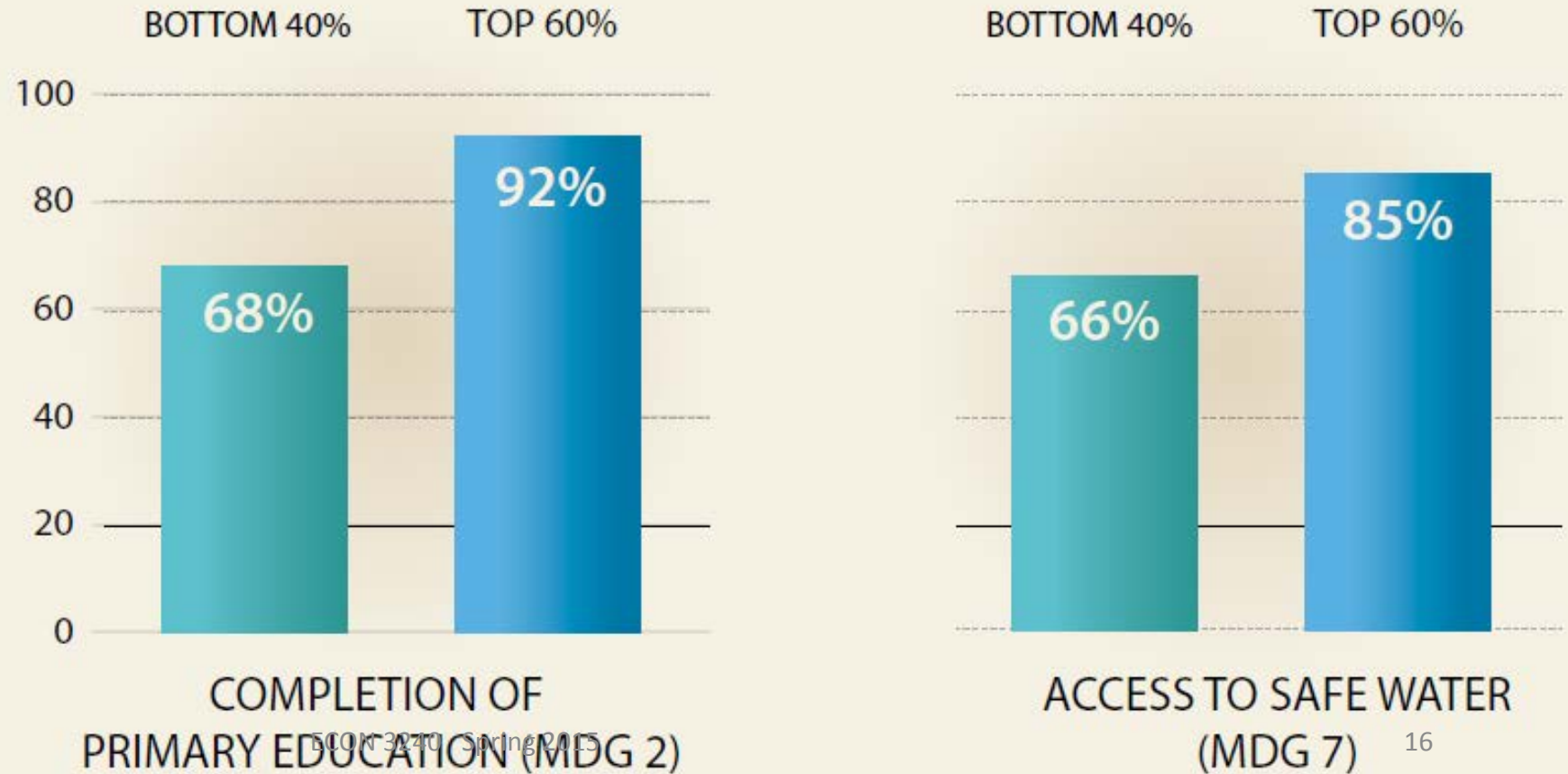
Figure 10 | Source: GMR

GROWTH ALONE IS NOT ENOUGH

The World Bank Group's interim target of reducing poverty to single digits by 2020 seems achievable.

But reaching 3% by 2030 will not be possible without special effort.

9% BY 2020

3% BY 2030

Figure 11

Source: [GMR](#)

Figure 12: Global and regional $1.25/day poverty rate estimates for 1990, 2011, and 2030
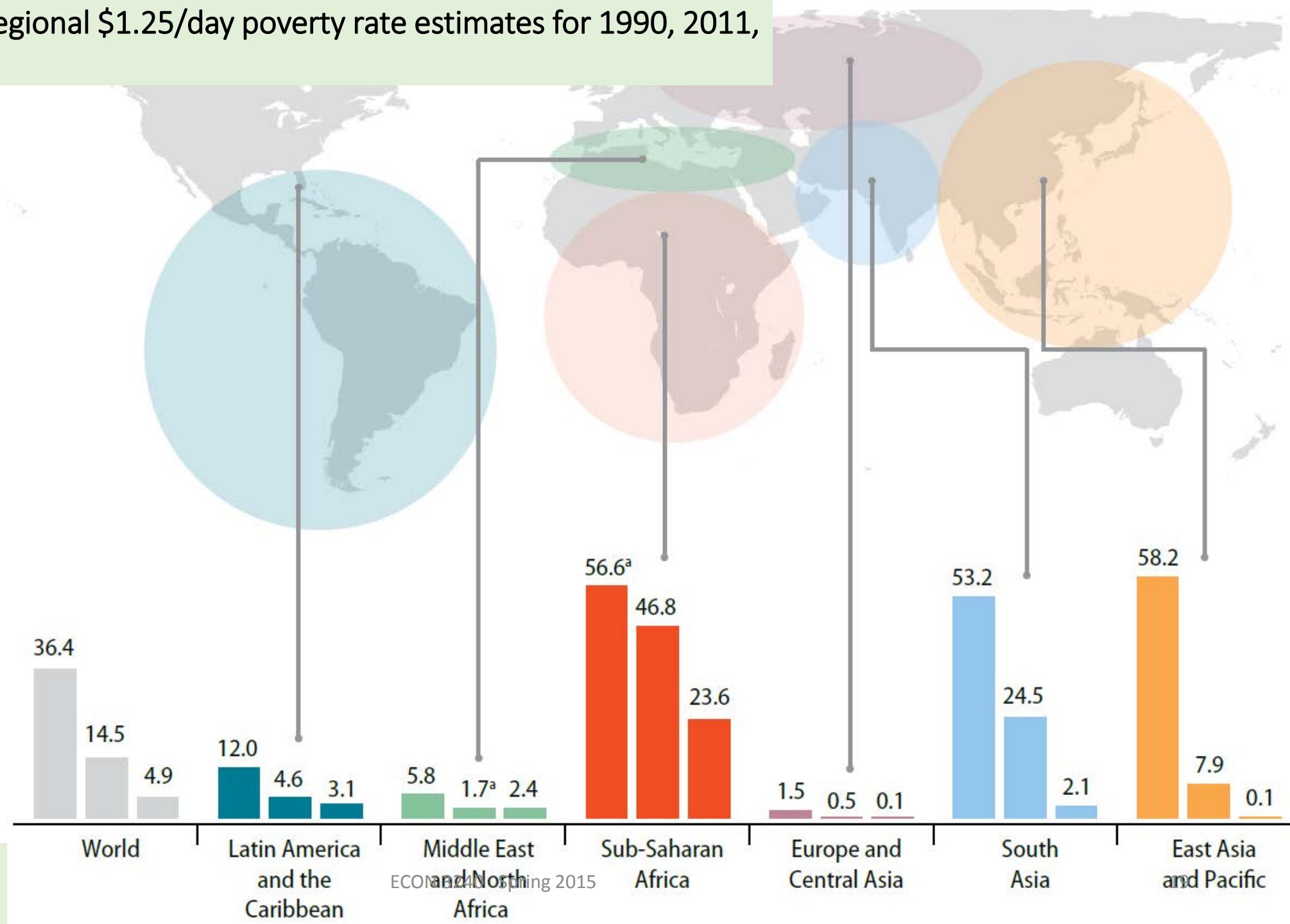
Source: GMR

Figure 13: Top 10 countries with largest share of the global extreme poor, 2011. Percentage of people living on less than $1.25 a day.

