



***Growing Together with
Growth Polarization and Income Inequality***

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**UN DESA Expert Group Meeting on the World Economy
(LINK Project)**

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[Salutation]

UN SG's Global Call

Equity and social justice



UN News Centre

UN chief calls for policies that tackle inequality and ensure social justice



Secretary-General Ban Ki-moon, UN Photo/Rick Bajares

20 February 2013 – Secretary-General Ban Ki-moon today stressed the need for policies that promote inclusive development, adding that only by addressing inequality can countries achieve social justice.

"Growing inequality undermines the international community's progress in lifting millions out of poverty and building a more just world," Mr. Ban said in his message marking the World Day of Social Justice, observed annually on 20 February.

"We must strengthen and build institutions and develop policies that promote inclusive development.

Proclaimed by the General Assembly in 2007, the Day encourages Member States to promote national policies that support efforts to eradicate poverty, promote full employment and decent work, gender equity and access to social well-being and justice for all.

"As we mark World Day of Social Justice, we see far too many places where there are increasing opportunities for a few and only rising inequality for the many," Mr. Ban said. "The fault lines are visible in falling wages for women and young people and limited access to education, health services and decent jobs."

Mr. Ban called on countries to accelerate their efforts to meet the anti-poverty targets known as the Millennium Development Goals (MDGs) which expire in 2015. The eight MDGs set specific targets on poverty alleviation, education, gender equality, child and maternal health, environmental stability, HIV/AIDS reduction, and a "Global Partnership for Development."

The Secretary-General also encouraged countries to look beyond the 2015 deadline to define new goals to achieve sustainable development.

"As we seek to build the world we want, let us intensify our efforts to achieve a more inclusive, equitable and sustainable development path built on dialogue, transparency and social justice," he said.

Related Stories

- Time to turn economic, social systems "inside out," urges Dominican Republic minister
- Nicaragua continues progress on anti-poverty targets, Foreign Minister says
- Venezuela demands end to policies of exclusion, denounces "twists of war"
- Security Council urges strengthened efforts to tackle small arms scourge

In-depth Interviews

- Rachika Coomaraswamy, UN Special Envoy

Press Releases Briefings

- Secretary-General, in Message to Mark World Social Justice Day, Stresses Importance of Laying Foundations for Dignity, Stability, Opportunity
- Green Economy Not Just about Environment, Say Panelists at DPs/NGO Conference: It Can Help Eradicate Poverty, Advance Social Justice
- Social Justice More than Ethical Imperative: It is Foundation for National Stability, Global Prosperity, Says Secretary-General in Message

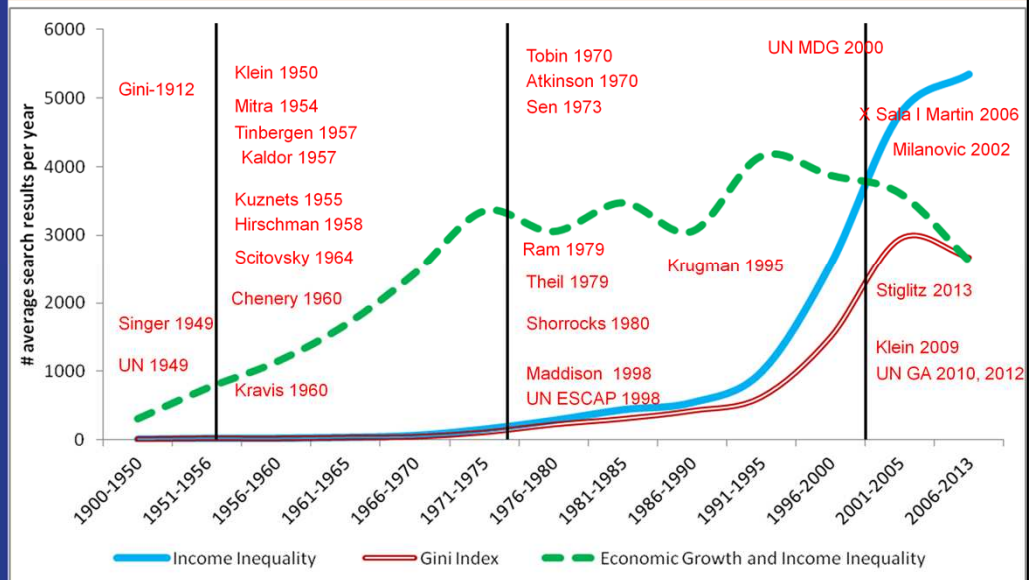
Tackling inequality, eradicating poverty and promoting shared prosperity must be at the heart of the UN sustainable development agenda

Outline

- Stylized facts: Issues and Trends
- Database and Methodology
- Key results and analysis
- Conclusions and way forward

Stylized facts: Issues and trends

Tracking “Inequality” Research UNITED NATIONS ESCAP



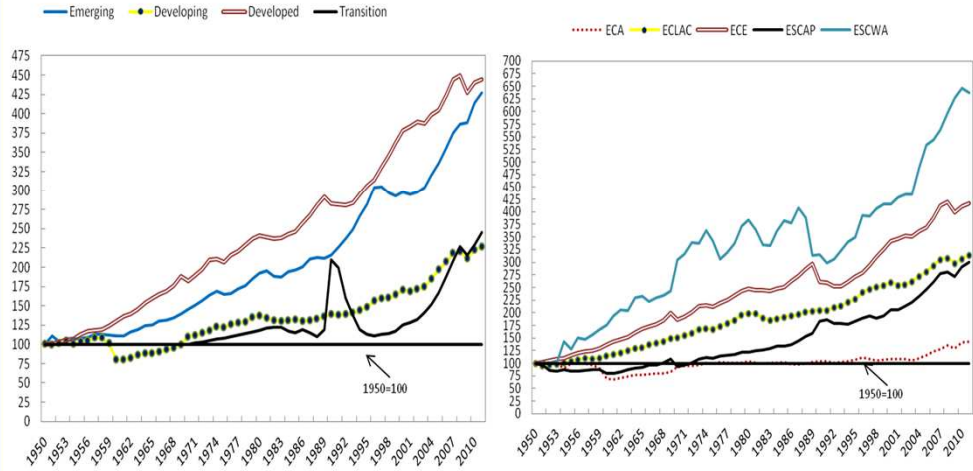
Source: SRBasu-2013, computed from Google Scholar site, accessed on 18 October 4 pm Bangkok, Thailand.

