

Inclusive global growth: a framework to think about the post-2015 agenda

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Outline

- 1) Inclusion and exclusion in global growth: past and present
- 2) Sub-Saharan African development as the key for future inclusive global growth
- 3) Global and national policies for inclusion
- 4) Some implications for the post-2015 agenda

1) Inclusion and exclusion in global growth: the evolution of global inequality

Measuring the global inequality of living standards

i. Statistical unit

World citizens

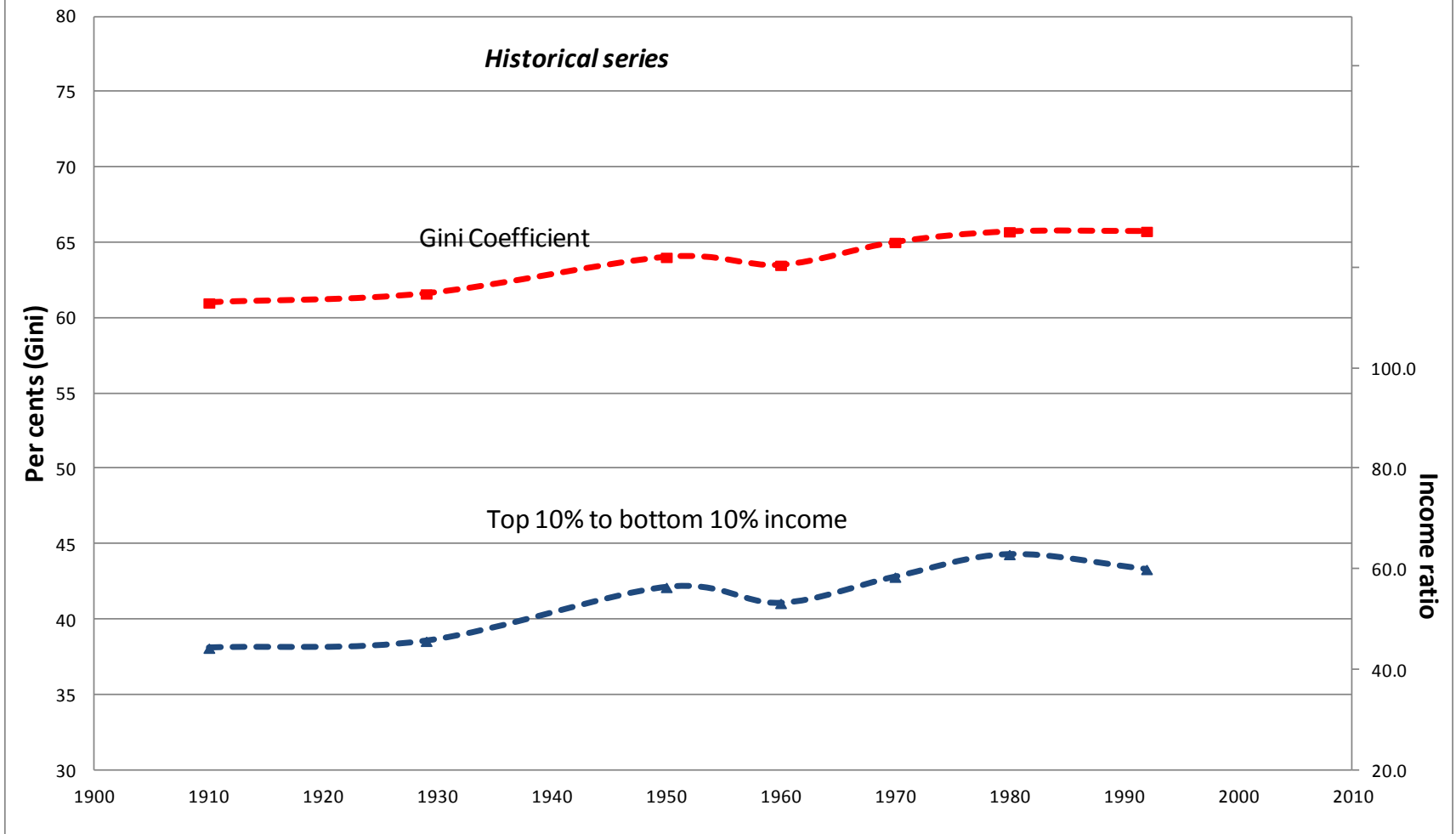
ii. Standards of living

- National mean = GDP per capita (USD, corrected for purchasing power parity, WDI)
- Within country distribution: disposable income per consumption unit in *national household surveys*
- Population size (UN)

iii. Global inequality = inequality between countries + inequality within countries