30% INDIA

10% NIGERIA

5% CONGO, DEM. REP.

3% ETHIOPIA

2% TANZANIA

2% MADAGASCAR

28% REST OF THE WORLD

4% INDONESIA

2% PAKISTAN

8% CHINA

6% BANGLADESH

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Source: GMR
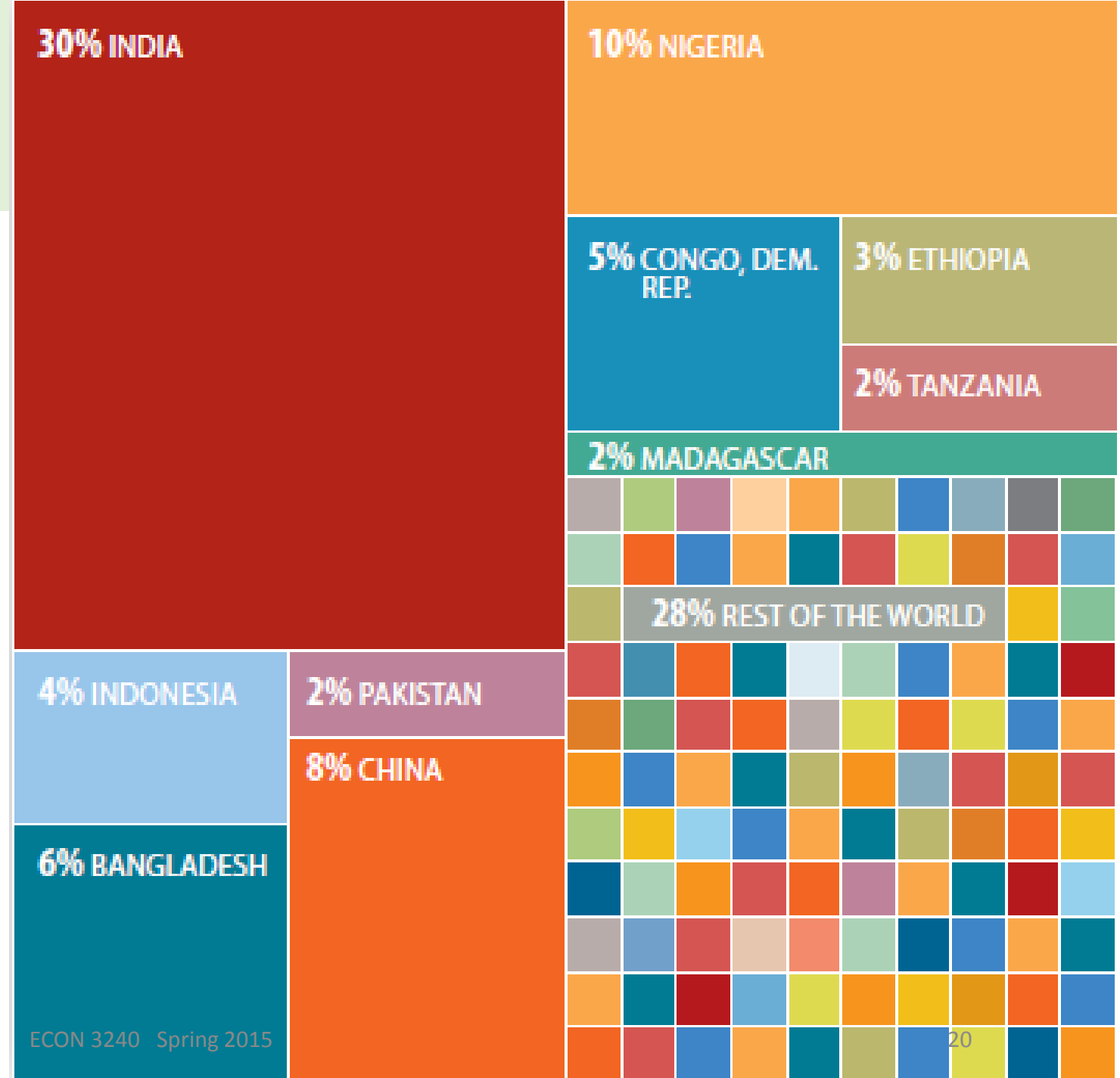
Figure 13: Top 5 poverty reducers contributors to poverty reduction 2008 to 2011: all in Asia

Millions of people lifted out of poverty (people living under $1.25 per day)

INDIA
CHINA
INDONESIA
PAKISTAN
VIETNAM
REST OF THE WORLD
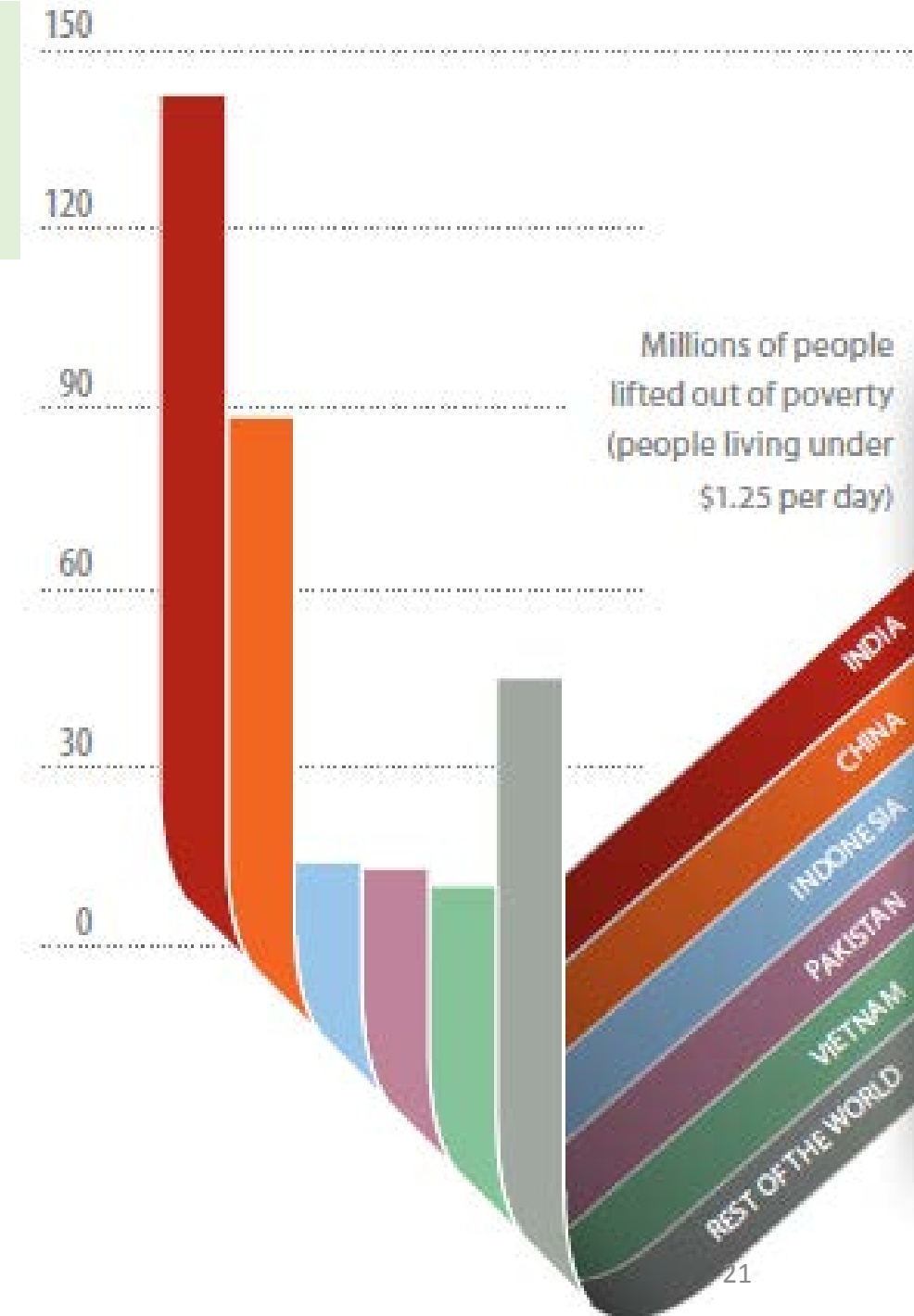
Figure 14: Countries where 40 percent or more of the population is extremely poor . Percentage of extremely poor people

