

Persistent Dumb-bell or Emerging Middle?

The Evolution of Global Inequality since 1990



Peter Edward, Newcastle University Business School

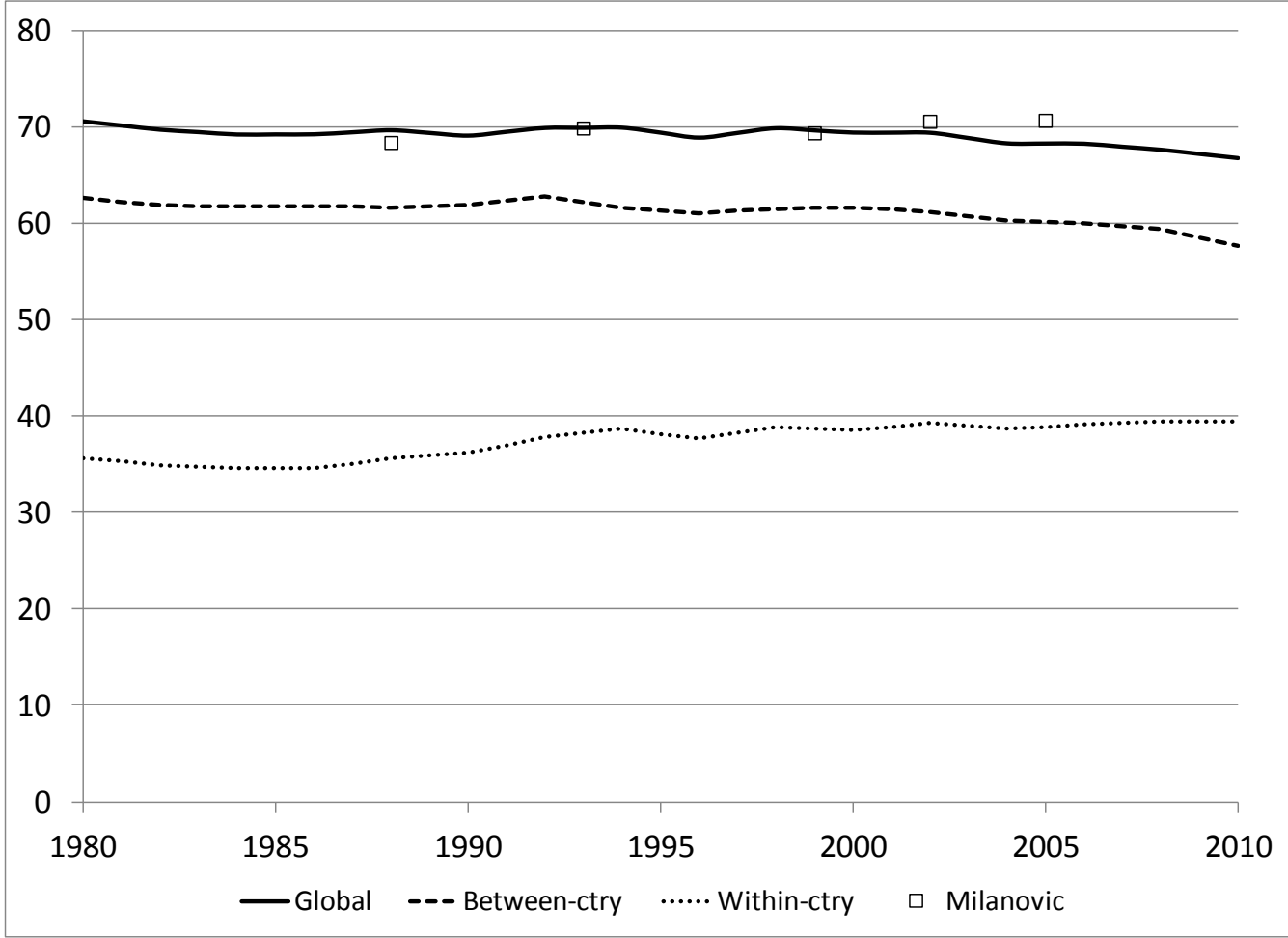
Andy Sumner, Kings College London

Overview

- Introduction to **GrIP** (**G**rowth, **I**nequality and **P**overty) analysis
- Global distribution of Consumption
- From twin-peaks to disappearing dumb-bells?
- 2005 vs. 2011 PPPs: the usual earthquake
- Big winners in a four-layer society

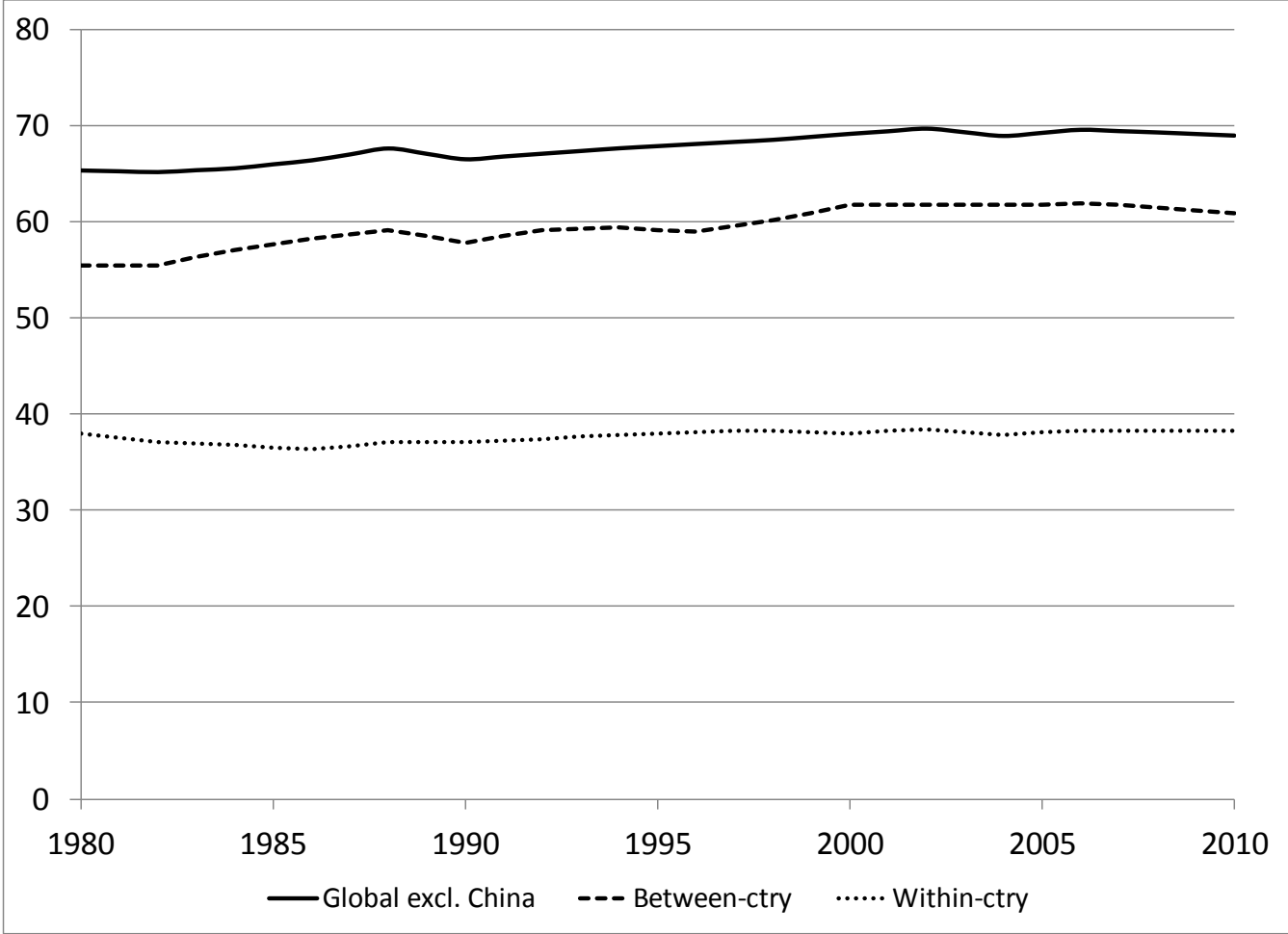
NOTE: all numbers using 2011 PPP data are preliminary.
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Global gini – is it very informative?