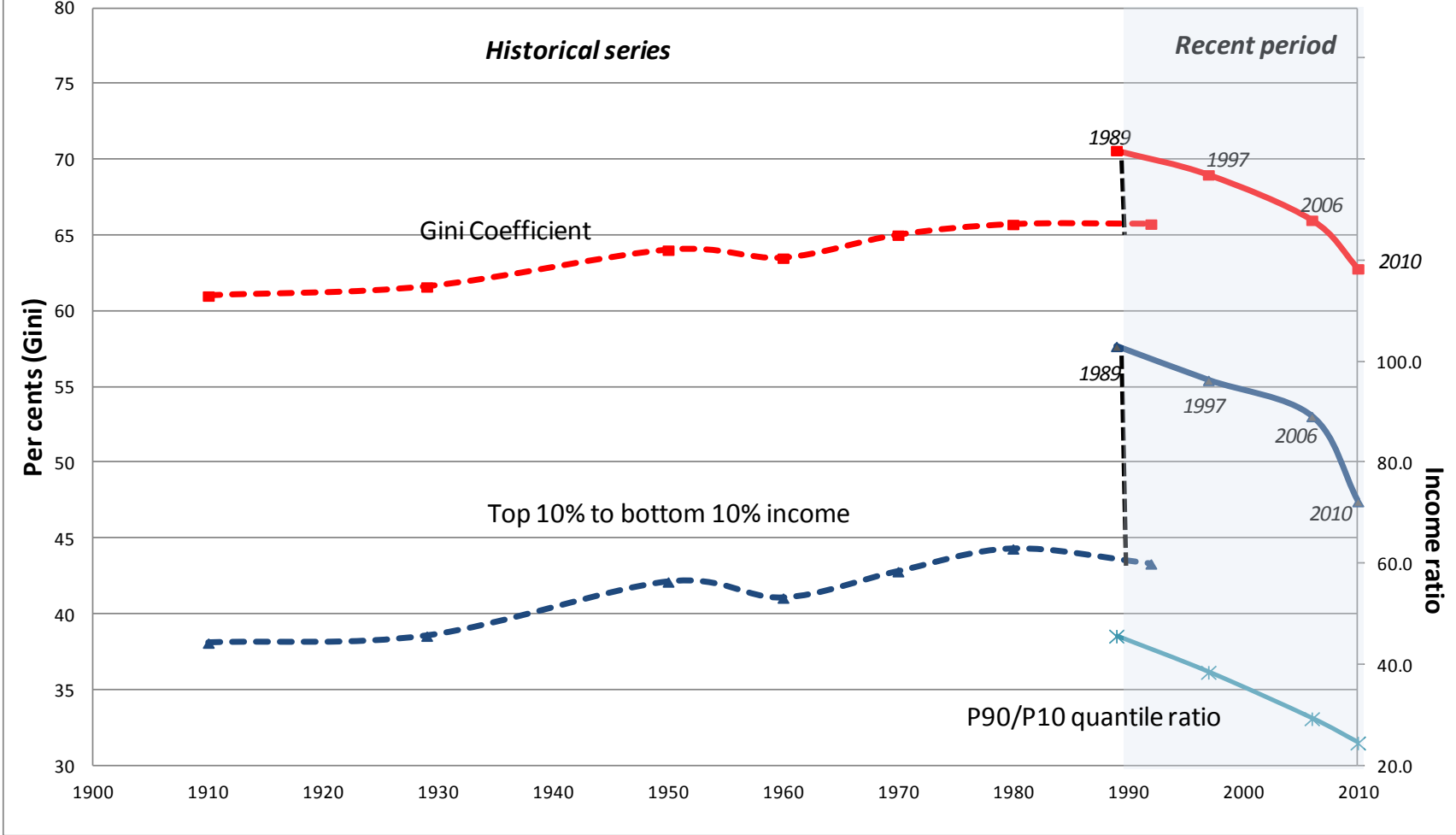
Trend reversal in global inequality

Figure 1. Evolution of global inequality : 1910-2010 (various measures)