Congo, Dem. Rep., 2005
Madagascar, 2010
Liberia, 2007
Burundi, 2006
Zambia, 2010
Malawi, 2010
Rwanda, 2010
Central African Republic, 2008
Nigeria, 2009
Haiti, 2001
Mozambique, 2008
Sierra Leone, 2011
Lesotho, 2002
Togo, 2011
Benin, 2011
Mali, 2010
Guinea-Bissau, 2002
Burkina Faso, 2009
Comoros, 2004
São Tomé and Principe, 2010
Tanzania, 2011
Angola, 2008
Kenya, 2005
Bangladesh, 2010
Guinea, 2012
Niger, 2011

41 41
43 43
43 43 43
44
46
47
49
51 52
52
55
57
60
62 62
63 63
71
74
81
84

Source: GMR

Fig 15: Share pop, poor, vulnerable and Middle class 2012

Legend:
- ■ Extreme poor (less than $1.25 a day)
- ■ Moderate poor ($1.25 to $4 a day)
- ■ Vulnerable ($4 to $10 a day)
- ■ Middle class and rich (more than $10 a day)

Countries (top to bottom):
Russian Federation, Thailand, Tunisia, Turkey, Chile, Armenia, Costa Rica, Peru, Kyrgyz Republic, Brazil, China, South Africa, Honduras, Ethiopia, India, Lao PDR, Bangladesh, Angola, Mali
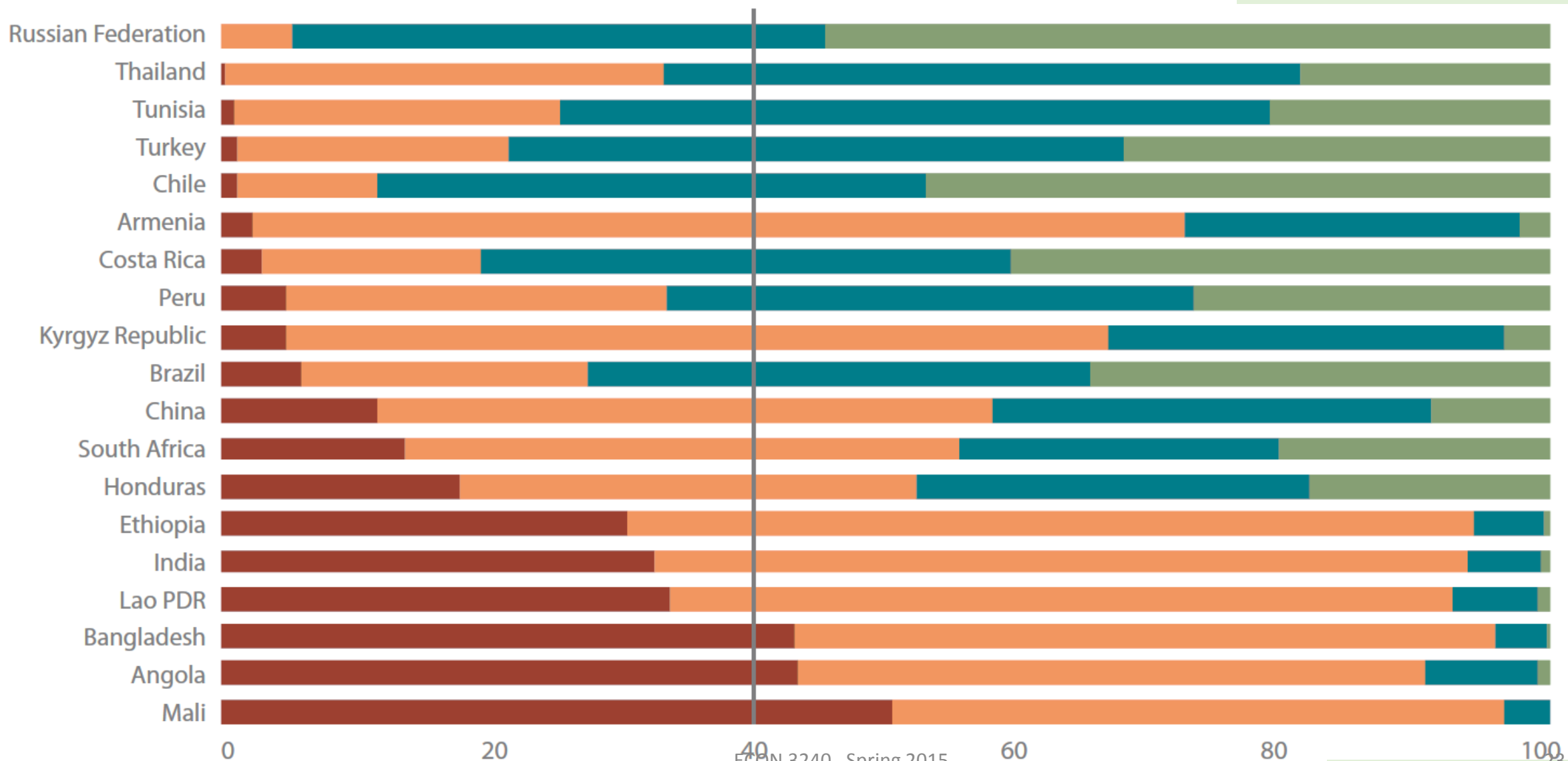
X-axis: 0, 20, 40, 60, 80, 100
Population share (percent)

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Figure 15: Bottom 40 percent across income groups

Fig 16: millions of poor (left) DD Poverty Rate (right)

East Asia and Pacific

Source: GMR 2014

Number of the Poor (in millions)

957 — 1990
324 — 2005
161 — 2011

Projections
86.4 — 2015
31 — 2020
2.5 — 2030

East Asia and Pacific

Source: GMR 2014

% of Poor

58 — 1990
17 — 2005
7.9 — 2011

Projections
4.1 — 2015
1.5 — 2020
0.1 — 2030

Fig 17: millions of poor (left) DD Poverty Rate (right)

Latin America and the Caribbean

Number of the Poor (in millions)

Source: GMR 2014

- 1990: 53
- 2005: 41
- 2011: 28

Projections
- 2015: 27
- 2020: 25
- 2030: 22

Latin America and the Caribbean

% of Poor

Source: GMR 2014

- 1990: 12
- 2005: 7.4
- 2011: 4.6

Projections
- 2015: 4.3
- 2020: 3.8
- 2030: 3.1

Fig 18: millions of poor (left) DD Poverty Rate (right)

South Asia

Number of the Poor (in millions)