Dataset: 2005 PPP \$. See also Milanovic, 2012

Global gini – excl.China



Dataset: 2005 PPP \$.

The GrIP analysis

Aims to build a global distribution of consumption
(i.e. Inequality 3, Milanovic 2005)

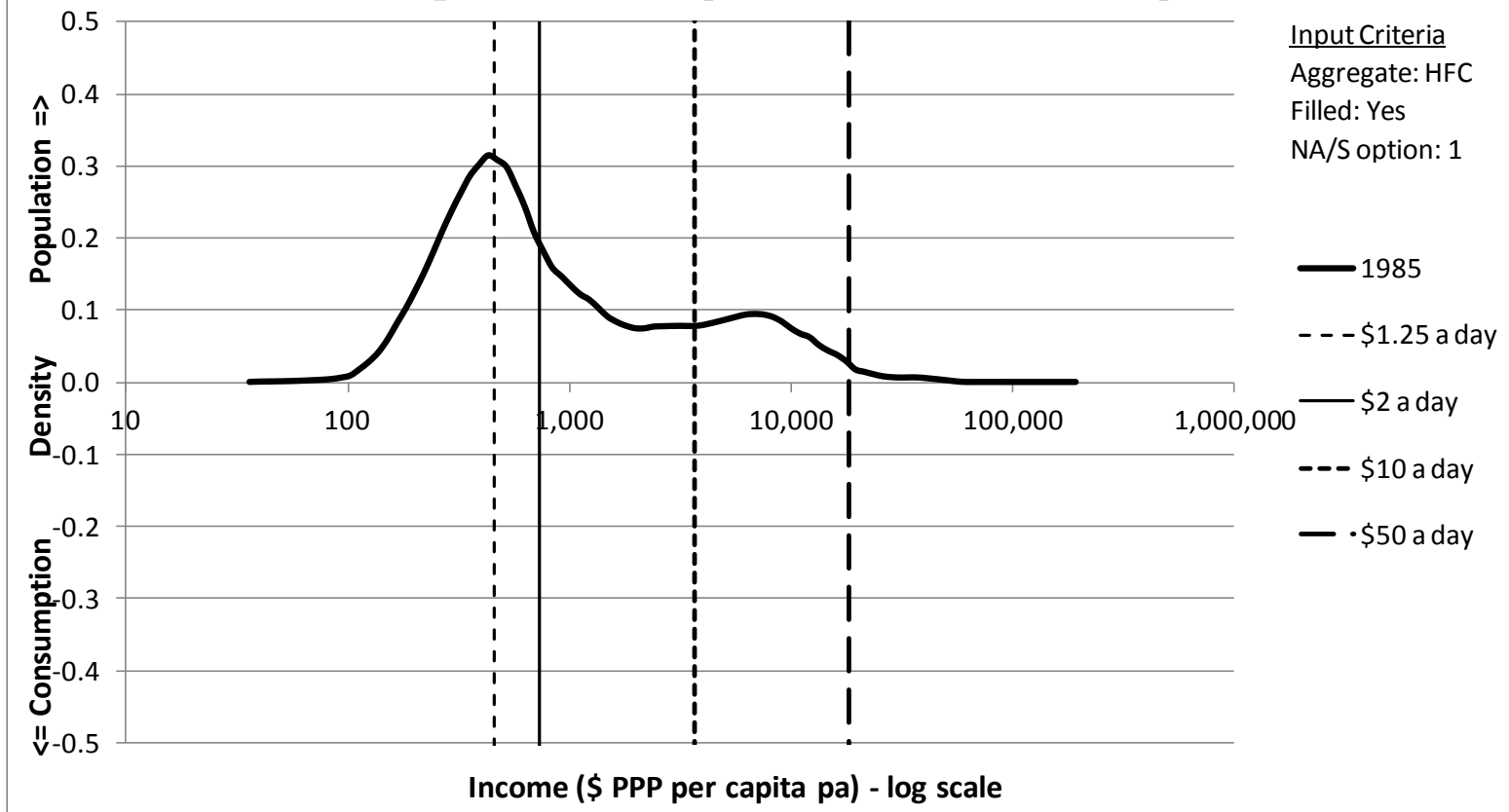
- Based on Povcal distributions and means
- Other countries added using:
 - Distributions from WDI, Eurostat, WIIDER2
 - Consumption from National Accounts Household Final Consumption (HFC) scaled to align with Povcal surveys
 - Missing NA HFC scaled from NA GDP data
 - Missing data filled (where reasonable) from averages (not population weighted) for region and income category
- **IMPORTANT:** no adjustments made to account for highest incomes that escape distribution data

Coverage

Year	Source data coverage		After estimating missing HFC		After filling missing distributions	
	No. of countries	Pop'n cov. (%)	No. of countries	Pop'n cov. (%)	No. of countries	Pop'n cov. (%)
1990	97	84.4	131	94.0	167	96.3
2000	118	87.2	156	96.2	181	97.4
2010	102	83.4	135	91.9	178	96.6