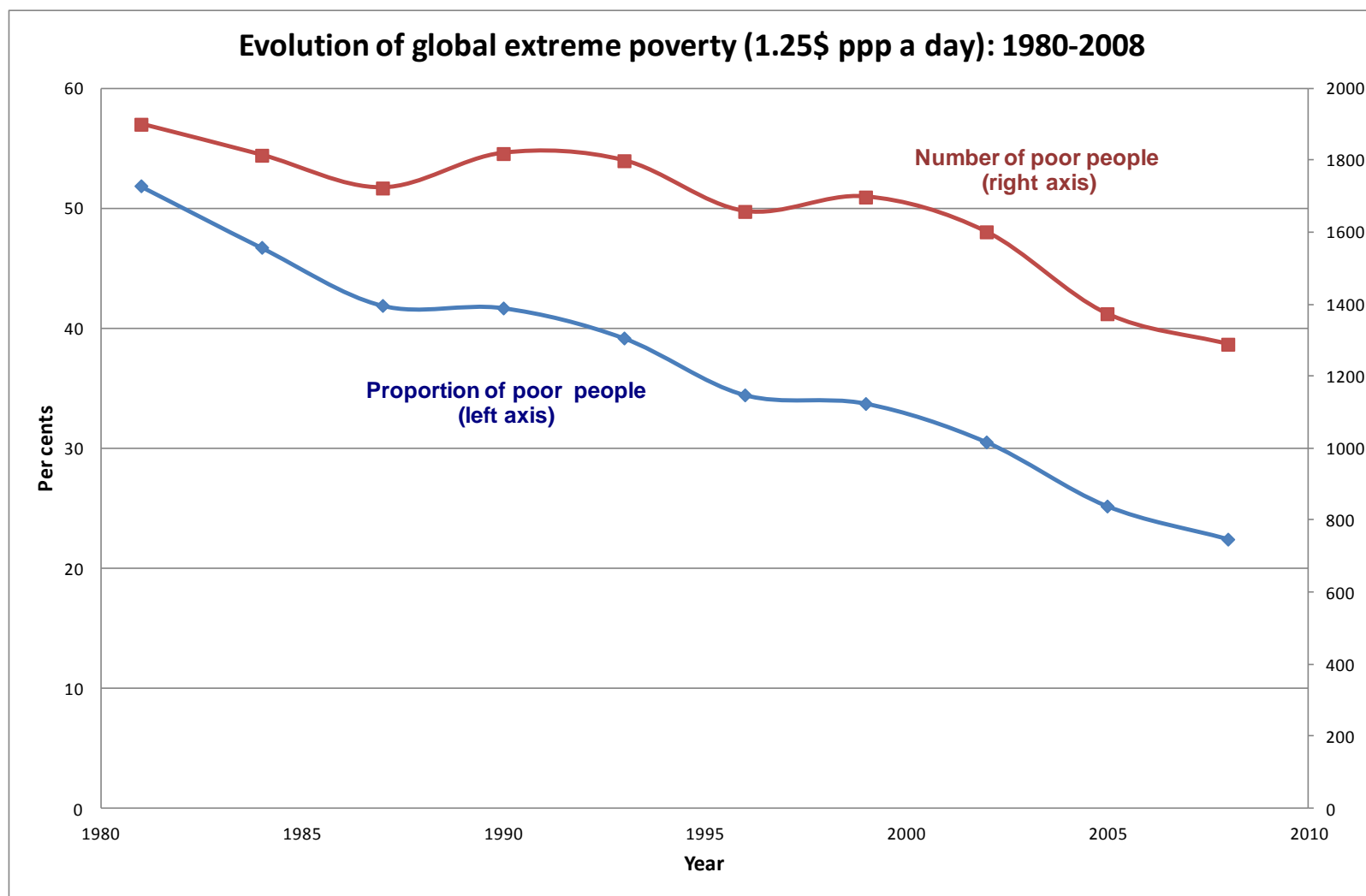


Trend reversal in global inequality

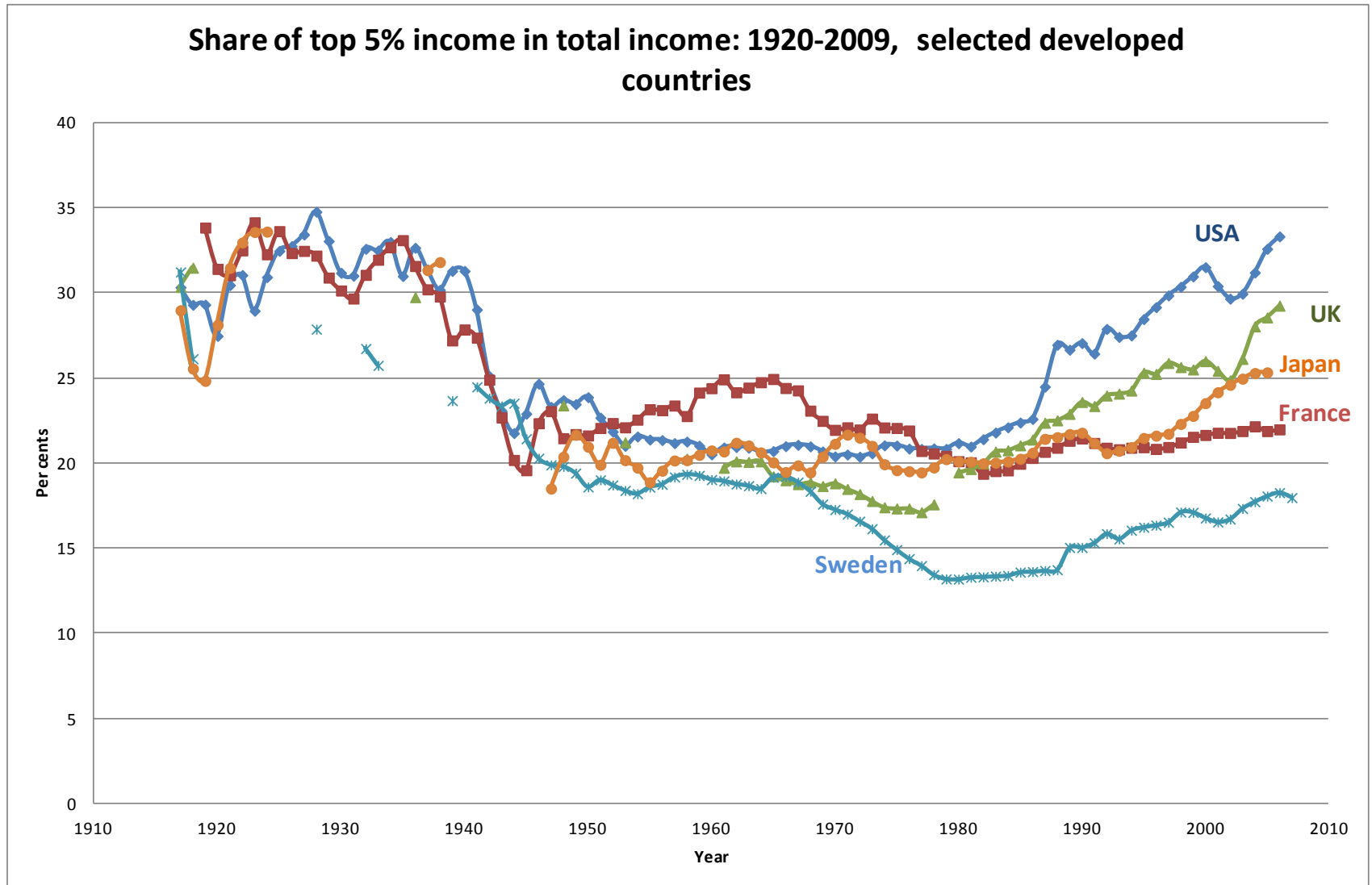
Figure 1. Evolution of global inequality : 1910-2010 (various measures)