Global Output: A comparison



GDP per capita, \$PPP 2005 [normalization 1950=100]

•Global convergence: Moving up but still a long way to go...



Source: PW 8.0 data

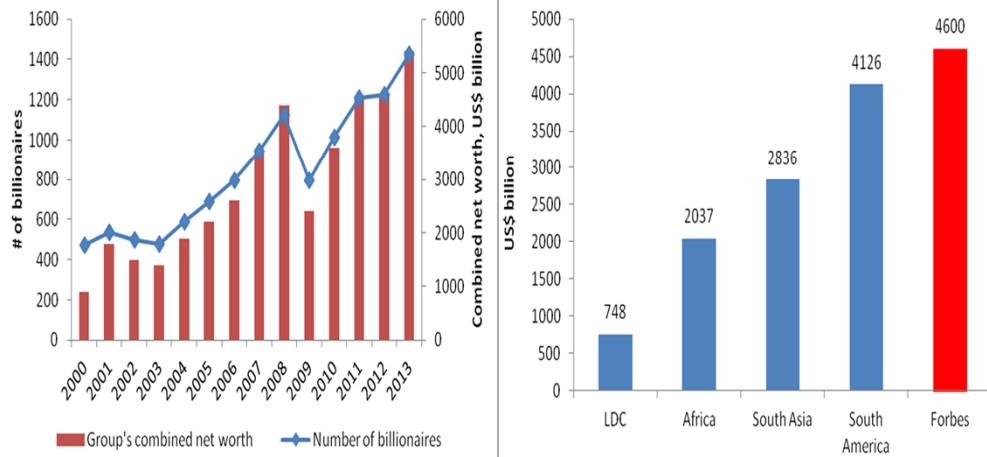
<http://www.rug.nl/research/ggdc/data/penn-world-table>, accessed on 10 October 2013

It's Billionaires World

Comparing with developing world



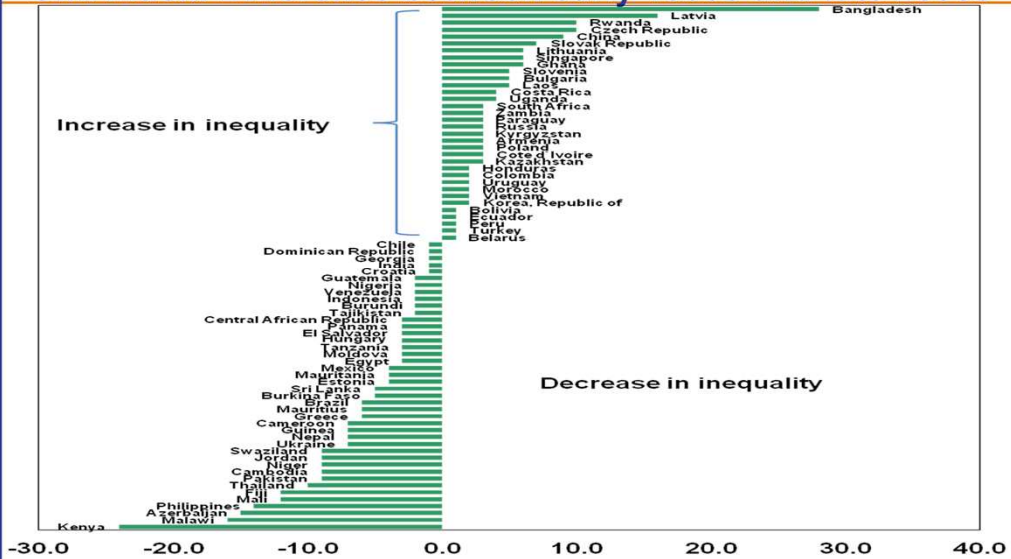
- Billionaires net worth increasing significantly
- Several regions and LDCs worth less than billionaires



Source: Forbes online, accessed on 18 October 2013

Measuring inequality trends

Gini index: Difference between early 1990s and late 2000s

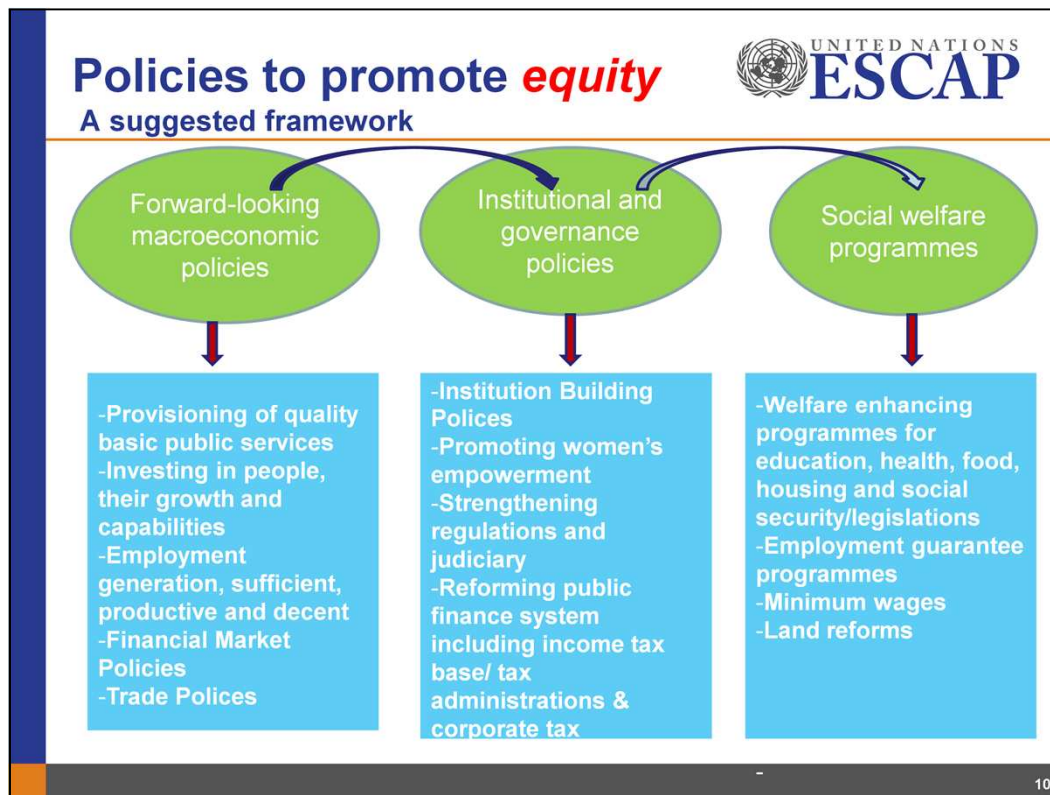


Note: Author's compilation of the two sources below, using gross income at the household level
 Source: The World Bank, Branco Milanovic 2013; Frederick Solt 2011

