

Growth still is good for the poor

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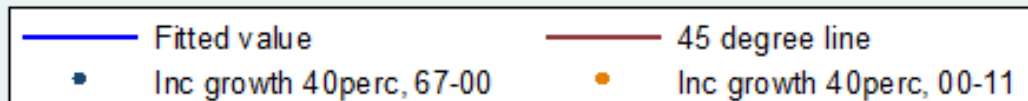
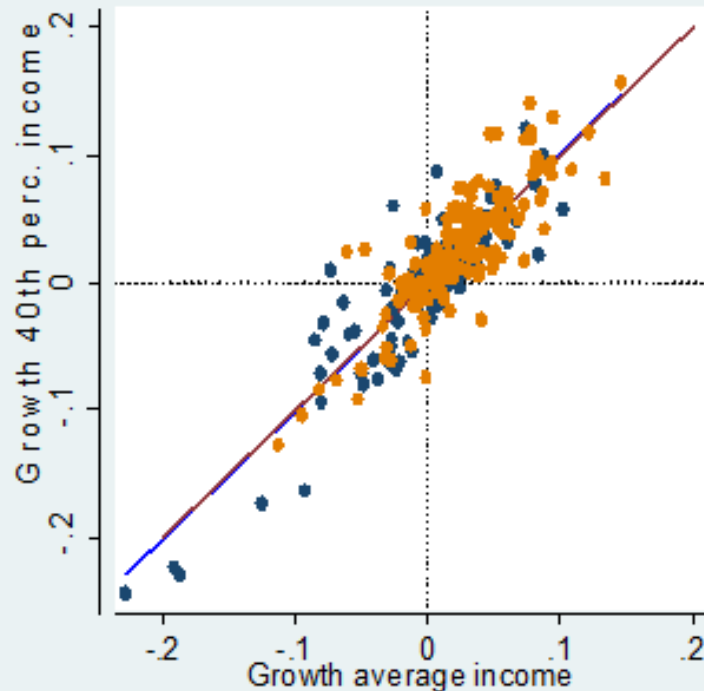
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Growth of mean income and income of the bottom 40%

		Survey mean growth rate	Growth rate of bottom 40% share
		(percent per annum)	
	Number of observations		
Minimum five-year spells	299	1.4	0
1980-89	86	-0.3	0.2
1990-99	205	0.5	-0.3
2000-10	174	3	0.1

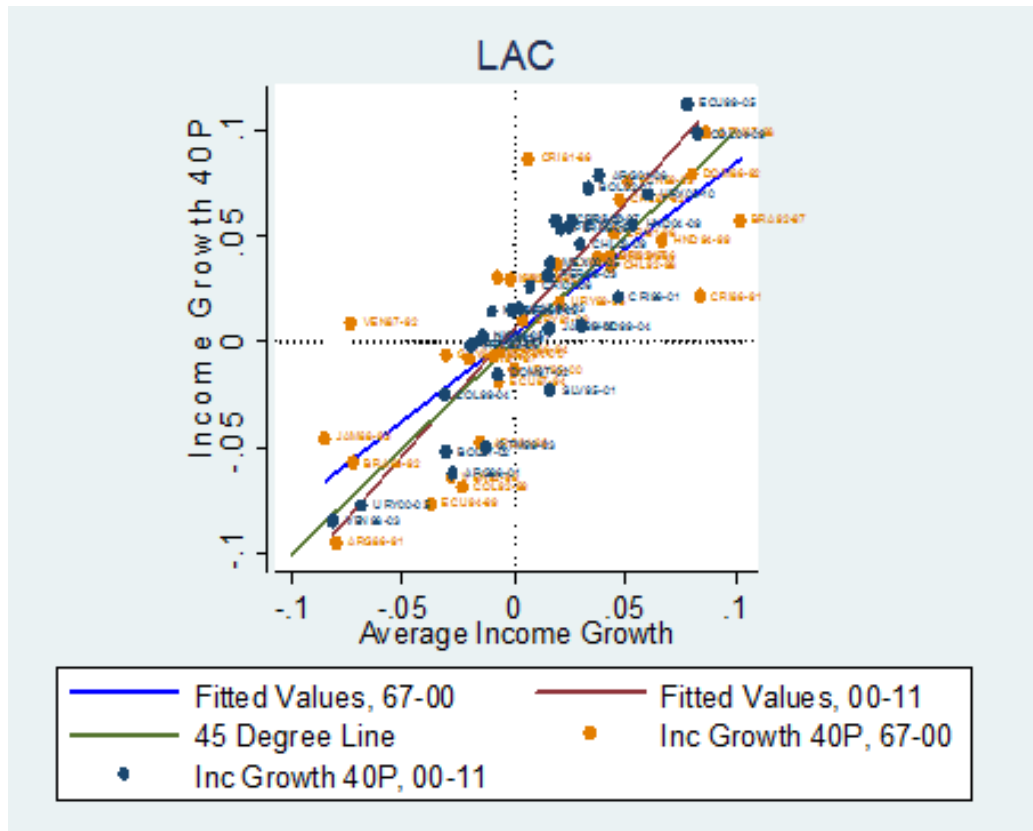
Changes in quintile shares uncorrelated with growth

- Correlation between average income growth and income growth in the Bottom 40% is robust over time
 - Slope ~ 1 in both time periods (1967-2000 and 2000-2011)