Source: GMR 2014

603 — 1990
589 — 2005
399 — 2011
311 — 2015 (Projections)
250 — 2020
43 — 2030

South Asia

% of Poor

Source: GMR 2014

53 — 1990
39 — 2005
25 — 2011
18 — 2015 (Projections)
14 — 2020
2.1 — 2030

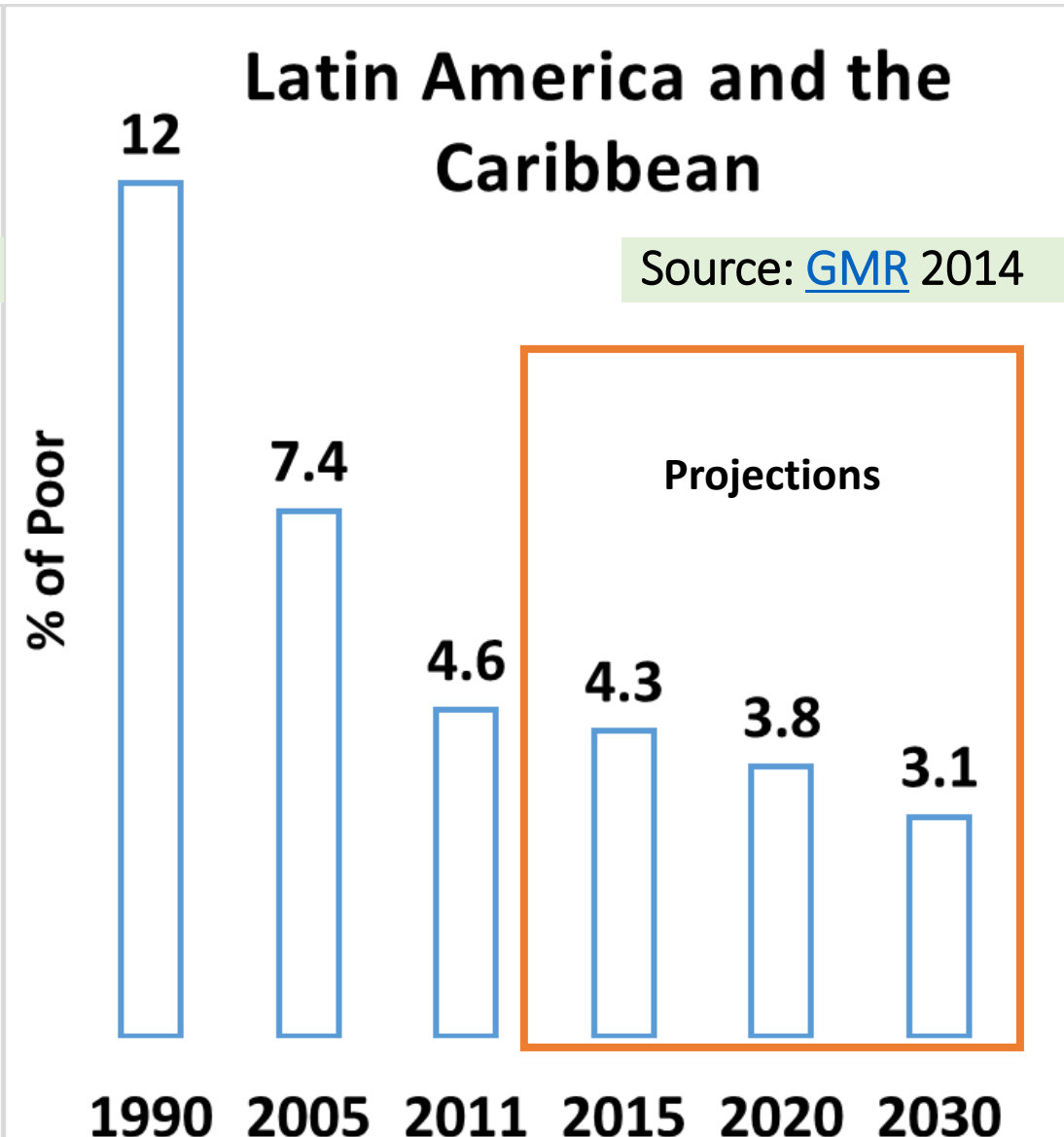# Fig 19: millions of poor (left) DD Poverty Rate (right)

Sub-Saharan Africa

Number of the Poor (in millions)

Year	Value
1990	287
2005	399
2011	415
2015	403
2020	383
2030	335

Projections (2015, 2020, 2030)

Source: GMR 2014

Sub-Saharan Africa

% of Poor

Year	Value
1990	57
2005	53
2011	47
2015	41
2020	34
2030	24

Projections (2015, 2020, 2030)