Inequality promotes *risks*



- **Social and economic inequalities** can tear the social fabric, undermine social cohesion and prevent nations from thriving
 - Societies where opportunities are scarce are vulnerable to **upheaval and conflict**
 - Can jeopardize the well-being of large segments of the population through **low earnings/wages**, and leads to decrease in healthy life and development
 - Vulnerable populations have lower levels of education, lack skills and abilities that can allow them to compete in labour market
 - Structural barrier **constraining domestic markets**
 - Can breed crime, disease and environmental degradation and **hamper economic growth** and thereby poverty reduction
- Inequality of opportunities impede development of **capabilities**
- If inequalities continue to widen, development may **not be sustainable**



- **Forward-looking macroeconomic policies**
to ensure that sufficient, productive and decent employment, and make growth inclusive, resilient and sustainable
Financial market policies, trade policies
- **Institutional and governance reforms**
to address discriminatory and exclusionary practices as well as recourse mechanisms for disadvantaged groups and individuals to claim their rights
Reforms in income tax, corporate tax and public finance system
- **Social welfare programmes**
Minimum wage policies, social protection legislations, employment guarantee programmes and land reforms
to provide quality basic public services for investing in people, their growth and capabilities, education, health, food, housing and social security

- **Social and economic inequalities**
 - Social: Education & health services, wages and land assets
 - Income: GDP per capita, or household income/expenditure
- **Spatial inequalities**
 - Inequalities between regions, subregions and countries
 - Inequalities within countries at subnational level
 - Rural and urban areas
- **Horizontal inequalities**
 - Social groups such as youth, older persons, indigenous persons,
 - Also, minorities, persons with disabilities and migrants workers

Database and Methodology

UN country groupings



Selected 157 economies from all UN regional commissions

ECE (Europe)	ESCAP (Asia-Pacific)	ECA (Africa)	ECLAC (Latin America & Caribbean)	ESCWA (Western Asia)
Austria	Australia	Angola	Argentina	Qatar
Bulgaria	Bangladesh	Botswana	Brazil	Morocco
Croatia	China	Cameroon	Canada	Saudi Arabia
Denmark	India	Djibouti	Chile	Jordan
France	Indonesia	Ethiopia	Colombia	Lebanon
Germany	Iran	Ghana	Costa Rica	Egypt
Greece	Pakistan	Kenya	Dominican Republic	Oman
Hungary	Philippines	Lesotho	Ecuador	Tunisia
Israel	Korea, Rep	Malawi	Mexico	Syria
Italy	Russian Federation	Nigeria	Paraguay	Bahrain
Norway	Thailand	Senegal	Peru	Kuwait
Slovenia	Turkey	Sierra Leone	Uruguay	Yemen
Spain		South Africa	USA	
Switzerland		Zimbabwe	Venezuela	
United Kingdom				
36	33	45	30	13

Note: Gini index information available for 147 countries and GDP per capita for 157 countries
 LDCs: 34 countries; Emerging: 25 countries, Developing: 83 countries; Developed: 34; Transition: 15

- Gini coefficient of inequality
- Generalized entropy class (GE)
 - to allow inequality across groups to be broken down into *within group* inequality and *between group* inequality
 - *Polarization index* ([Basu 2009](#)) as ratio of between group inequality in total inequality (within group inequality + between group inequality)
- Composite measure
 - *Composite index* ([Basu, Klein and Nagar 2005](#); and [Nagar and Basu 2002](#)), a weighted average measure of standardized indicators for each country for each period defined
 - Using a multivariate statistical method of latent variable
 - Higher values of indices imply higher quality
- Regression analysis
 - Dep. var: Gini index, Indep. vars: Institutions, policies, geography, etc
 - OLS, 2SLS, Panel Data/GMM

Human capital and Policies



Measuring by using indicators

- Human Capital
 - Adult literacy, Combined enrolment, Mean years of schooling & education expenditure
- Macroeconomic Policies:
 - Inflation, Real exchange rates, Current account & public debt
- Financial Market Policies:
 - Liquid Liabilities , Financial System Deposits and Private Credit
- Trade Policies:
 - Tariff, Peaks (international & national peaks) & Specific rates
 - 4 indicators to reflect the effective foreign market access
- Institutions:
 - Economic (Law & Order, Corruption, Regulations), Social (Civil liberties, Women's rights & empowerment, and Political (Political rights, democracy, decentralisations) Institutions
 - 23 Indicators to capture comprehensive nature of institutions

- **GDP per capita, expenditure based:**
 - The Next Generation of the Penn World Table (Feenstra, Robert C., Robert Inklaar and Marcel Timmer, 2013)
 - UN National accounts statistics, World Bank ICP, PPP exchange rates
- **Gini index:**
 - Description of all the Gini dataset, Branko Milanovic, the World Bank, Summer 2013
 - Standardizing the World Income Inequality Database , Frederick Solt, 2012
 - Compilation by author, based on gross income per household database
- **Composite measures:**
 - PRS ICRG, POLCON Henisz Dataset, Freedom House, CIRI Human Rights, PRIO, Polity IV Project and other sources, UN Agencies
- **Time series:**
 - 1950 to 2011 (Inequality/Polarization analysis)
 - 1995-2007 (Regression analysis)