The drop in extreme poverty : MDG1 will be reached

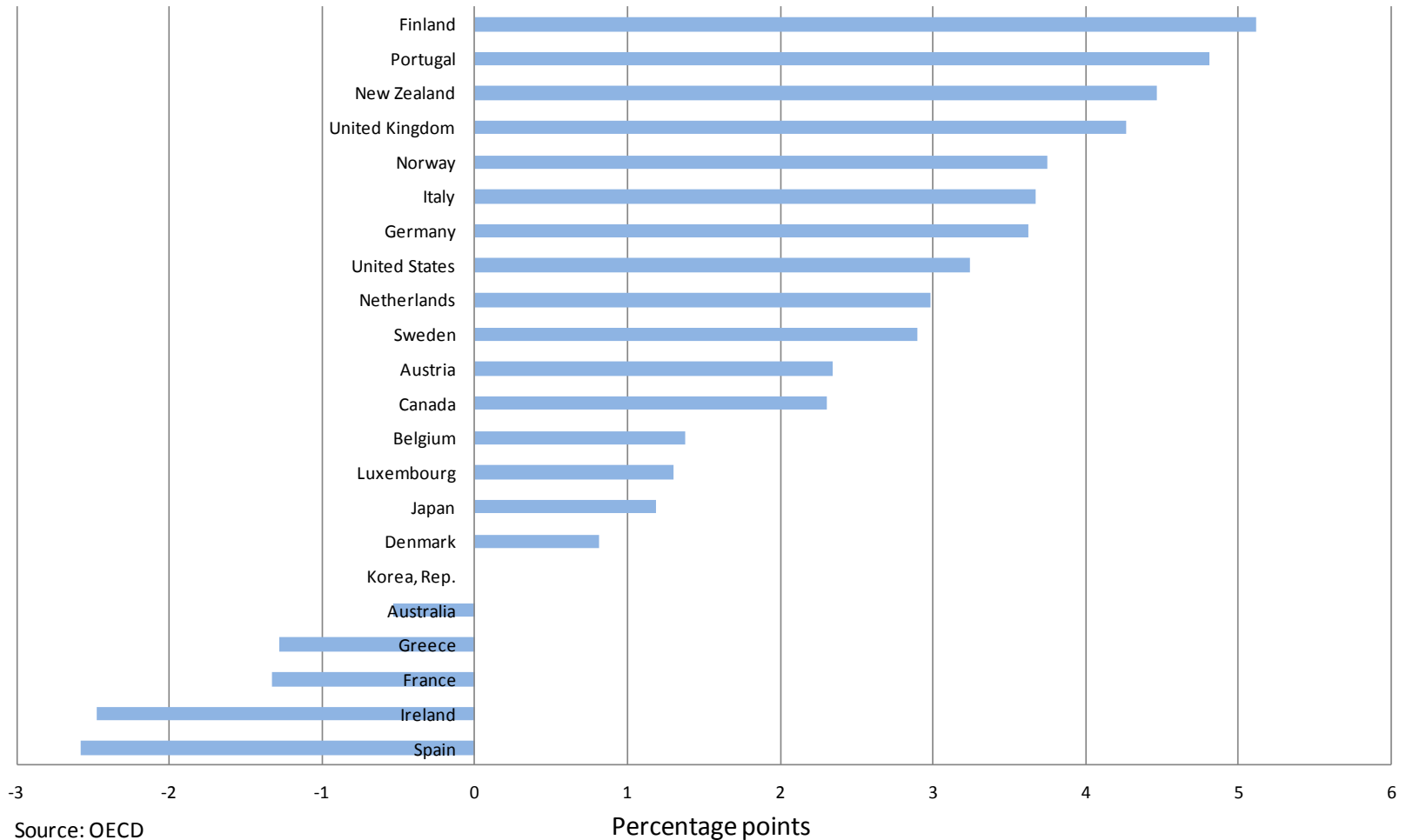


Trend reversal in national inequality



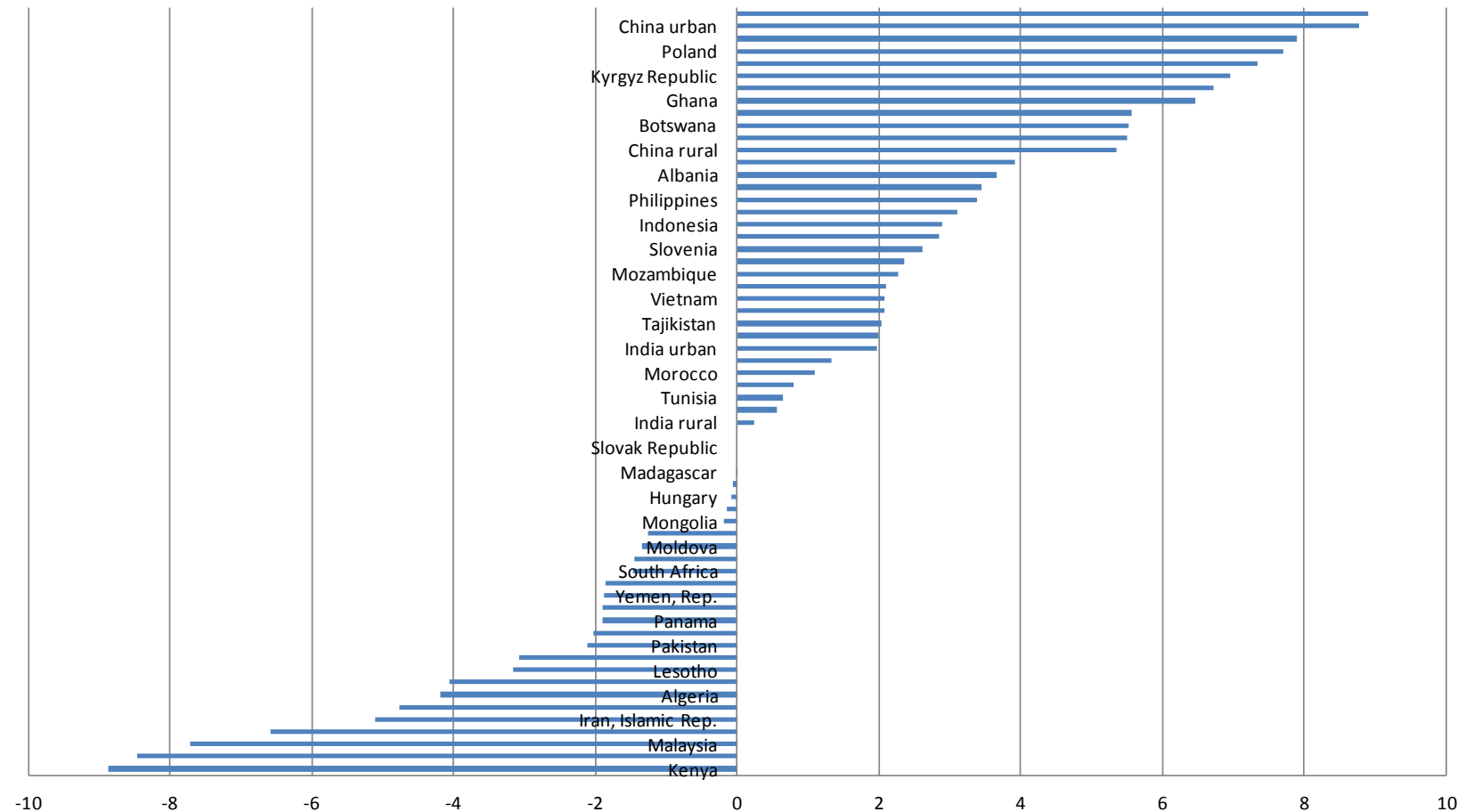
Trend reversal in national inequality

Change in the Gini coefficient : mid 1980s to mid 2000s, developed countries



Trend reversal in national inequality

Change in the Gini coefficient : mid 1980s to mid 2000s,
Other emerging and developing countries