Source: GMR 2014

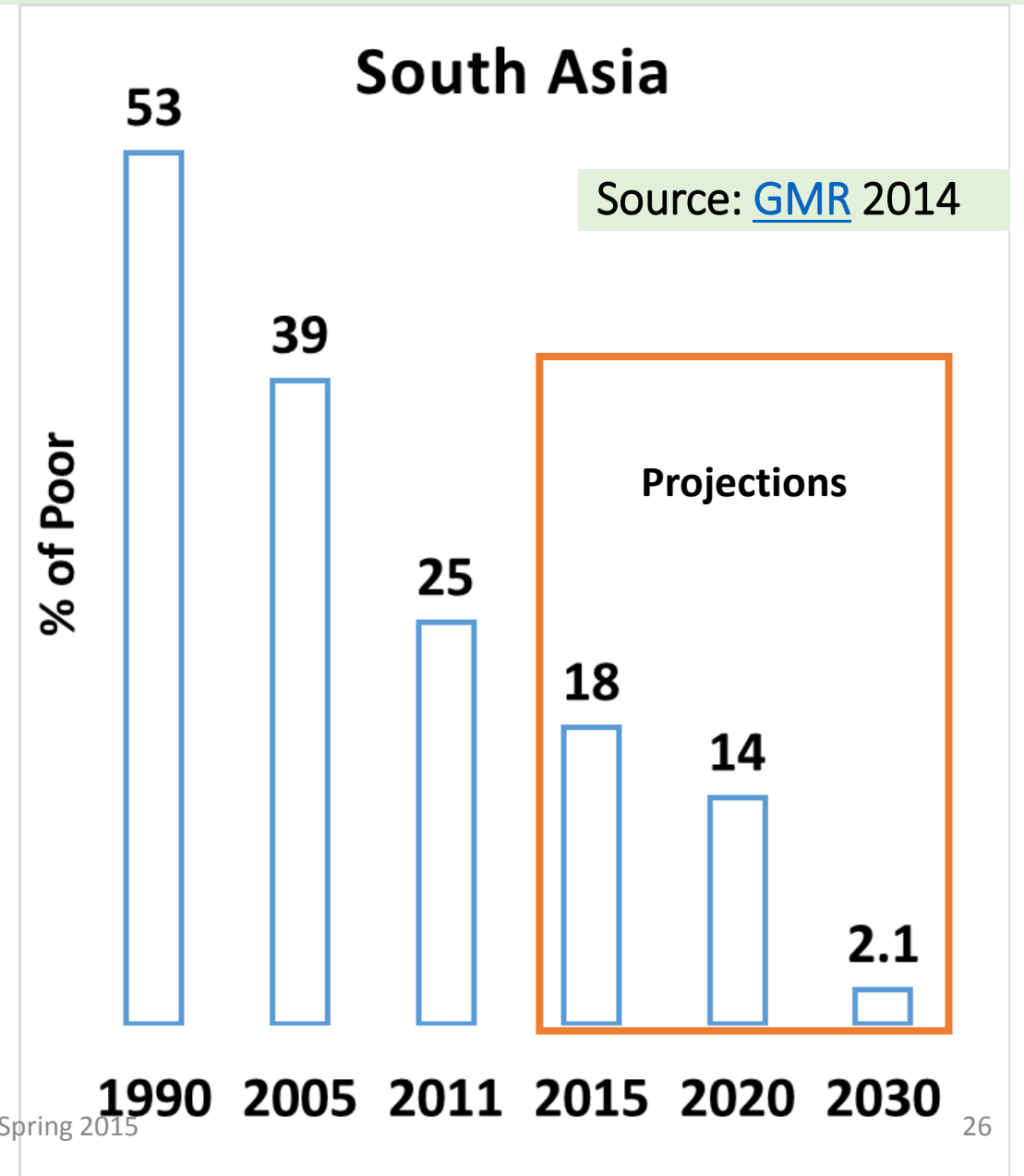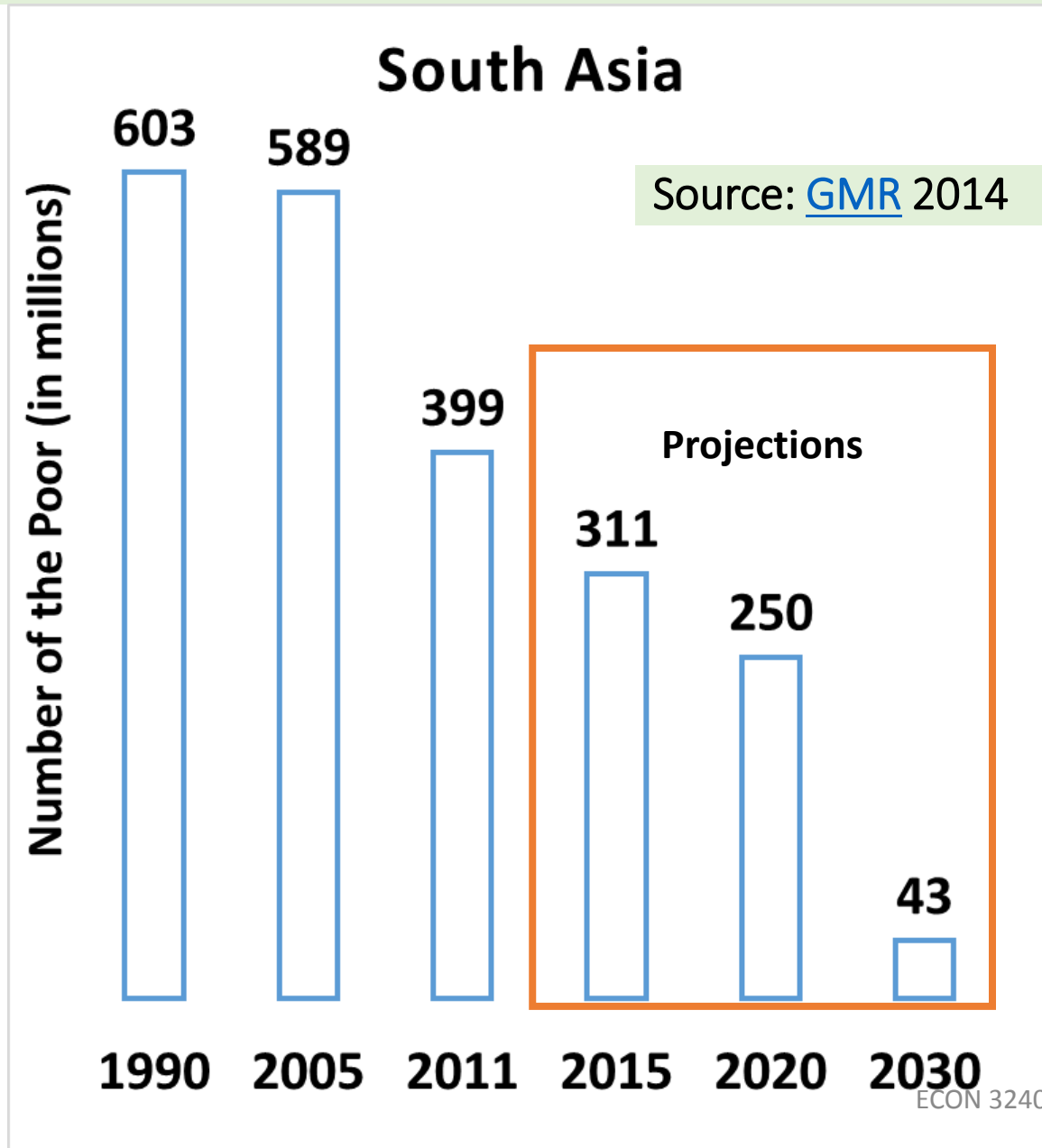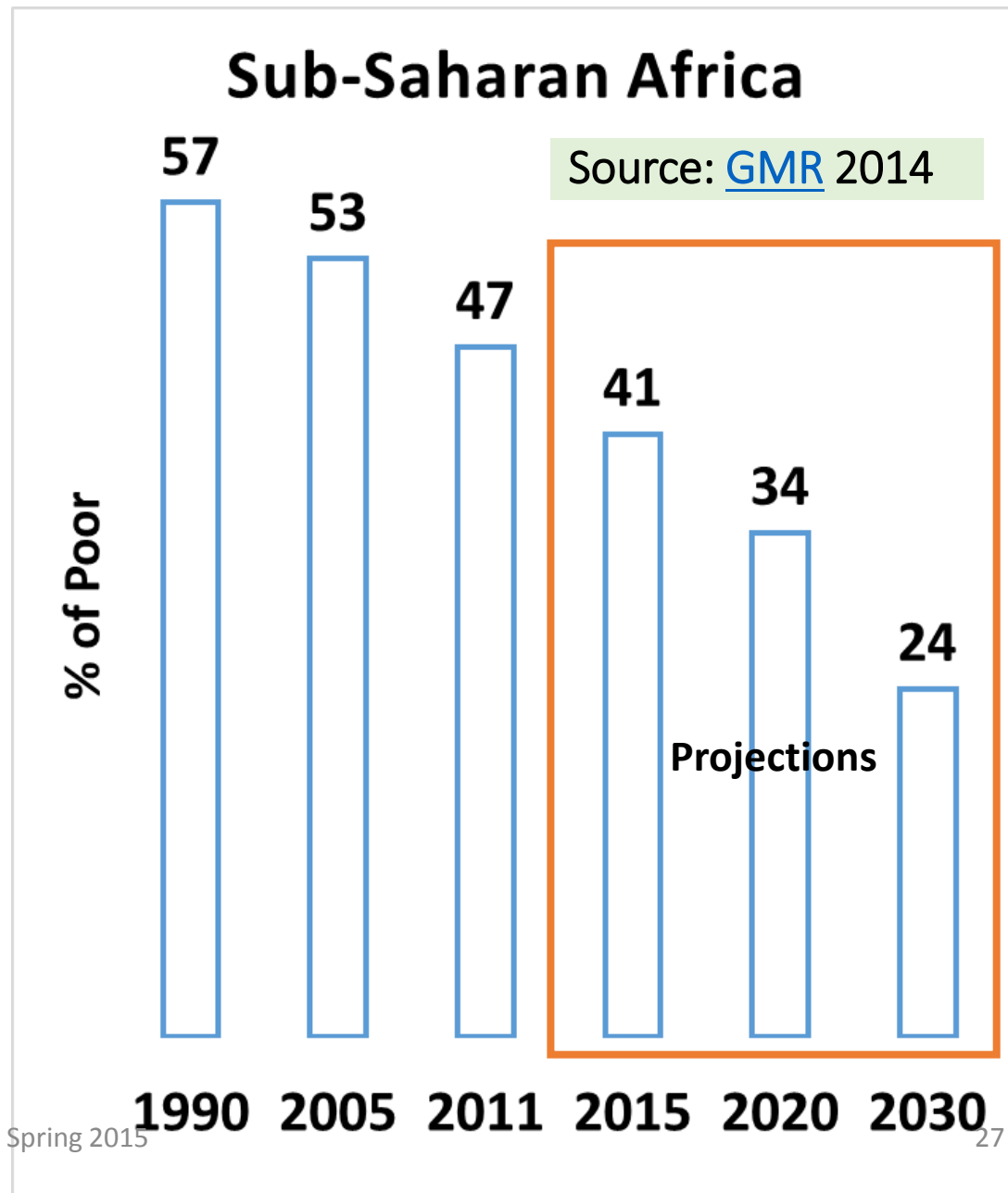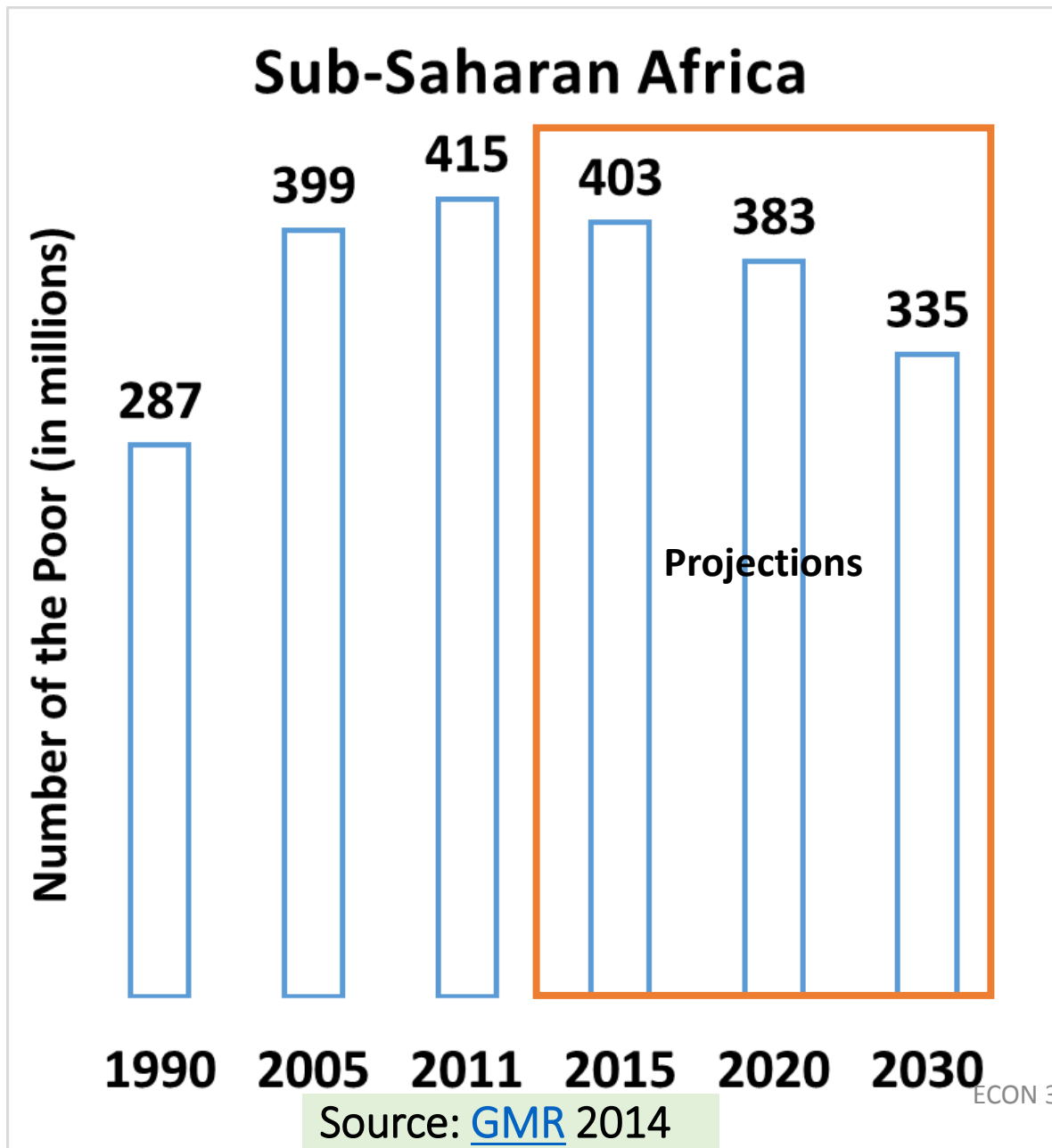# Figure 20 millions of poor (left) DD Poverty Rate (right)