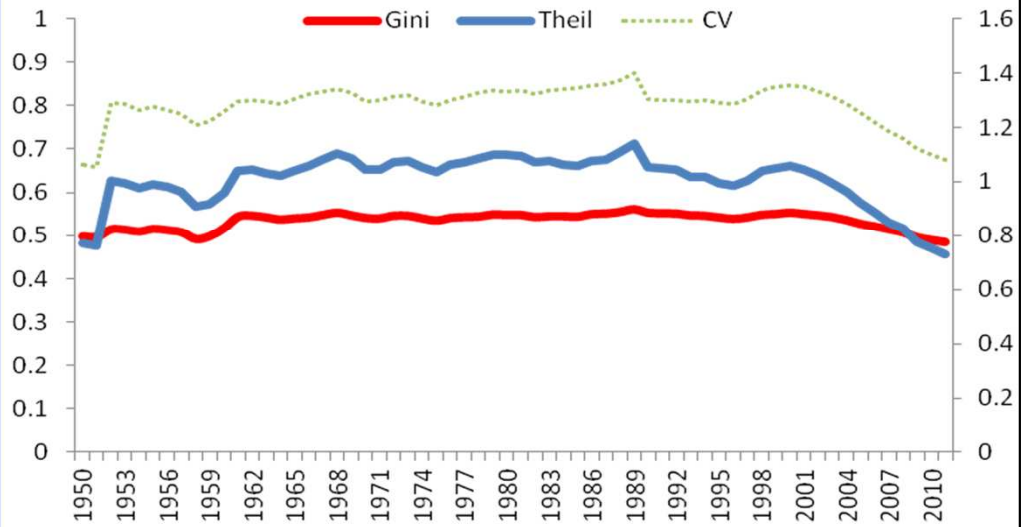
Key results and analysis

1: Global Inequality

Inequality trends: Global



GDP per capita, computing Gini Index and Theil entropy measure

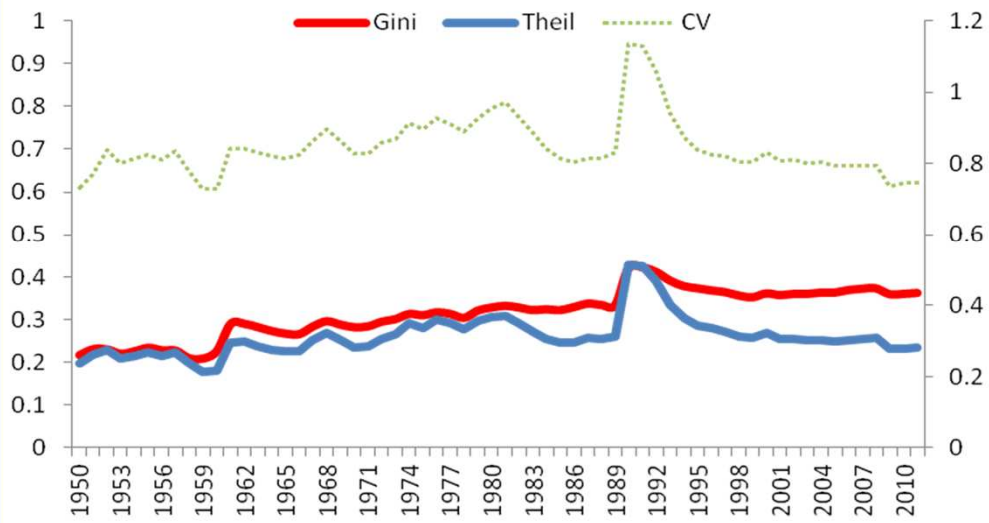


Note: 1950 to 1959: About 70 countries, 1960 to 1989: About 126 countries, 1990 to 2011: 147 countries, of which developing 73, developed 34, Emerging 25, Transition 15.

Inequality trends: Developing

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GDP per capita, computing Gini Index and Theil entropy measure

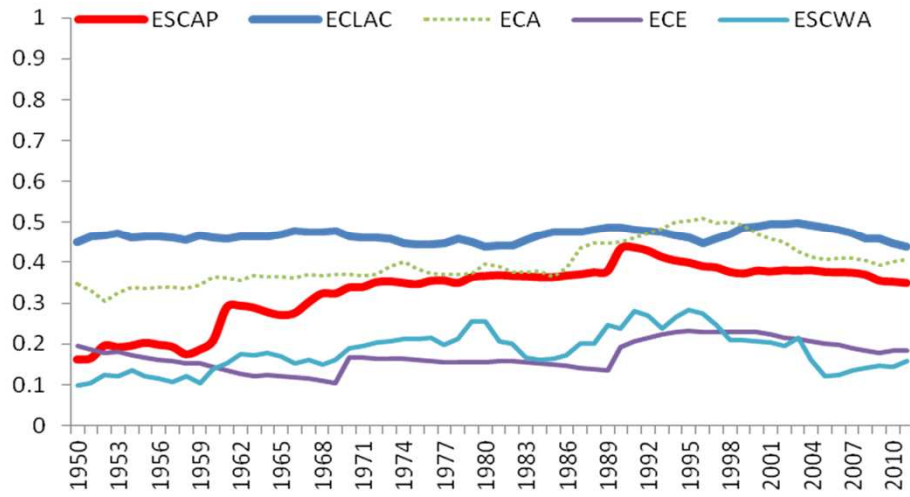


Note: 1950 to 1959: About 70 countries, 1960 to 1989: About 126 countries, 1990 to 2011: 147 countries ,
Developing: Developing 73, Emerging 25 and Transition 15= **Total 113 countries.**

2: Regional Inequality

Inequality trends: Regions

GDP per capita, computing Gini Index

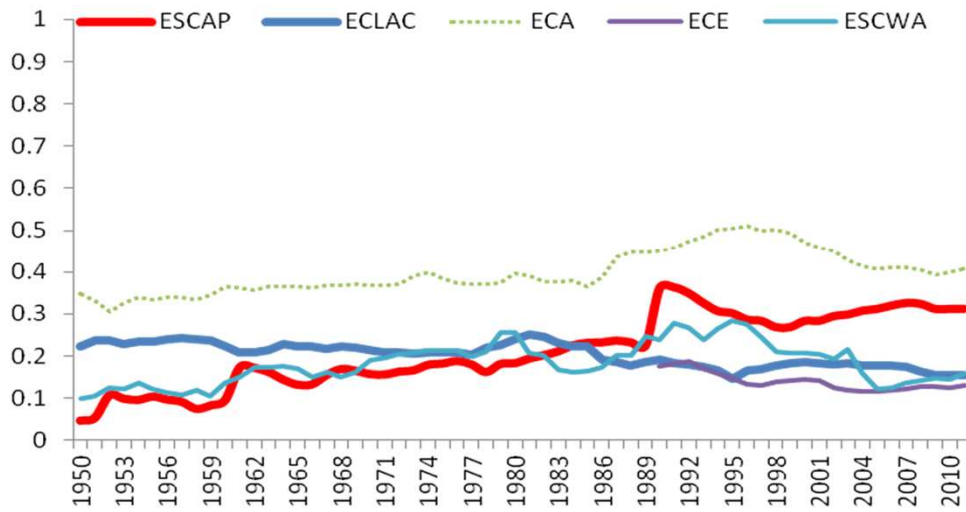


Note: 1950 to 1959: About 70 countries, 1960 to 1989: About 126 countries, 1990 to 2011: 147 countries
 ECA= 44 , ECE=36 , ECLAC=27 , ESCAP=32 , ESCWA=8