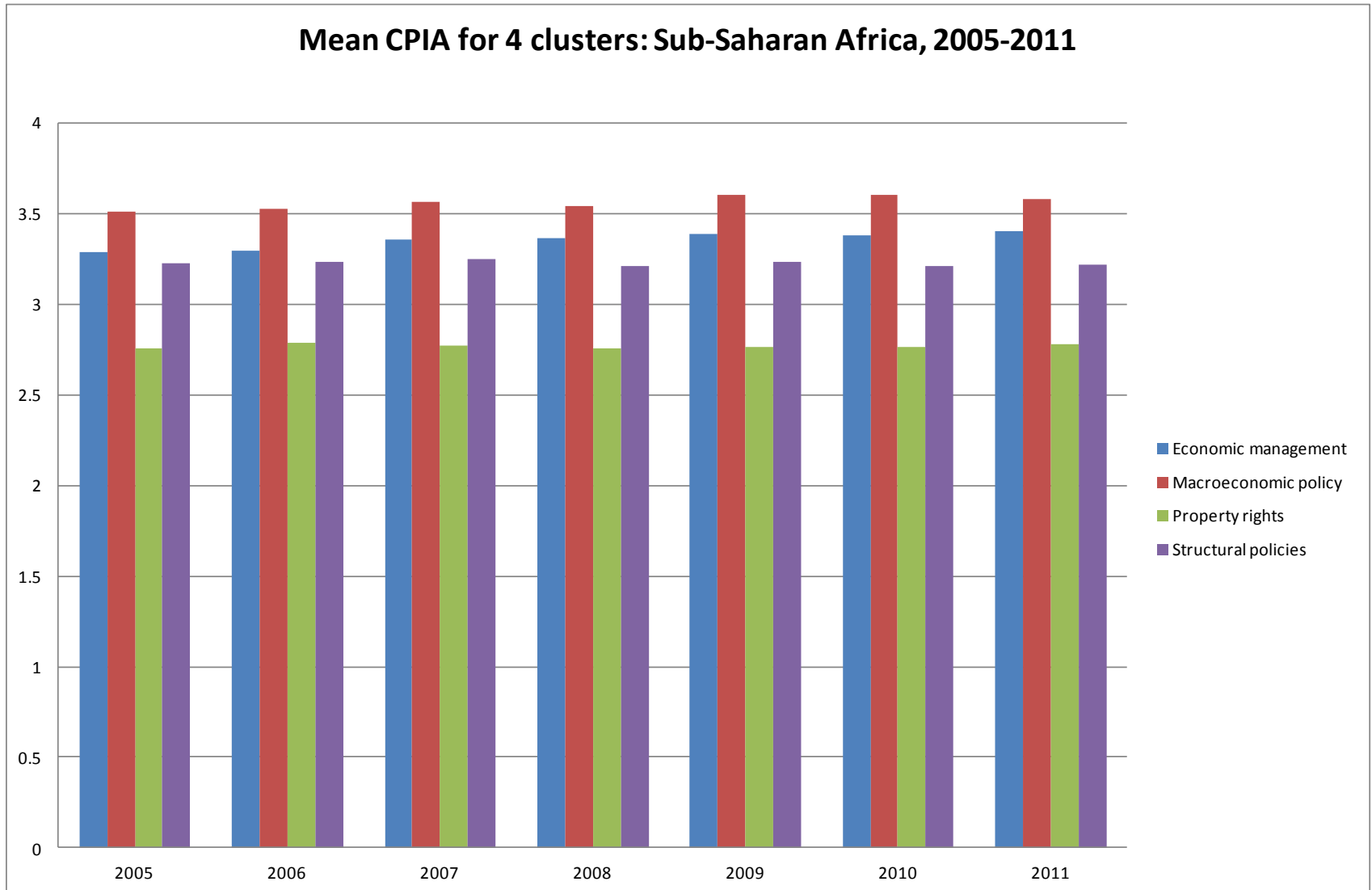
Source: World Bank, Povcal

2) Sub-Saharan African development as the key for future inclusive global growth

- Catching-up by emerging countries likely to continue, (but not necessarily in an inclusive way)
- Concern about growing gap between emerging countries and poor countries – i.e. Sub-Saharan Africa
- SSA growth as the main challenge for the continuing inclusiveness of global growth
- Will SSA growth continue at the present pace? Could it accelerate?