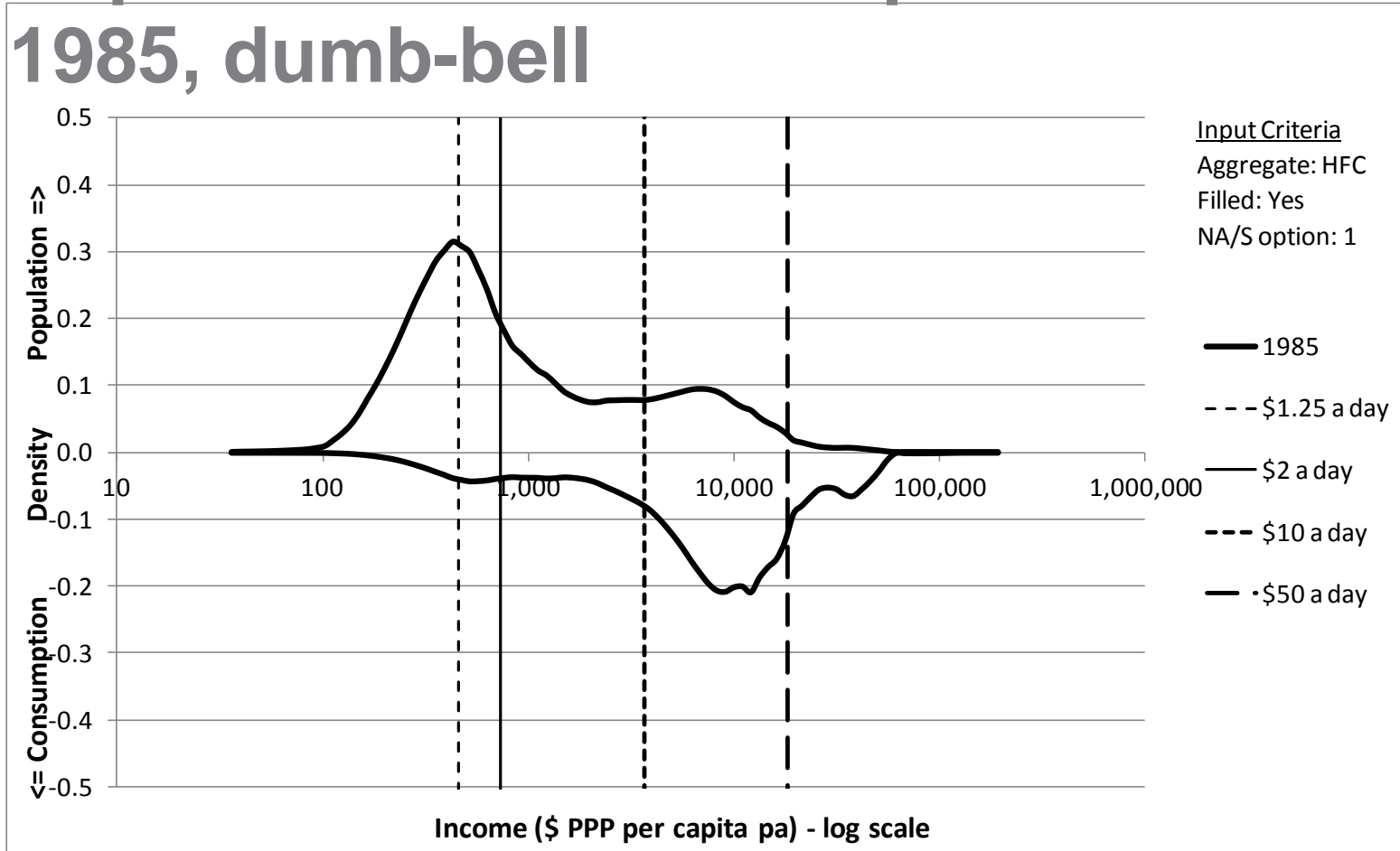
Estimates based on GrIP v1.0 (i.e. 2005 PPPs). Percentages are of global totals.

Population density curve – 1985, twin peaks (Quah, 1996)