Inequality trends: Developing Regions

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GDP per capita, computing Gini Index



Note: 1950 to 1959: About 46 countries, 1960 to 1989: About 99 countries, 1990 to 2011: 113 countries

Developing: Developing 73, Emerging 25 and Transition 15= **Total 113 countries**

ECA=44, ECE=7, ECLAC=25, ESCAP=29, ESCWA=8

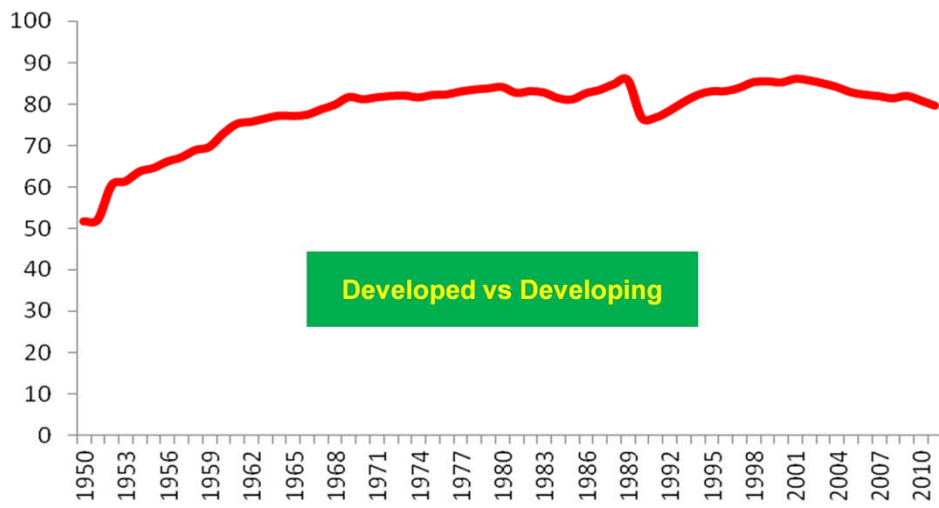
3: Estimating Polarization

Polarization: Divide continues

GDP per capita, based on Theil Entropy measure



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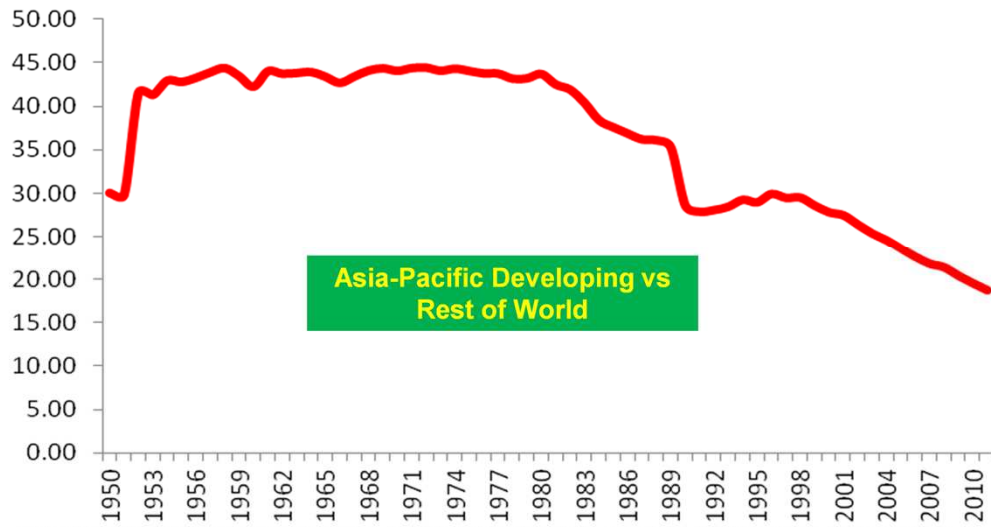


Note: 1950 to 1959: About 46 countries, 1960 to 1989: About 99 countries, 1990 to 2011: 113 countries
Developing: Developing 73, Emerging 25 and Transition 15= **Total 113 countries**

Polarization: Asia-Pacific



GDP per capita, based on Theil Entropy measure [UN ESCAP]



Asia-Pacific Developing vs Rest of World

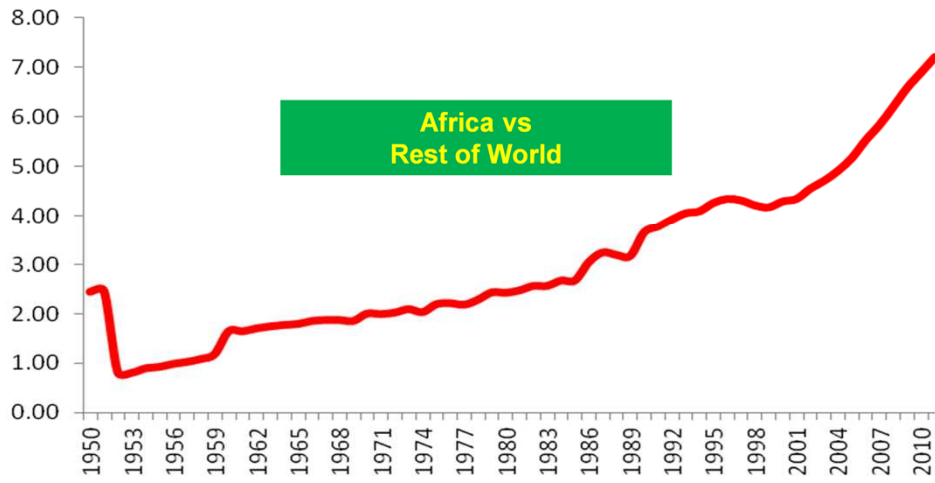
Note: 1950 to 1959: About 46 countries, 1960 to 1989: About 99 countries, 1990 to 2011: 113 countries

Developing: Developing 73, Emerging 25 and Transition 15= **Total 113 countries**, ECA=44, ECE=7, ECLAC=25, ESCAP=29, ESCWA=8

Polarization: Africa



GDP per capita, based on Theil Entropy measure [UN ECA]