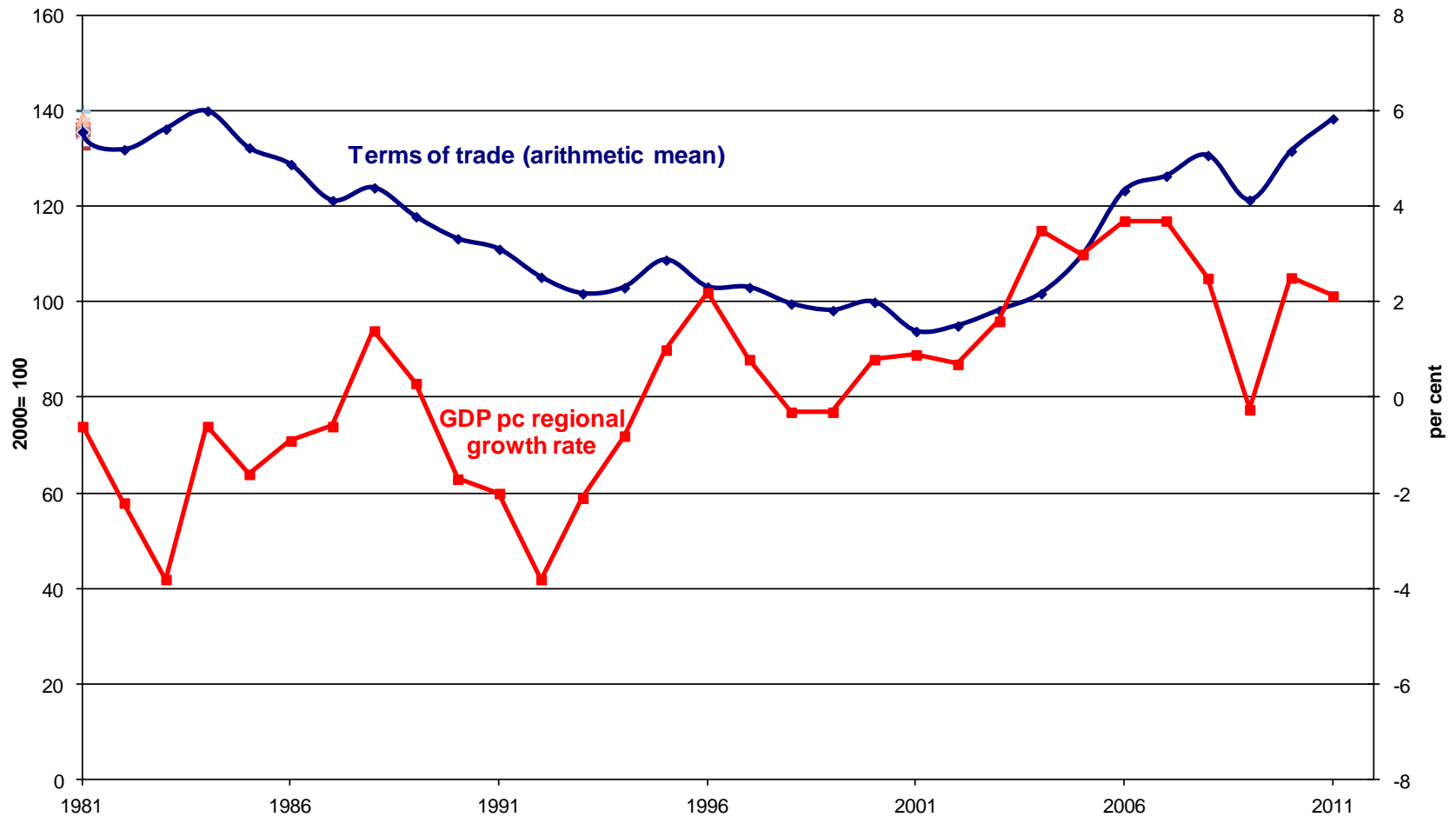
Governance ?

Mean CPIA for 4 clusters: Sub-Saharan Africa, 2005-2011



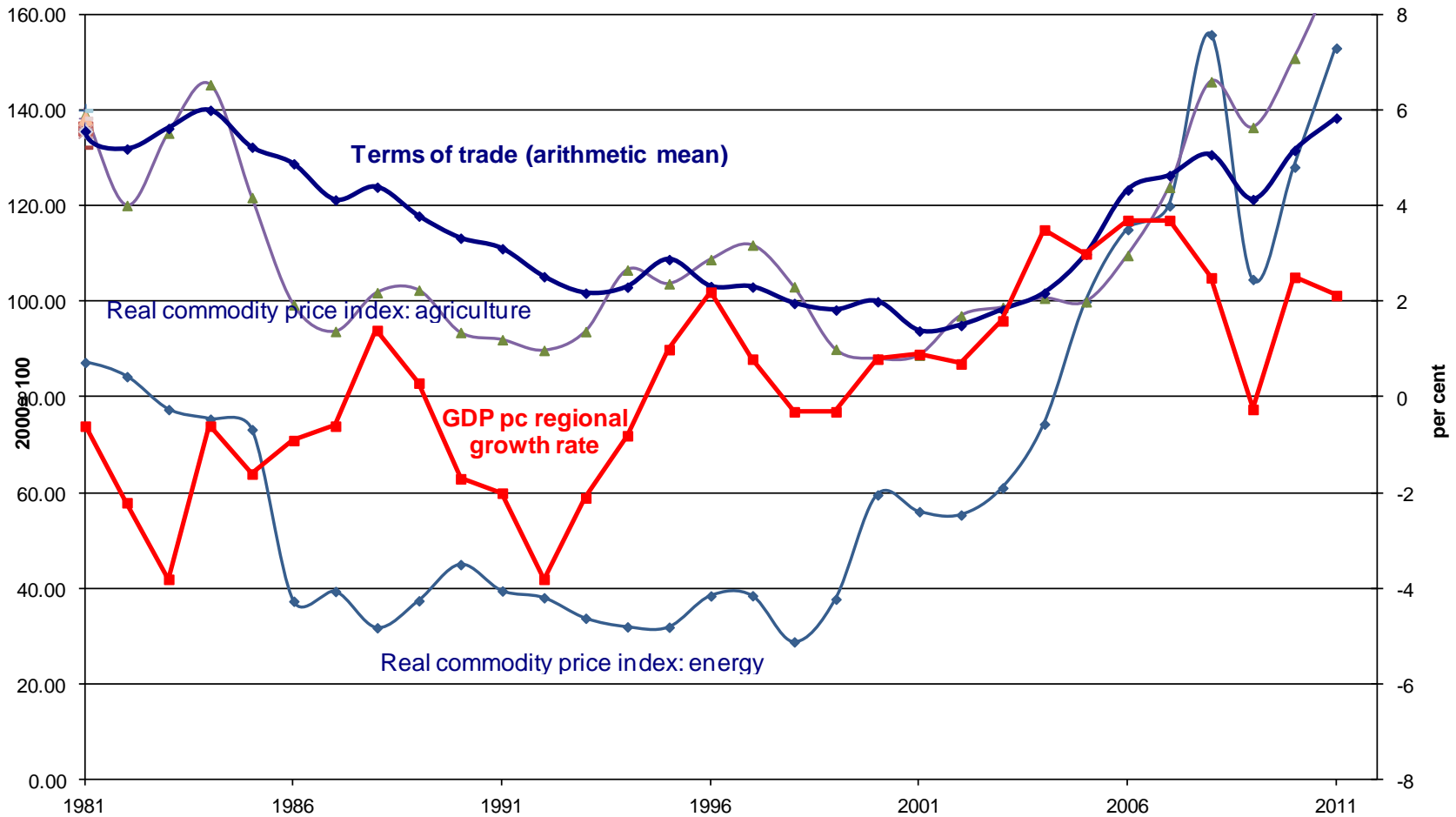
... or terms of trade?