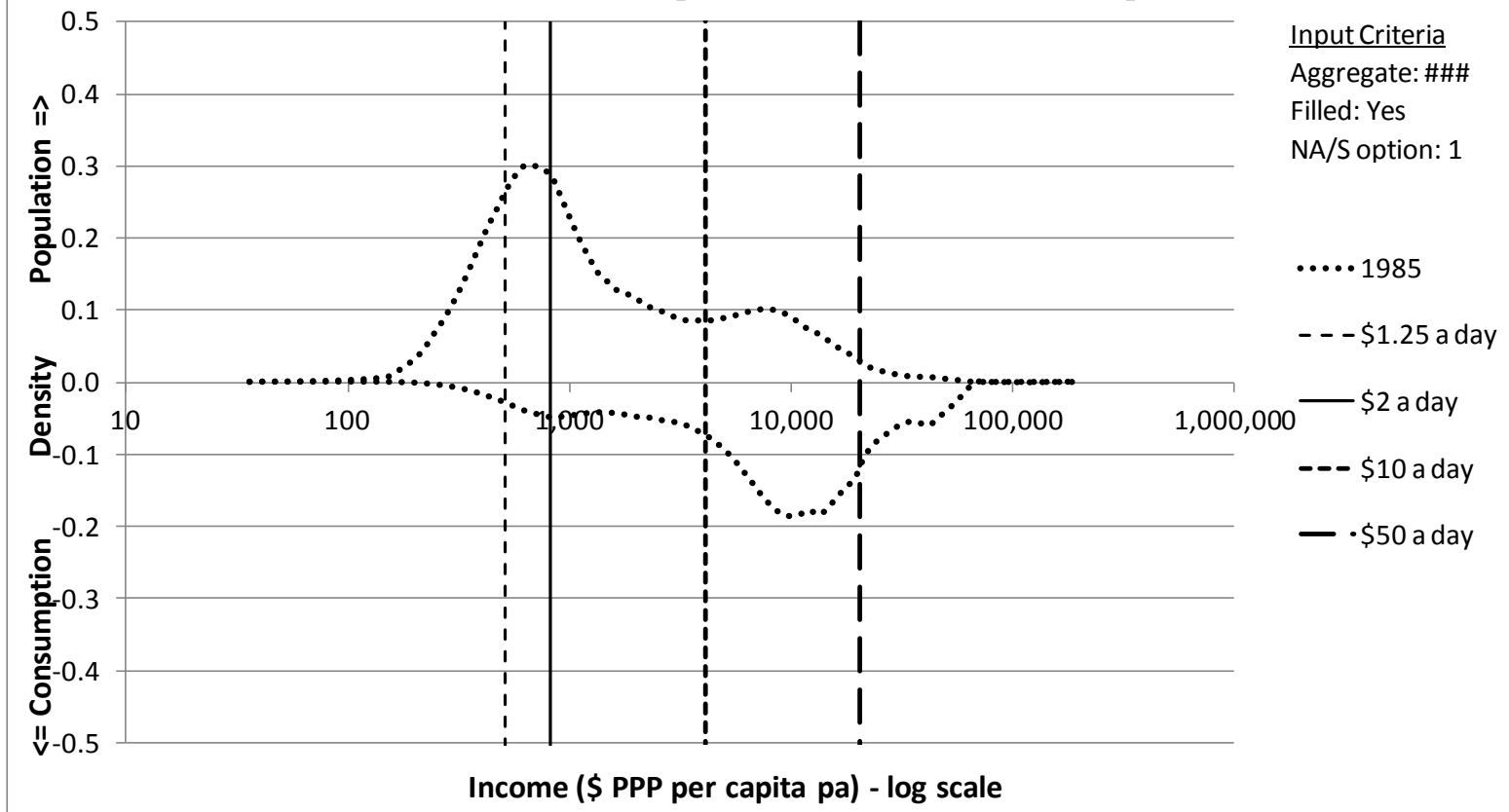
Dataset: 2005 PPP \$

Population and consumption curves – 1985, dumb-bell



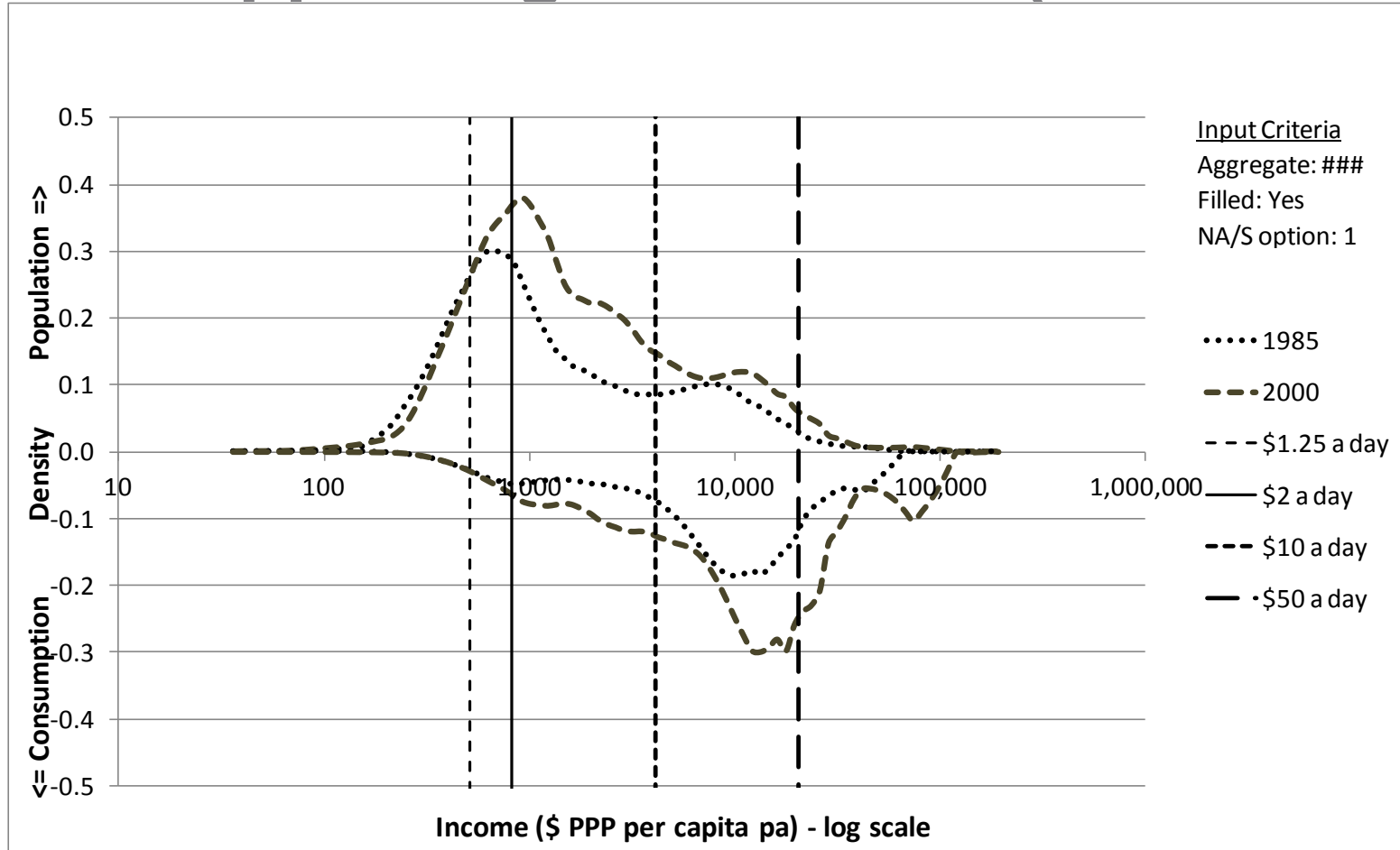
Dataset: 2005 PPP \$

Population and consumption curves – 1985, dumb-bell (2011 PPP \$)



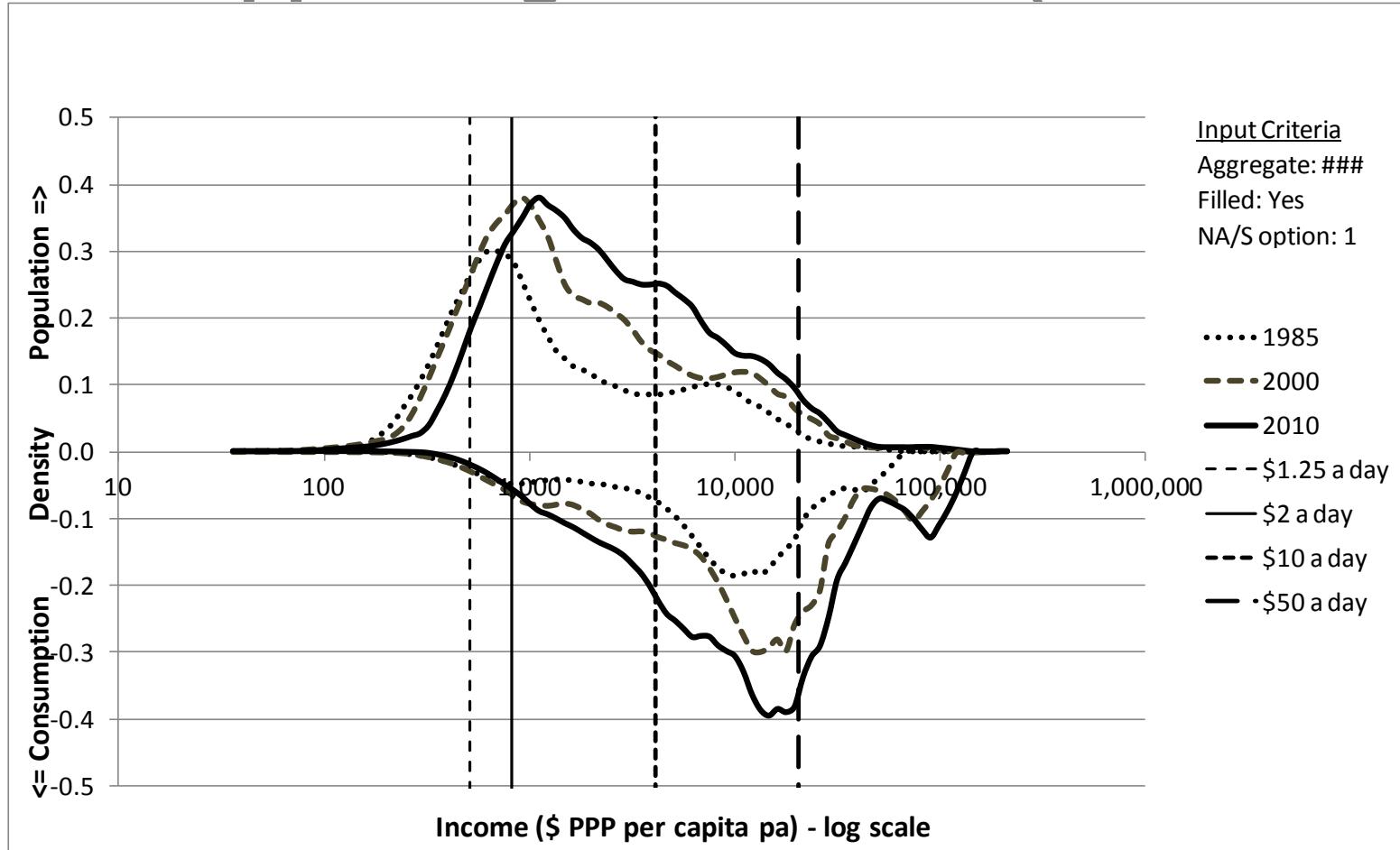
Dataset: 2011 PPP \$

A disappearing dumb-bell? (2011 PPP \$)