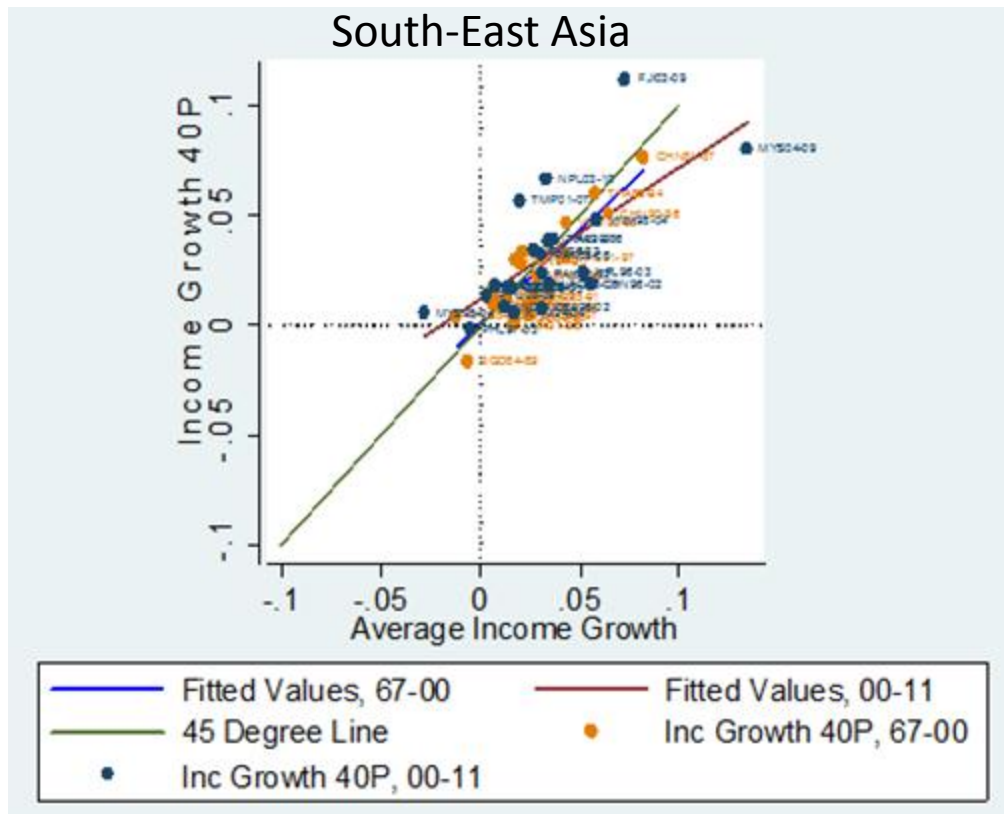
Interesting exceptions: pro-poor growth in Latin America and the Caribbean

- Correlates average income growth and growth in Bottom 40%
 - Shows slopes over time (1967-2000 and 2000-2011)



Interesting exceptions: pro-rich growth in South and East Asia

- Correlates average income growth and growth in Bottom 40%
 - Shows slopes over time (1967-2000 and 2000-2011)



“Policies”: Summary of Results, Bottom 40%

	Distribution Of Estimated Slopes				Significance of Estimated Slopes	
	<u>5th perc.</u>	<u>Median</u>	<u>95th perc.</u>	<u>Signif > 0</u>	<u>Signif < 0</u>	
Δ Average income	0.915	0.963	1.006	100.0%	0.0%	
Δ Financial depth (M2 % GDP)	-0.001	0.000	0.000	0.0%	0.0%	
Δ Inflation rate	0.044	0.137	0.275	32.1%	0.0%	
Δ Budget Balance	-0.080	0.019	0.112	0.0%	0.0%	
Δ Trade Openness	0.025	0.039	0.062	1.5%	0.0%	
Δ Population growth	-0.009	0.004	0.027	0.0%	0.0%	
Δ Life expectancy	-0.023	-0.012	-0.006	0.0%	41.5%	
Δ Assassinations per pop.	-0.033	0.025	0.071	0.0%	0.0%	
Δ Revolutions per pop.	0.077	0.122	0.145	0.1%	0.0%	

“Policies”: Summary of Results, Bottom 40%

Δ Civil Liberties / Democracy	-0.001	0.003	0.008		0.0%	0.0%
Δ Internal conflict (dummy)	0.029	0.046	0.065		2.5%	0.0%
Δ War participation (dummy)	-0.050	-0.029	0.020		0.0%	0.0%
Δ Fin. openness (Chinn-Ito)	-0.002	0.004	0.011		0.0%	0.0%
Δ Primary school enrollment rate	-0.001	-0.001	0.000		0.0%	0.0%
Δ Education Gini	-0.430	-0.246	0.044		0.0%	0.0%
Δ Gov Expend Educ (% GDP)	-0.020	-0.009	0.002		0.0%	0.4%
Δ Gov. Expend Health (% GDP)	0.000	0.007	0.016		0.4%	0.0%
Δ Agriculture (% GDP)	0.059	0.088	0.122		10.9%	0.0%
Distribution of Sample Size	122	164	234			
Distribution of R-squared	0.671	0.709	0.756			

Research findings

- No worldwide trend in bottom 40% share – in either direction
- Change in quintile shares uncorrelated with growth
- Growth explains 77% of the variation in income of the bottom 40%
- No institutional or policy variables are robustly correlated with change in quintile share
- LAC and Asia present interesting contrasts

Implications for World Bank

- Economic growth must be central to the agenda
- Does not imply an exclusively macro agenda
- Sources of growth include institutional change and improvements in infrastructure
- Human capital is key: interventions such as ECD support income of the poor and overall growth
- Emphasis should be on building up assets of the bottom 40% and their access to markets so that they can participate in growth