Developing World

Source: GMR 2014

Number of the Poor (in millions)

1,920
1,368
1,011

Projections

836
696
412

1990 2005 2011 2015 2020 2030

Developing World

Source: GMR 2014

% of Poor

36
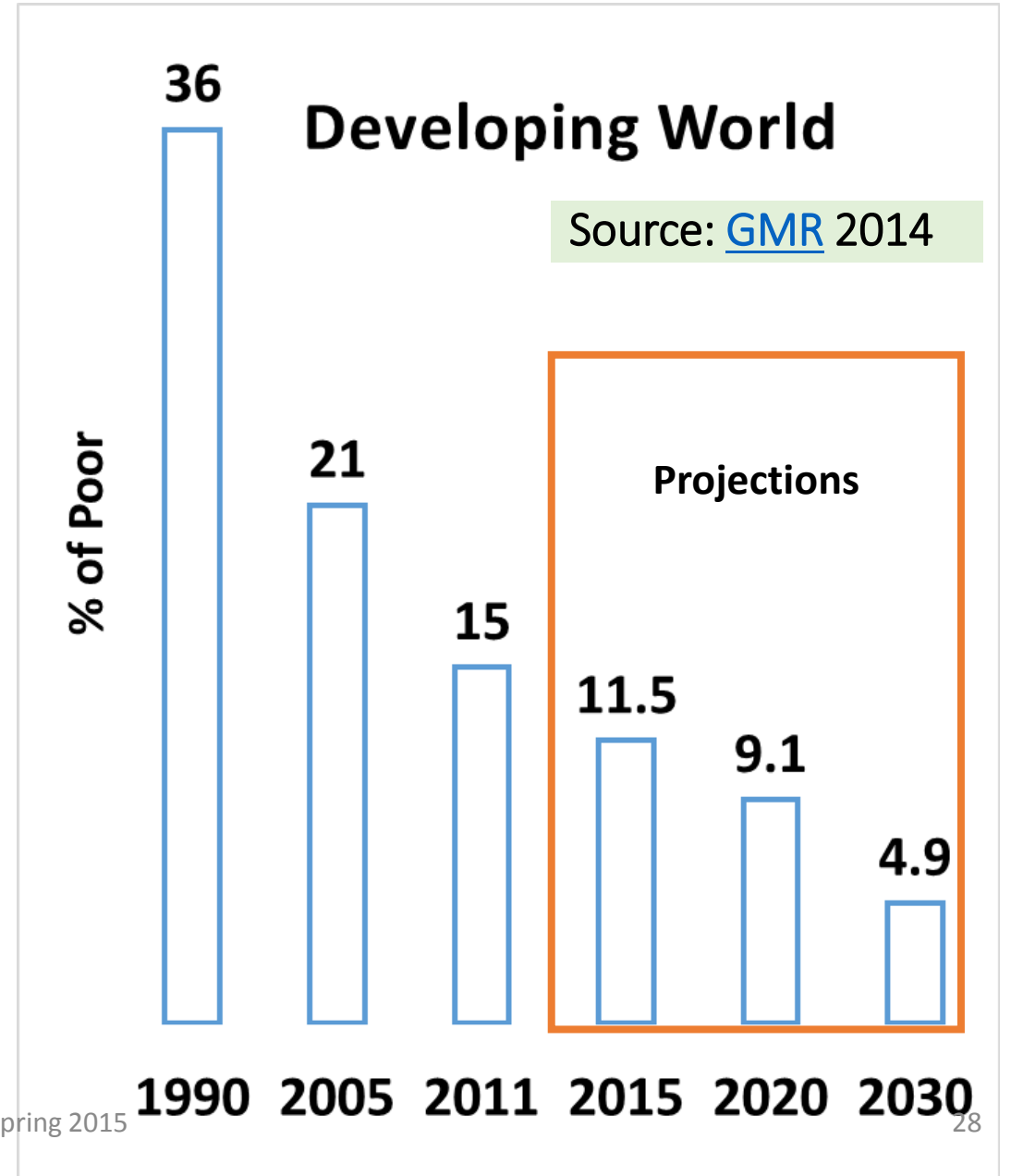21