Dataset: 2011 PPP \$

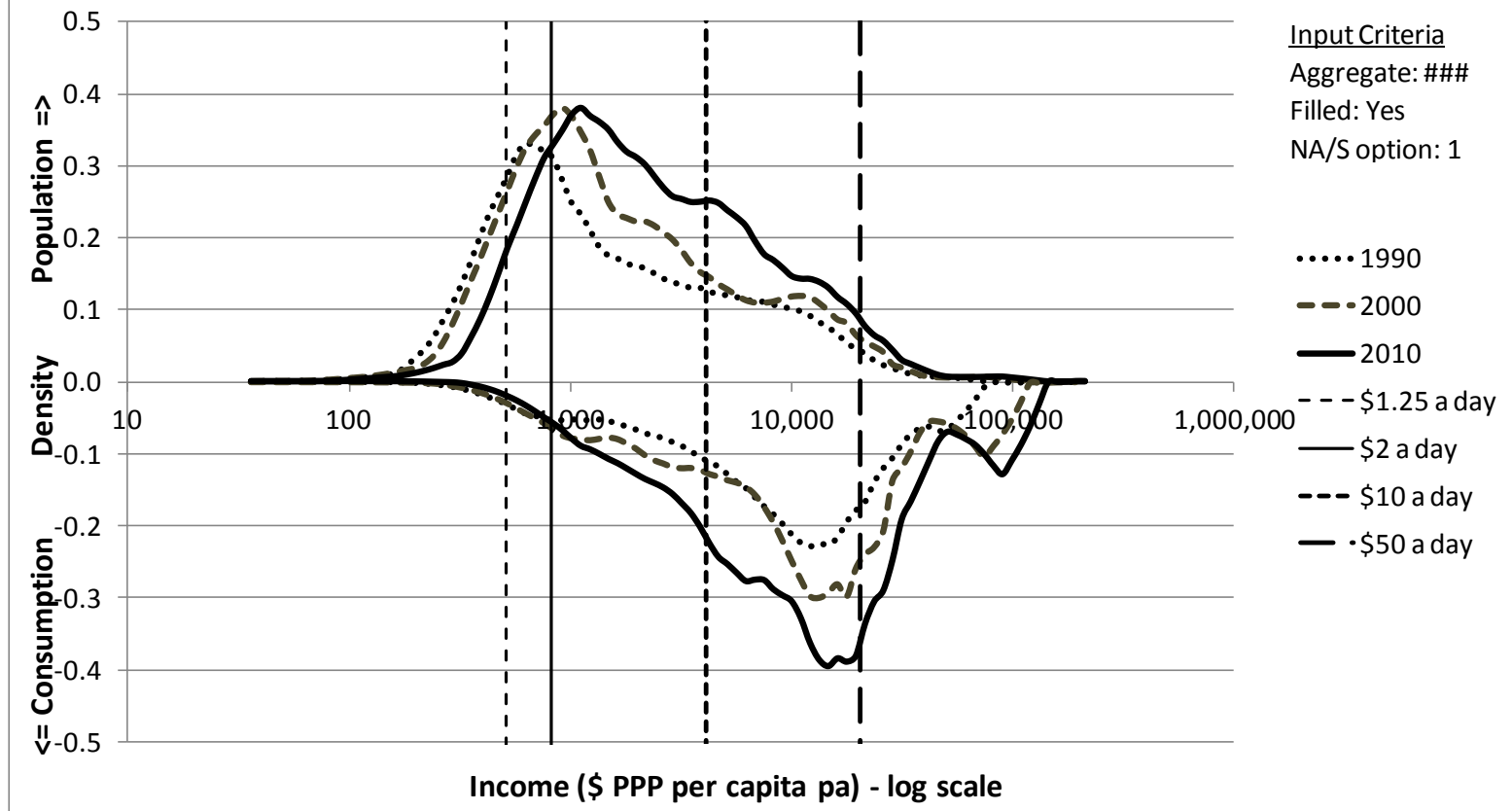
A disappearing dumb-bell? (2011 PPP \$)



Dataset: 2011 PPP \$

A disappearing dumb-bell? (2011 PPP \$)