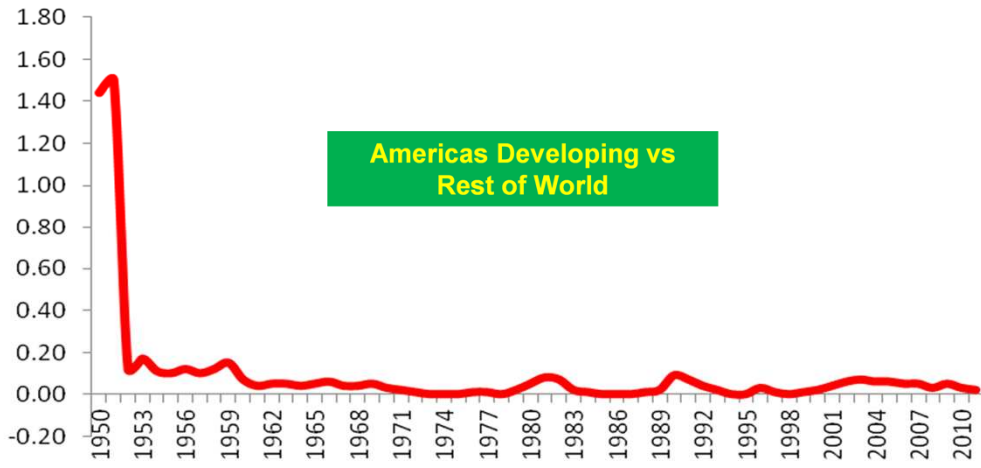


Note: 1950 to 1959: About 46 countries, 1960 to 1989: About 99 countries, 1990 to 2011: 113 countries
Developing: Developing 73, Emerging 25 and Transition 15= **Total 113 countries** , ECA=44, ECE=7, ECLAC=25, ESCAP=29 , ESCWA=8

Polarization: Americas



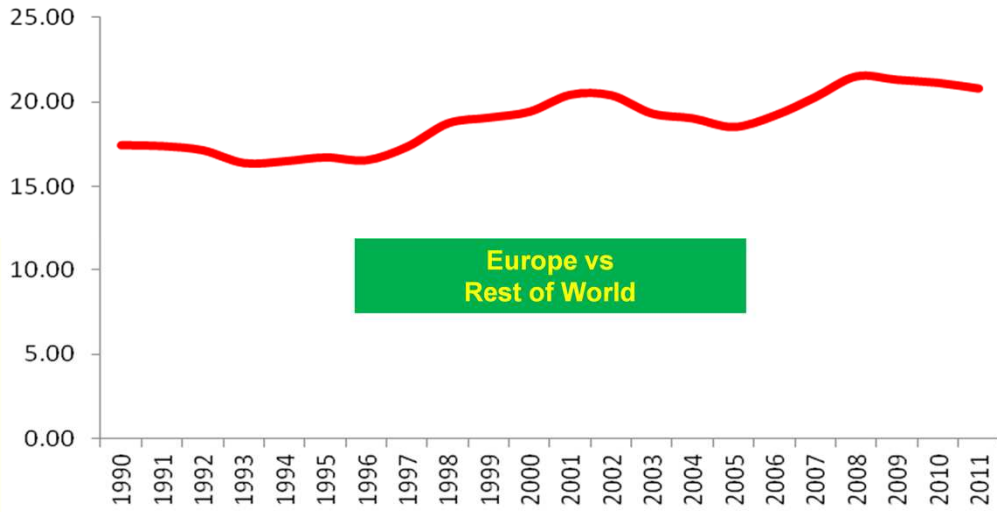
GDP per capita, based on Theil Entropy measure [UN ECLAC]



Note: 1950 to 1959: About 46 countries, 1960 to 1989: About 99 countries, 1990 to 2011: 113 countries
Developing: Developing 73, Emerging 25 and Transition 15= **Total 113 countries**, ECA=44, ECE=7, ECLAC=25, ESCAP=29, ESCWA=8

Polarization: Europe

GDP per capita, based on Theil Entropy measure [UN ECLAC]

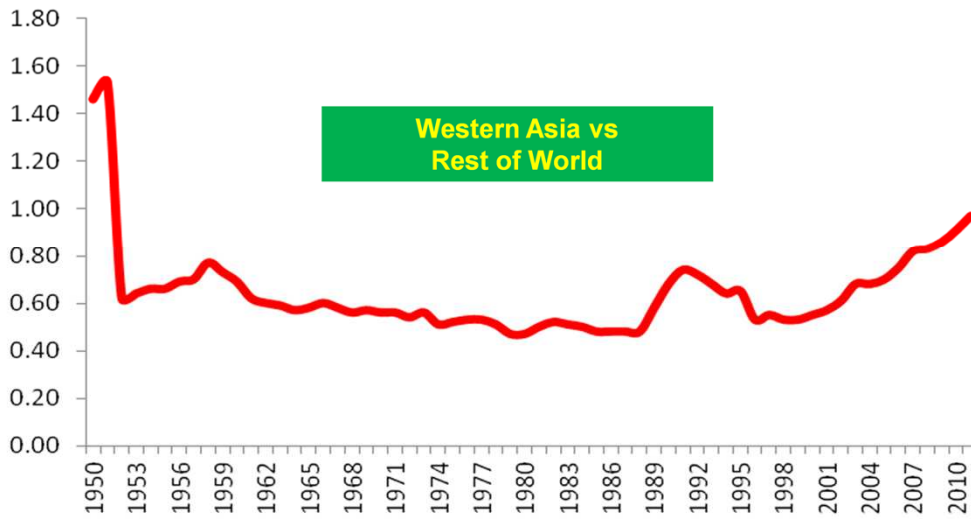


Note: 1950 to 1959: About 46 countries, 1960 to 1989: About 99 countries, 1990 to 2011: 113 countries
Developing: Developing 73, Emerging 25 and Transition 15= **Total 113 countries**, ECA=44, ECE=7, ECLAC=25, ESCAP=29, ESCWA=8

Polarization: Western Asia



GDP per capita, based on Theil Entropy measure [UN ESCWA]