15

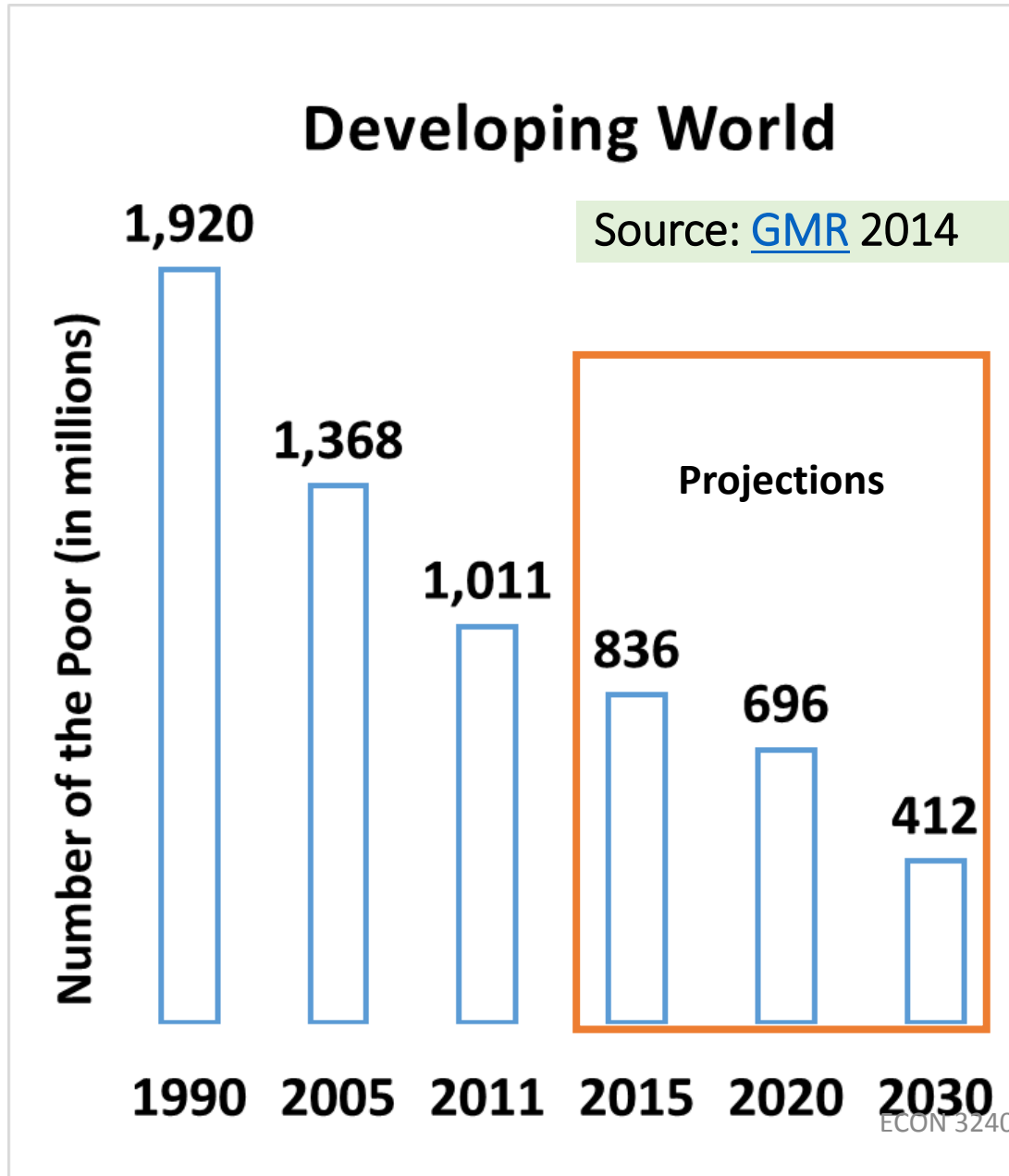Projections

11.5
9.1
4.9

1990 2005 2011 2015 2020 2030

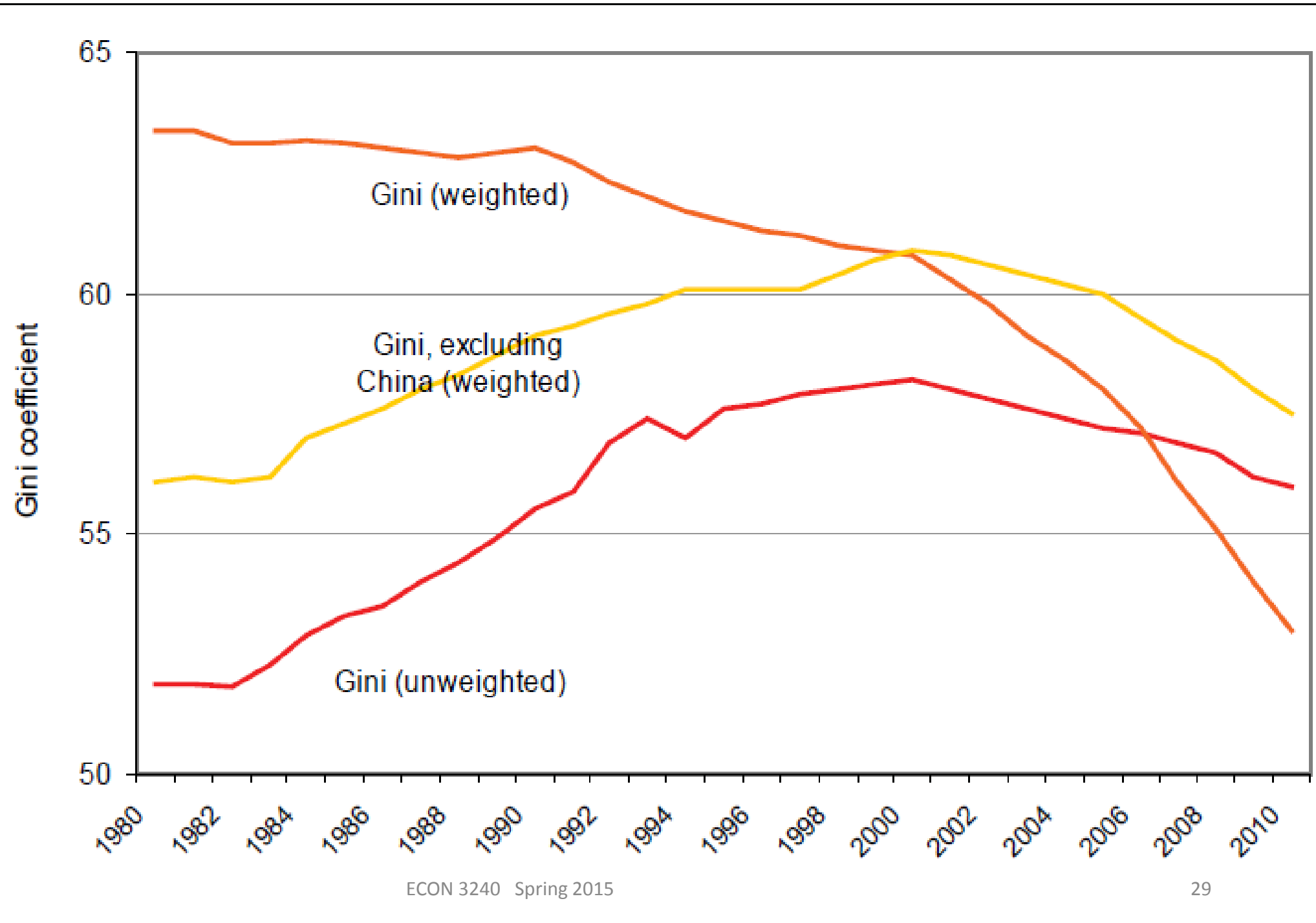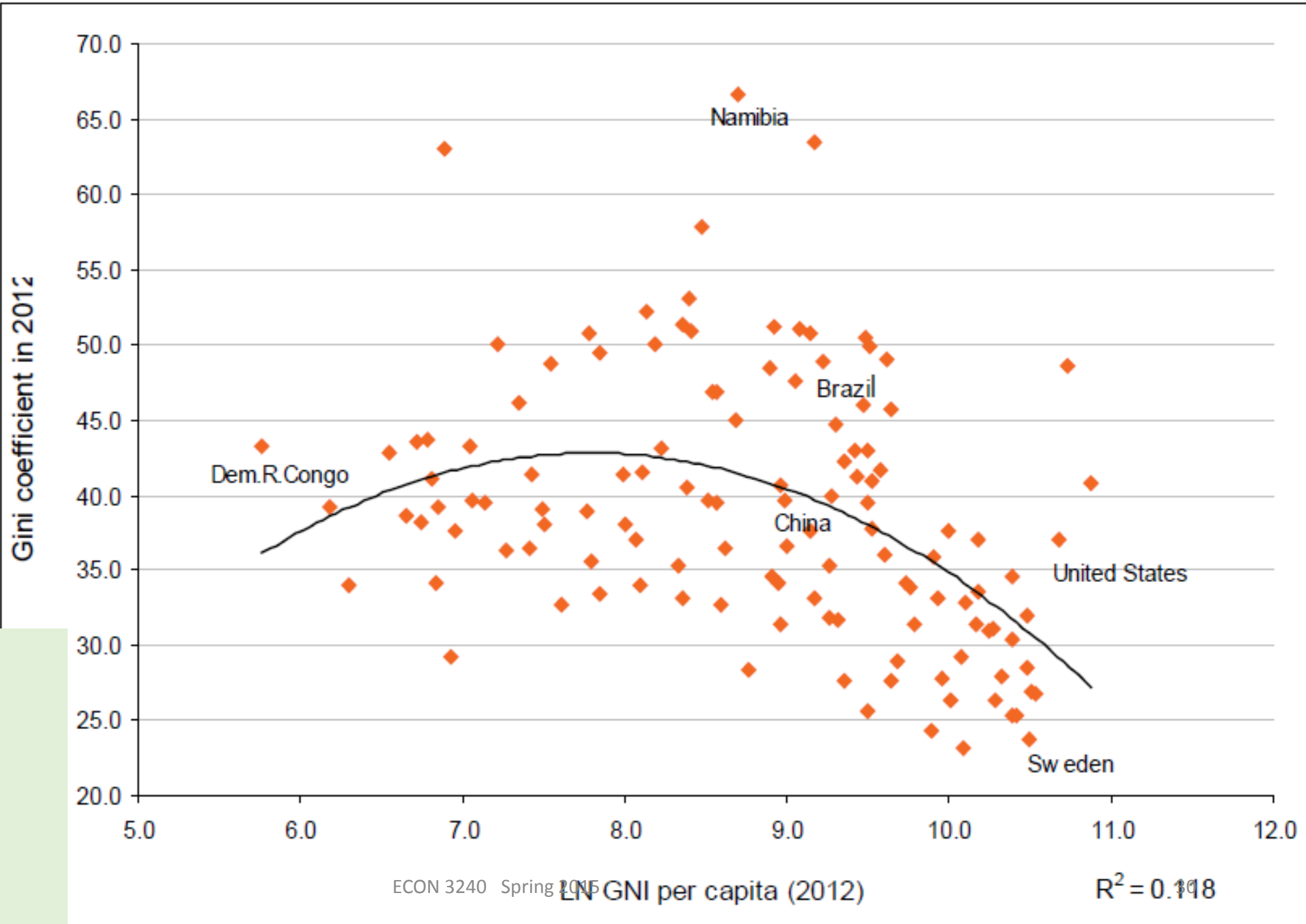# Figure 1: International income inequality, 1980-2010