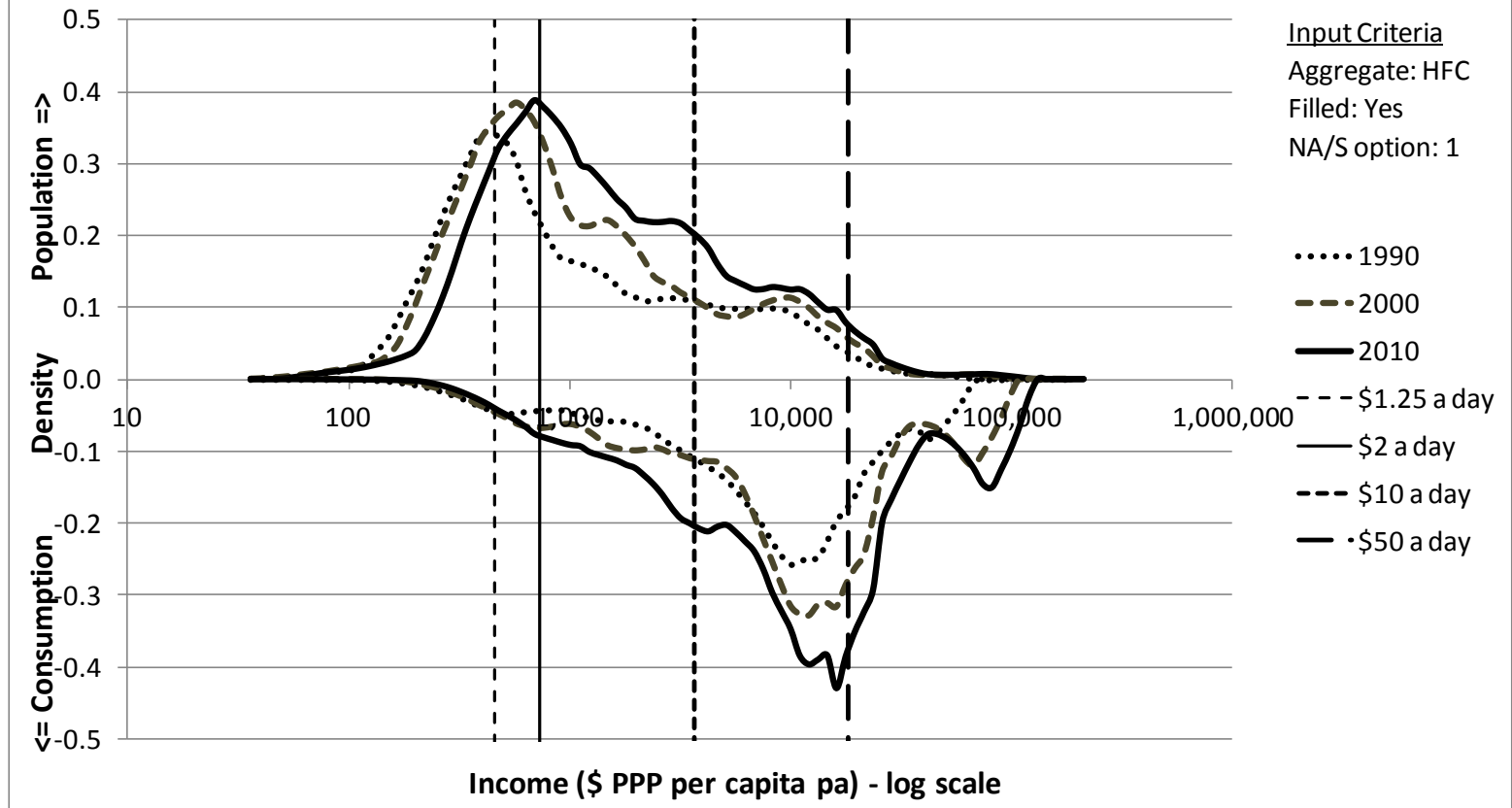
The view since 1990



Dataset: 2011 PPP \$

A disappearing dumb-bell? (2005 PPP \$)