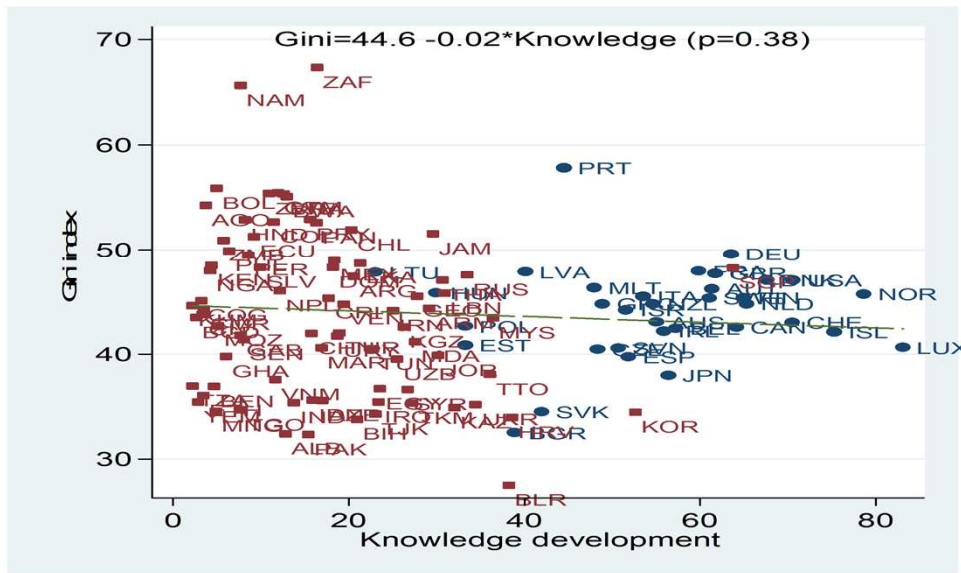
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Developing: Developing 73, Emerging 25 and Transition 15= **Total 113 countries**, ECA=44, ECE=7, ECLAC=25, ESCAP=29, ESCWA=8

4: Inequality, but why?

Human capital...

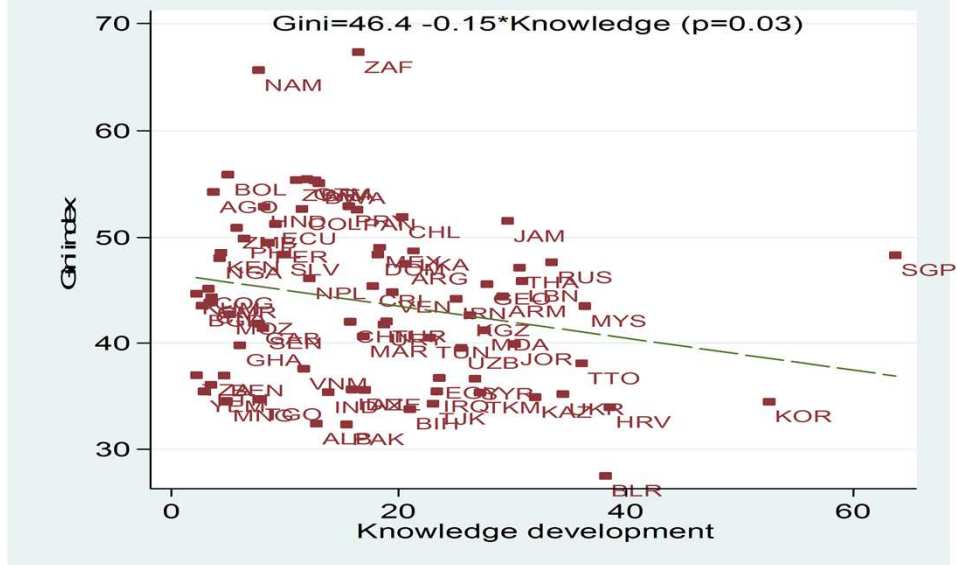
Knowledge development Index, higher value better [World]



Source: SRBasu, 2013

Human capital, Developing

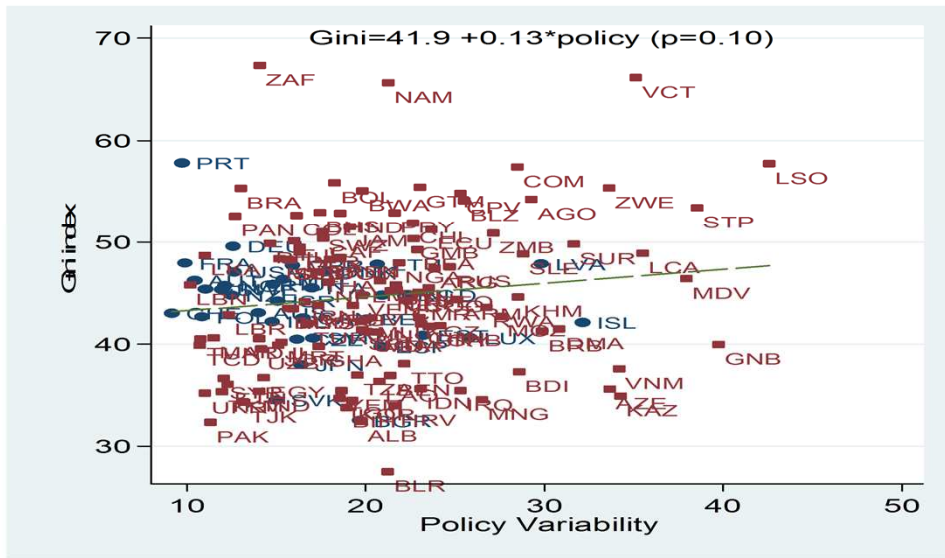
Knowledge development Index, higher value better



Source: SRBasu, 2013

Policy variability...

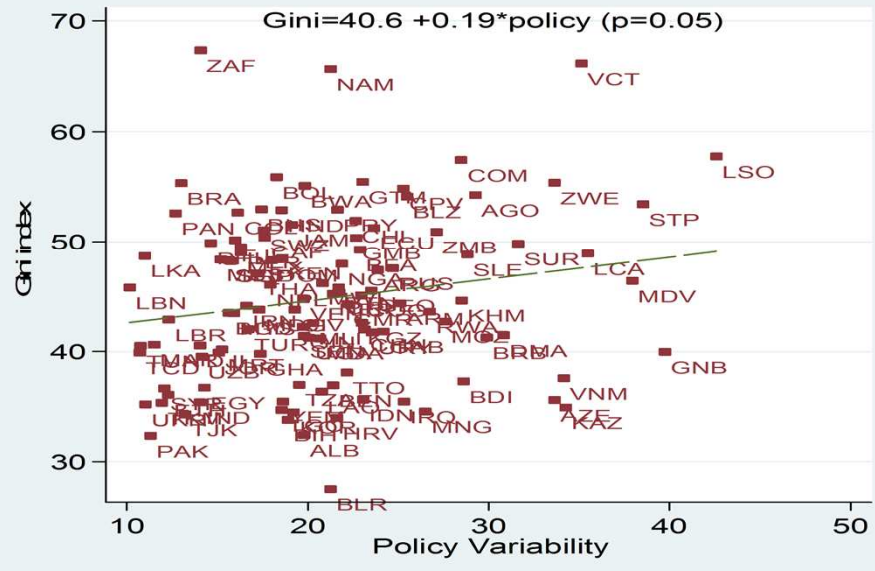
Policy variability, based on four measures, higher value worse [World]