Sub-Saharan Africa: Terms of trade and GDP per capita growth, 1981-2008



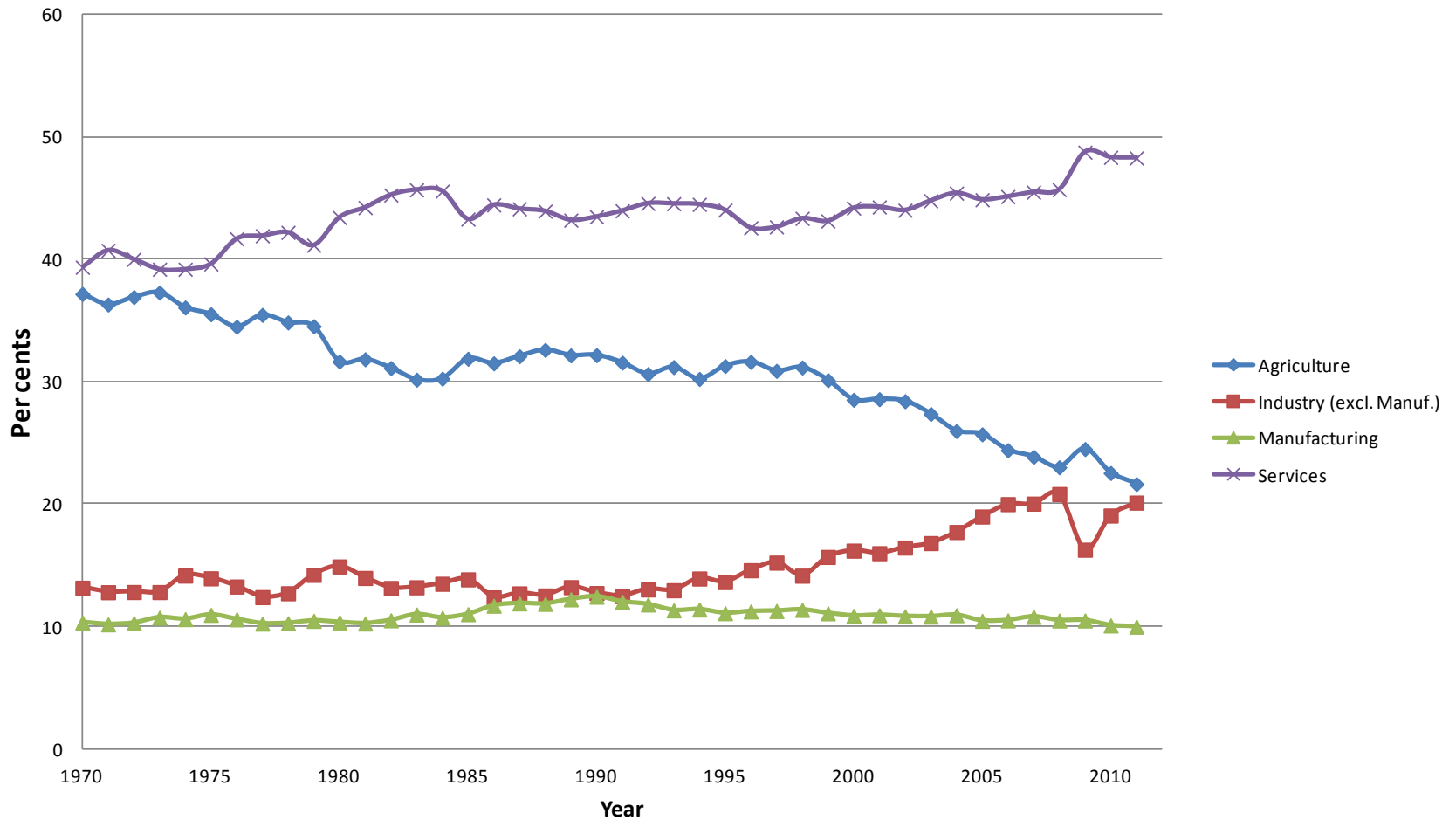
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SSA's lack of industrialization