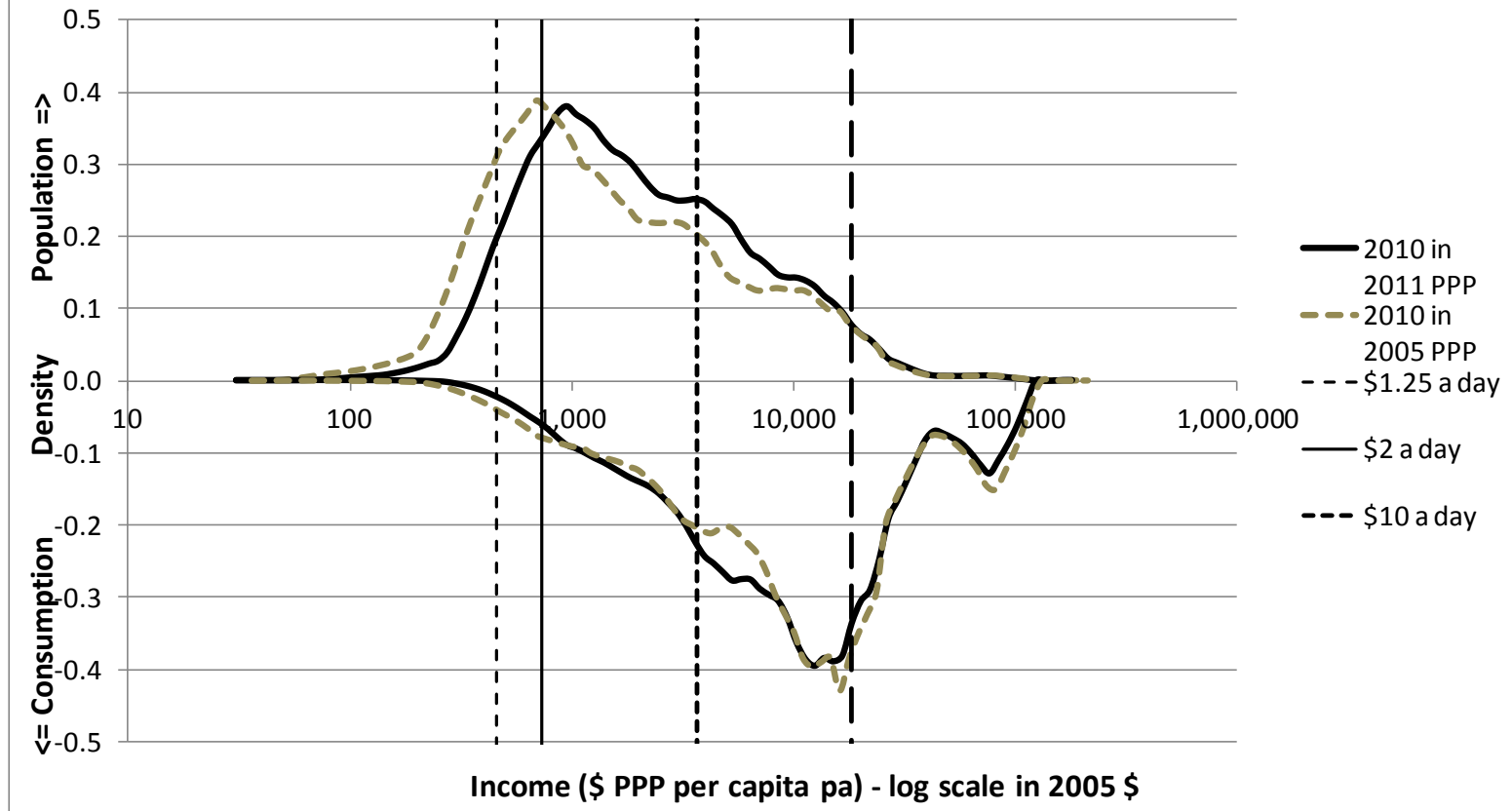
The view since 1990



Dataset: 2011 PPP \$

2005 PPP \$ vs. 2011 PPP \$

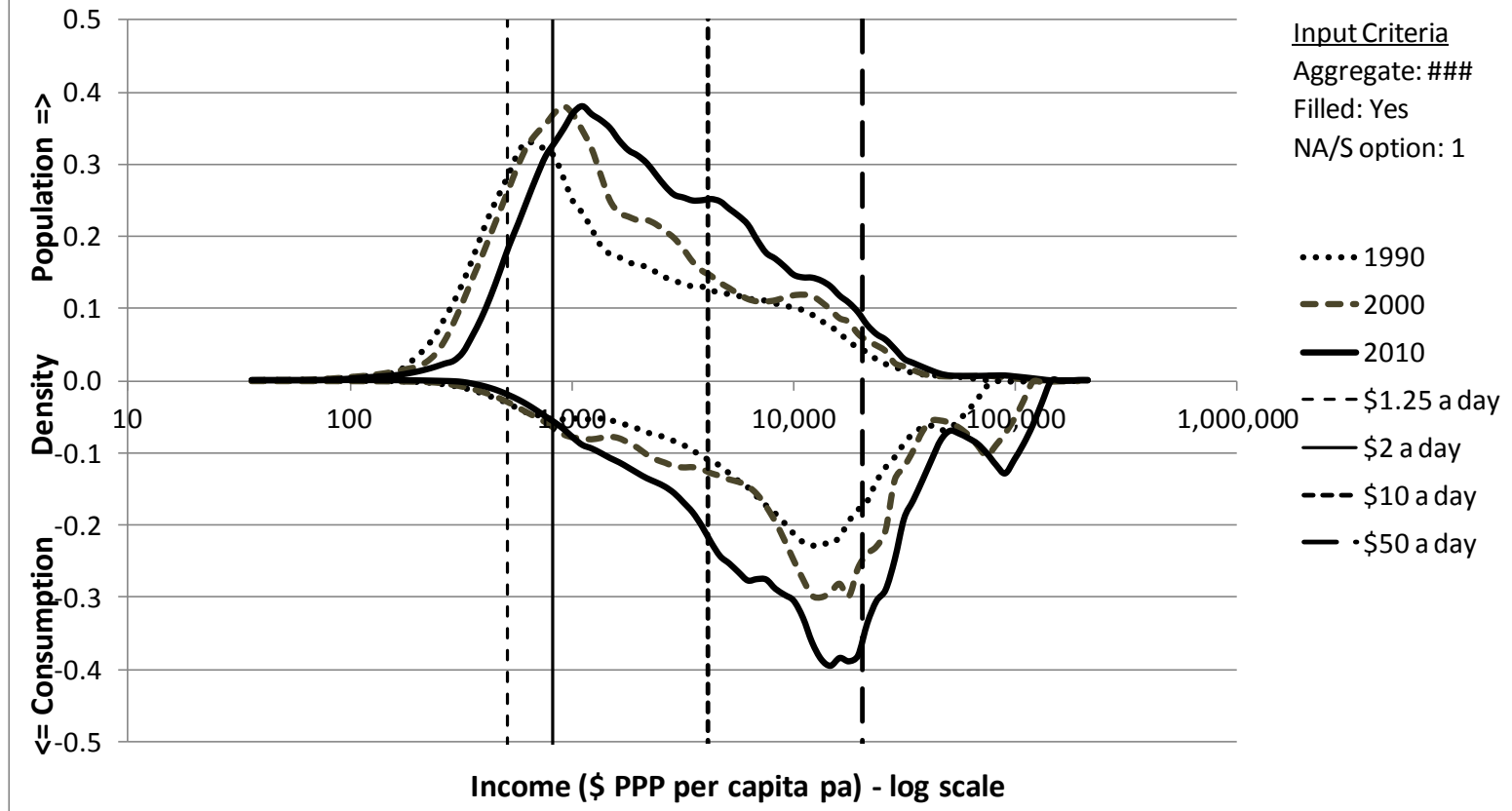
The 'usual' earthquake?



Data is presented in 2005 PPP \$

A disappearing dumb-bell? (2011 PPP \$)

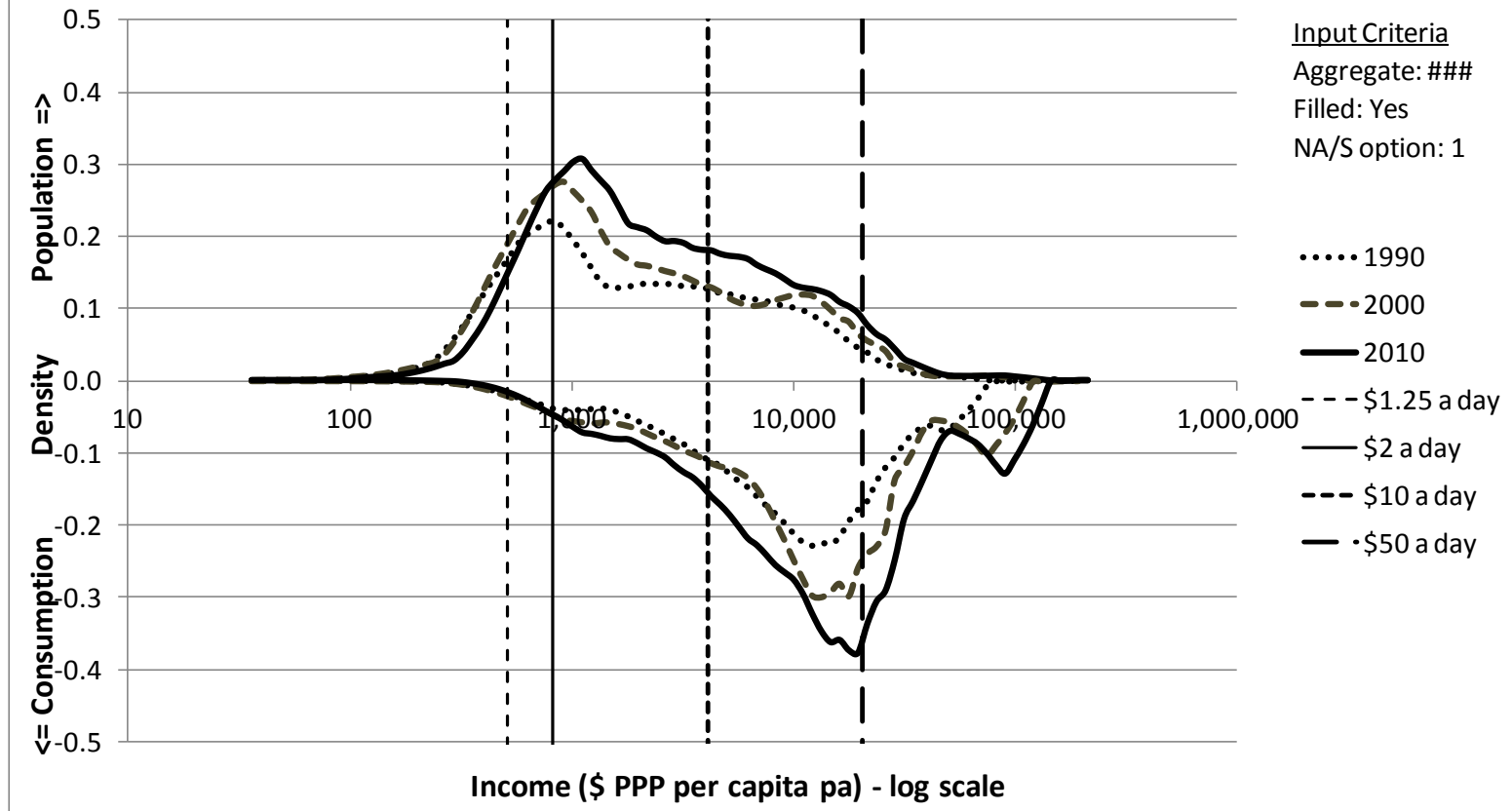
The view since 1990



Dataset: 2011 PPP \$

A persistent dumb-bell? (2011 PPP \$)