Source: Inequality Matters: Report on the World Social Situation 2013. Department of Economic and Social Affairs, The UN.

Figure 2: Gini coefficient and GNI per capita by country

Source: Inequality Matters: Report on the World Social Situation 2013. Department of Economic and Social Affairs, The UN.

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$R^2 = 0.118$

Figure 4: Gini Coefficient for education

Legend:
- World
- Advanced countries
- Developing countries
- East Asia and the Pacific
- Europe and Central Asia
- Latin America and the Caribbean
- Middle East and North Africa
- South Asia
- Sub-Saharan Africa
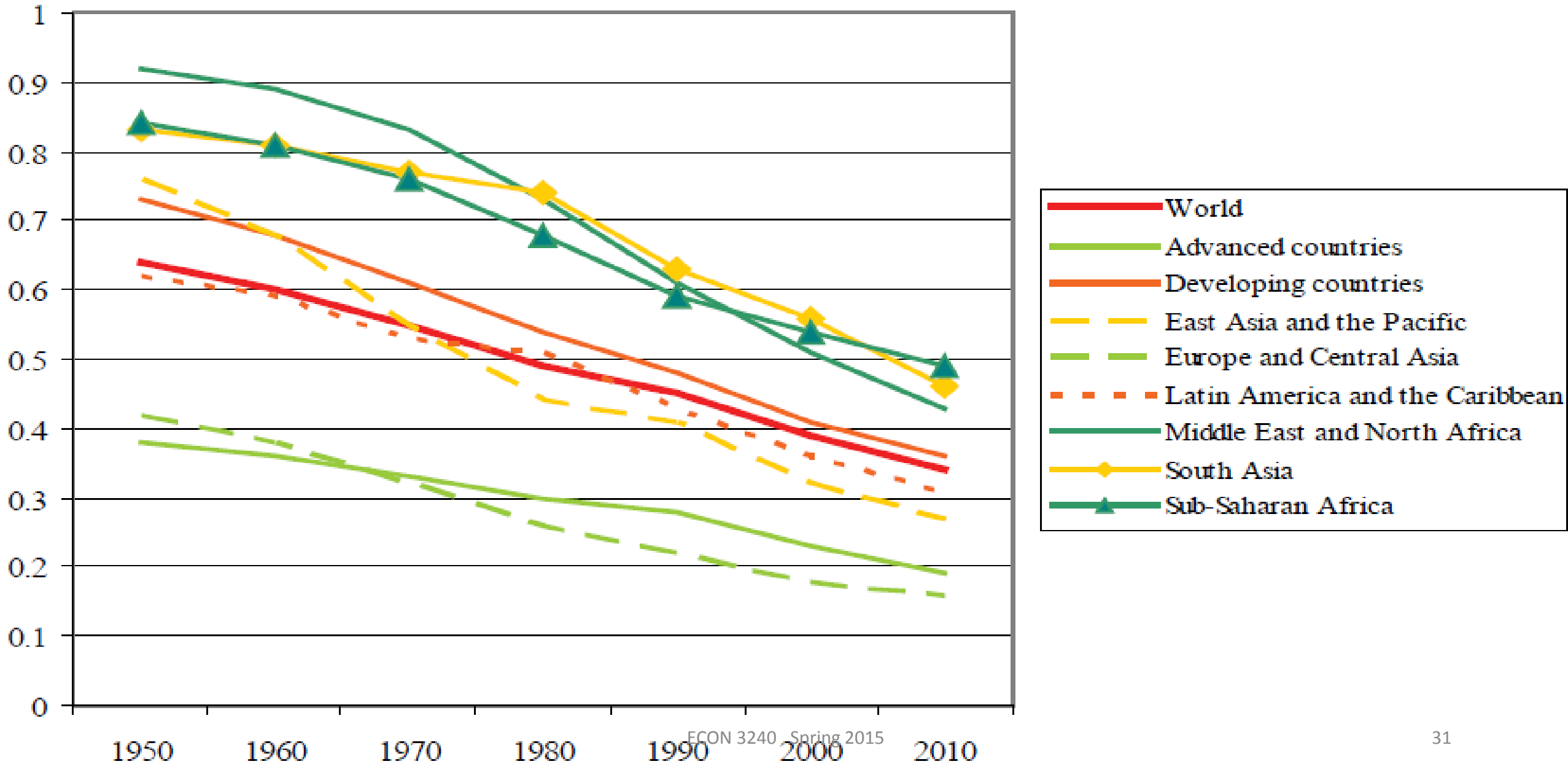
Figure 5: World income distribution now and fifty years ago

THE POVERTY CURVE: FROM TWO HUMPS TO ONE

A half-century ago, the distribution of income in the world looked like a camel with two humps. The first hump represented the so-called developing world. The second hump represented people in wealthier countries (mostly in the West). But the world is no longer separated into the West and the rest. More than a billion people have risen out of extreme poverty, and most of humanity is now in the large dromedary-like hump in the middle.

2012 "Dromedary World"

1960 "Camel World"

GDP PER CAPITA CONSTANT 2005 PPP$ $1/DAY $10/DAY $100/DAY

Source: Gapminder, drawing on Jan Luiten van Zanden et al., "The Changing Shape of Global Inequality 1820–2000: Exploring a New Dataset," Working Paper 1, Center for Global Economic History, Utrecht University, January 2011.

Source: 3 myths that block progress for the poor

Strong Euro makes Europe look richer (but not now) Source: Piketty 2014

Table 1.1: Distribution of world GDP, 2012

	Population (million inhabitants)		GDP (billion euros 2012)		Per capita GDP	Equivalent per capita monthly income
					(euros 2012)	
World	**7,050**	*100%*	**71,200**	*100%*	**10,100 €**	**760 €**
Europe	**740**	*10%*	**17,800**	*25%*	**24,000 €**	**1,800 €**
incl. European Union	540	8%	14,700	21%	27,300 €	2,040 €
incl. Russia/Ukraine	200	3%	3,100	4%	15,400 €	1,150 €
America	**950**	*13%*	**20,600**	*29%*	**21,500 €**	**1,620 €**
incl. United States/Canada	350	5%	14,300	20%	40,700 €	3,050 €
incl. Latin America	600	9%	6,300	9%	10,400 €	780 €
Africa	**1,070**	*15%*	**2,800**	*4%*	**2,600 €**	**200 €**
incl. North Africa	170	2%	1,000	1%	5,700 €	430 €
incl. Subsaharan Africa	900	13%	1,800	3%	2,000 €	150 €
Asia	**4,290**	*61%*	**30,000**	*42%*	**7,000 €**	**520 €**
incl. China	1,350	19%	10,400	15%	7,700 €	580 €
incl. India	1,260	18%	4,000	6%	3,200 €	240 €
incl. Japan	130	2%	3,800	5%	30,000 €	2,250 €
incl. Other	1,550	22%	11,800	17%	7,600 €	570 €