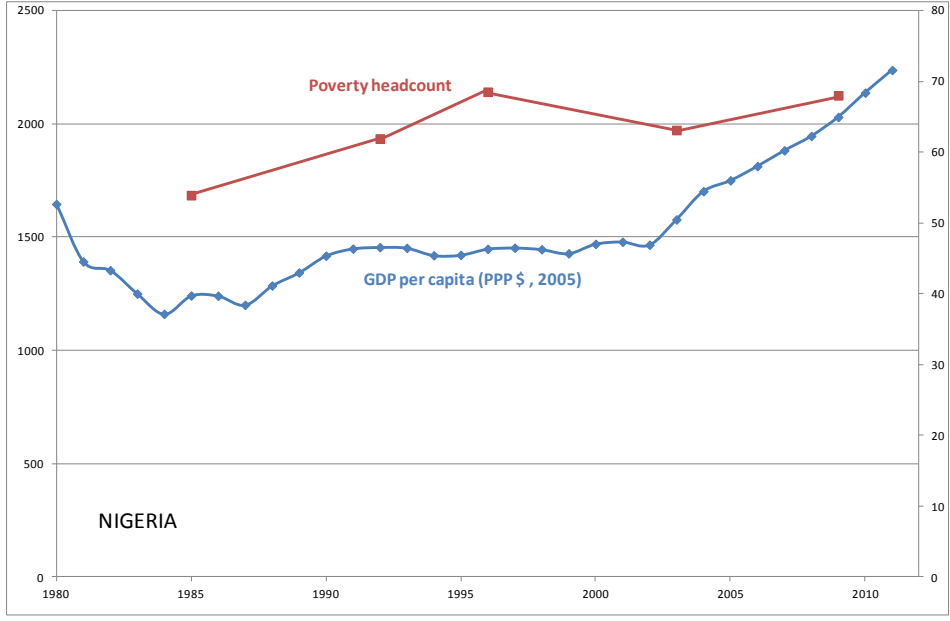
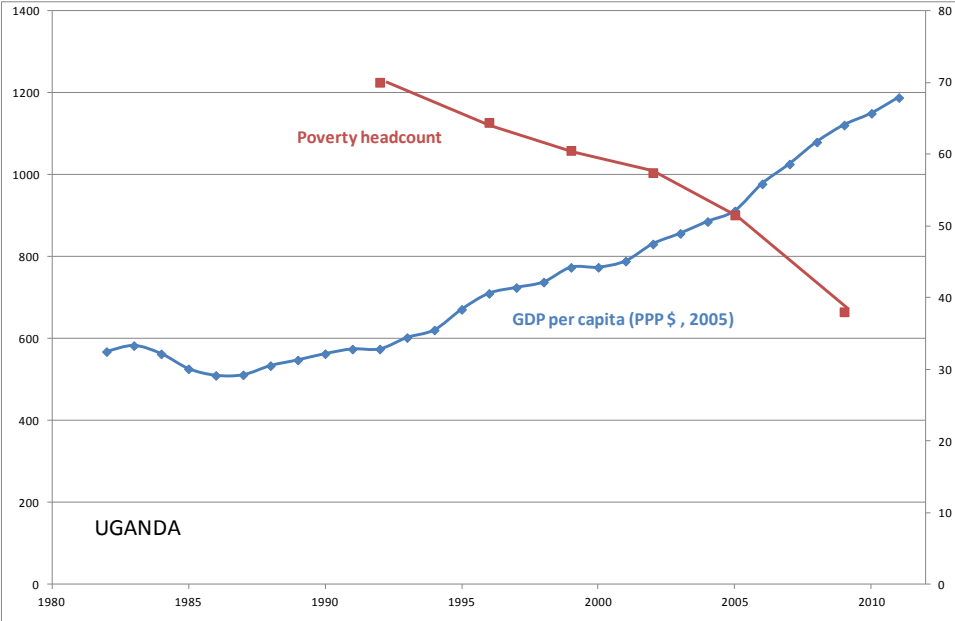
Sub-Saharan Africa: Sector shares of GDP, 1970-2011
(arithmetic means across countries)



Commodity exports as a long-run development engine for SSA countries?

- Commodity prices will not increase forever
- Fast population growth will make it difficult to rely exclusively on commodity rents
 - In terms of GDP per capita
 - In terms of employment
- Imperative need to diversify activity... but how?
 - Trade with developed and emerging countries
 - Regional integration within custom unions

GDP growth does not always imply (immediate) poverty reduction



3) Global and national policies for inclusion

Global level

- International 'redistribution' from rich *and* emerging to the poorest countries:
 - Official Development Assistance
 - Cutting trade restrictions (along AGOA lines for more products)
 - Helping regional integration within custom unions (limitations of EPAs)
 - Encouraging capital flows (FDI) outside extractive industries
 - Investing in region-specific technological progress (agriculture, health)

Promoting inclusion at national level

- Global forces towards more inequality within nations unlikely to disappear
- Inclusive global growth requires containing inequality within countries, including fast-growing emerging countries where very much global poverty still concentrates
- Growth is not necessarily inclusive (doubts about the Kuznets-Lewis model)
- Pro-poor growth strategies:
 - macro level (trade, subsidized credit to specific sectors, infrastructure policy, etc..)
 - or micro level

The key role of redistribution policies

- *Equalizing opportunities* enhances both inclusion and economic efficiency:
 - Human capital policies (Education, health care, social protection..)
 - Taxing bequests
 - Fighting discrimination
- Taxation:
 - Needed to finance growth and opportunity equalizing policies
 - Make it as progressive as possible in view of potential disincentives
 - Broad scope for progressive taxation in emerging countries as financial development makes it easier to monitor individual incomes

Some implications for the post-2015 agenda

- In retrospect, the MDG agenda has promoted:
 - Global inclusiveness through enhanced ODA
 - National inclusiveness by promoting anti-poverty goals and opportunity equalizing expenditures (education, health)
- The MDG initiative has been reasonably successful, but:
 - Many countries still lag behind the goals despite the acceleration of growth in developing countries
 - Achievement of quantitative goals often hide qualitative weaknesses (education, health)
- Most importantly, many of the constraints on inclusive global growth analyzed above are simply absent from the MDGs (inequality, employment, trade, FDIs, ...)
- An increasing number of developing countries will graduate from development assistance and the MDG framework

Some features of a post-2015 agenda

- No reason to stop the pursuit of the MDGs where they will not have been reached
- Be more ambitious in terms of poverty (from 1.25 \$ to 2 \$) and other goals (e.g. secondary education)
- Include qualitative elements in the evaluation of the goals
- Expand the dimensions of the whole strategy:
 - By *monitoring* other aspects of development within developing countries (inequality, employment, infrastructure, governance)
 - By *including other instruments than aid* in development assistance (trade in particular), possibly within a policy development coherence framework
 - By including emerging countries with the development assistance system
- These are not new 'goals' but a more complete framework to monitor inclusive global growth.
- Do we need more?

Thank you