Source: SRBasu, 2013

Policy variability, Developing

Policy variability, based on four measures, higher value worse

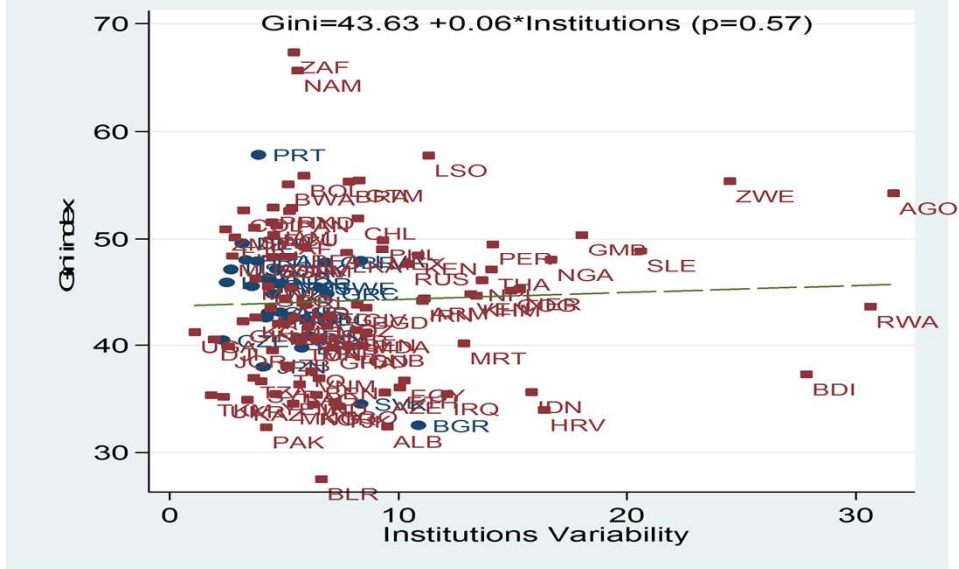


Source: SRBasu, 2013

Institutions variability....



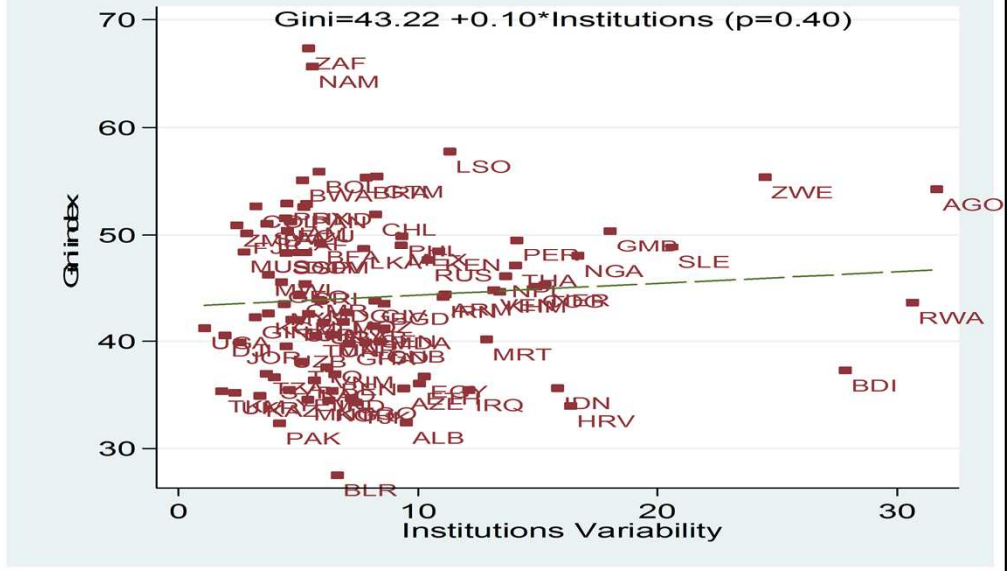
Institutions variability, based on three measures, higher value worse [World]



Source: SRBasu, 2013

Institutions variability, Developing

Institutions variability, based on three measures, higher value worse



Source: SRBasu, 2013

Conclusions and way forward

1: Key messages

Policy messages

Global analysis



- Income inequality **increasing** across countries and within countries in many regions
 - Subregional variations critical
- Polarization among developing and developed countries **continues**
- Income gap across regions show trends:
 - Asia-Pacific declining
 - Africa significantly increasing
 - Western Asia increasing recently
 - Europe some increase
 - Americas low
- **Education** is key to reduce inequality
- Policies and institutions need to be strengthened

2: Suggested research tasks

Inequality research

Data and policy research



- **Inequality computation**
 - Gini index (1912) got several limitations though most widely available
 - Palma measure (2006): Ratio of top 10% to ratio of poorest 40% of population
 - Still lacks to compute inequality in education, health and other forms of asset globally in the time series format
- **Measurements and comparability** of income Gini inequality measures due to definition, sources and household survey information
 - Need to formulate statistical framework to standardised,
 - UN Task Team (ECE, ESCAP, DESA, UNICEF, UNRISD, UN Women)
- **Impact assessment** of inequality
 - Need model framework to capture and analyse impact of income as well as other forms of social inequalities
- Inequality, **macro modelling** and sustainable development

3: Global Agenda on “Inequality”

“Equality” for *shared prosperity* 
UN ESCAP: Future We Want in Asia-Pacific

- **A moral duty**, a political necessity, and an imperative for the due protection of human rights
 - ESCAP/ADB/UNDP Asia-Pacific Regional MDG Report 2012/13
 - Inequality issue was one of the key policy message that came out from Asia-Pacific sub-regional stakeholders consultations on post-2015 development agenda
- If inequalities continue to widen, development may **not be sustainable**
- Reducing inequality will need **great transformative change**

- **Globally (in) equity** is emerging as a central plank in discussions on **the United Nations post-2015 development agenda**

Thank you

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