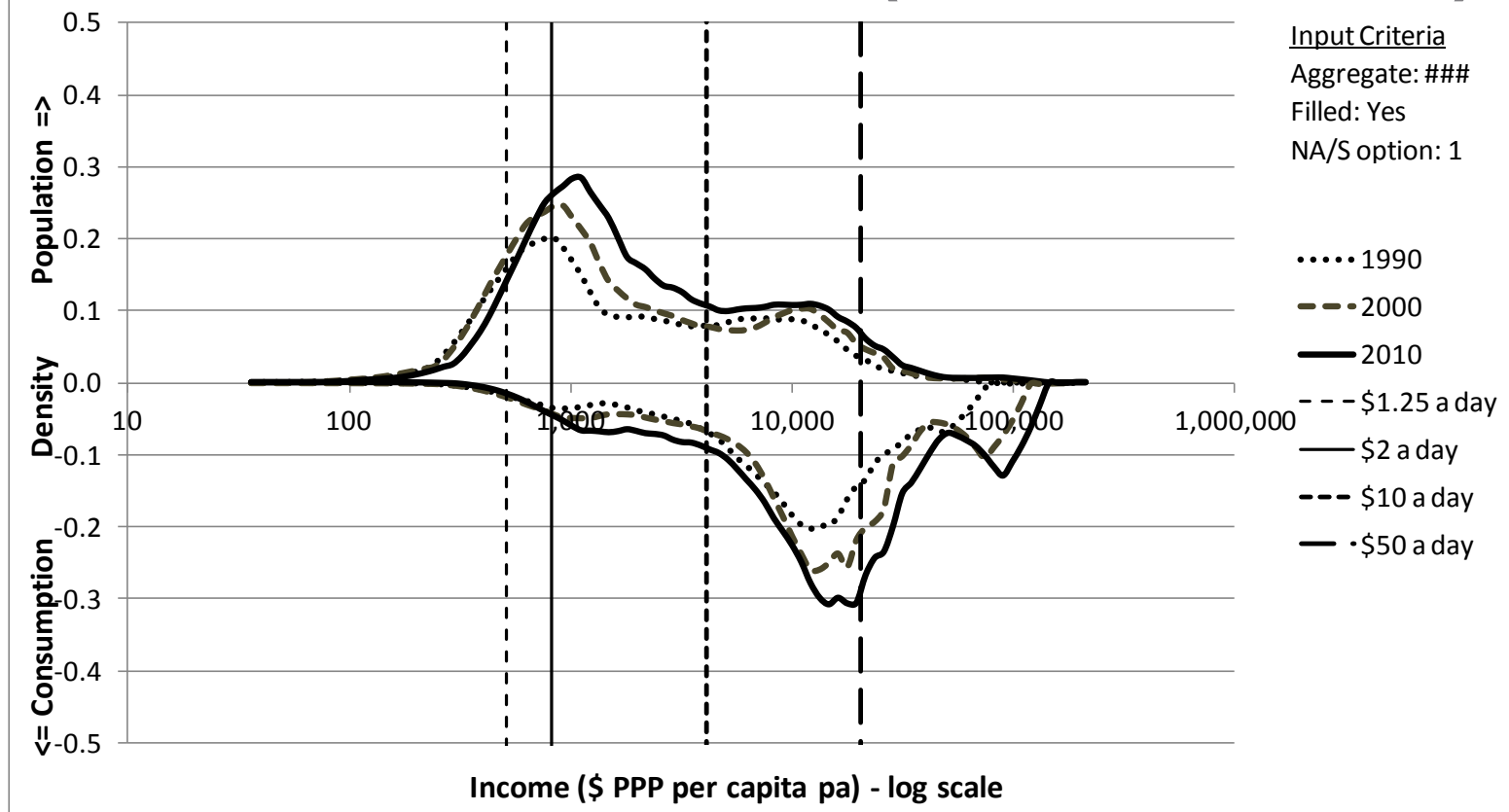
World excl. China



Dataset: 2011 PPP \$

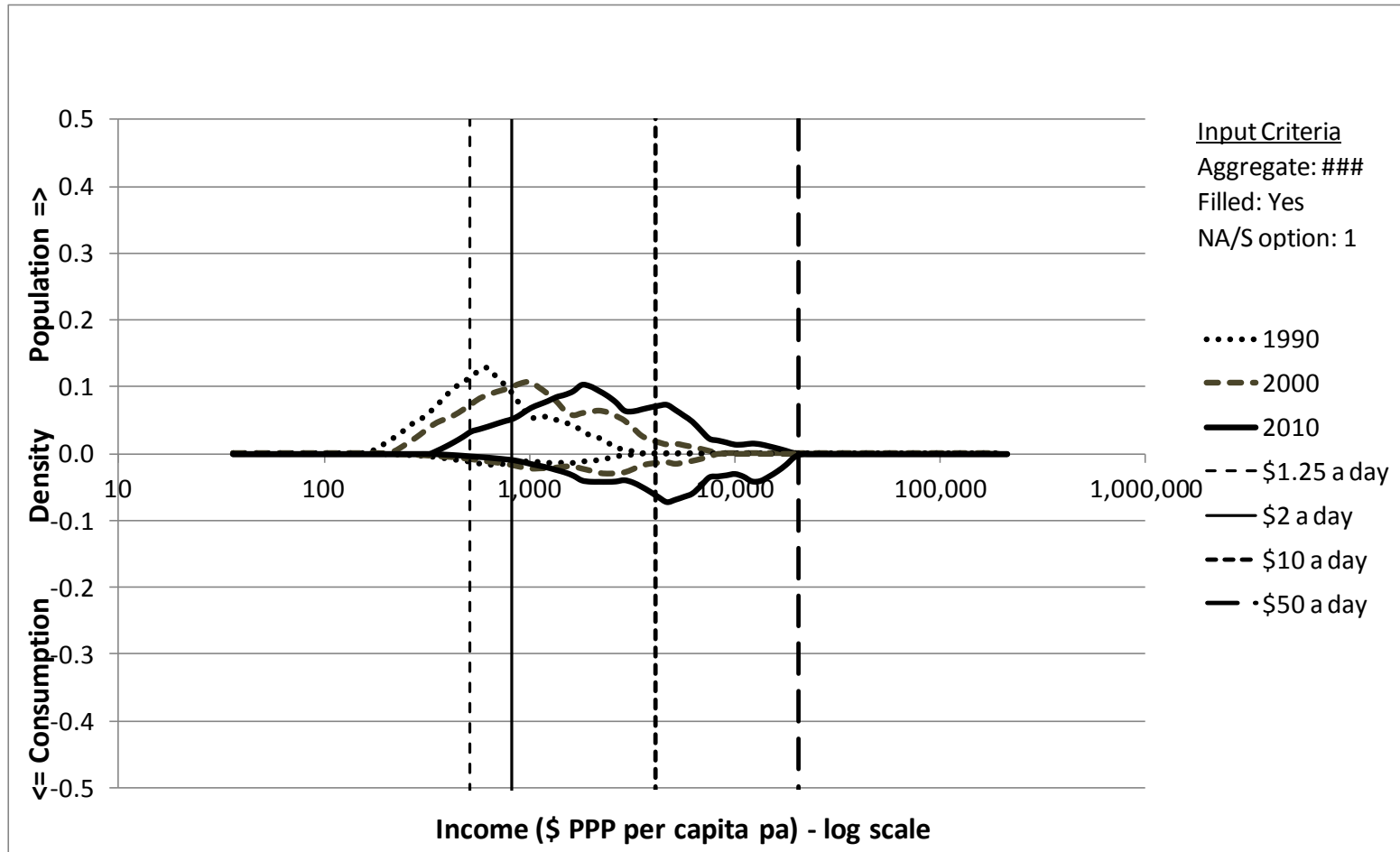
A persistent dumb-bell? (2011 PPP \$)

World excl. all UMICs (current status)



Dataset: 2011 PPP \$

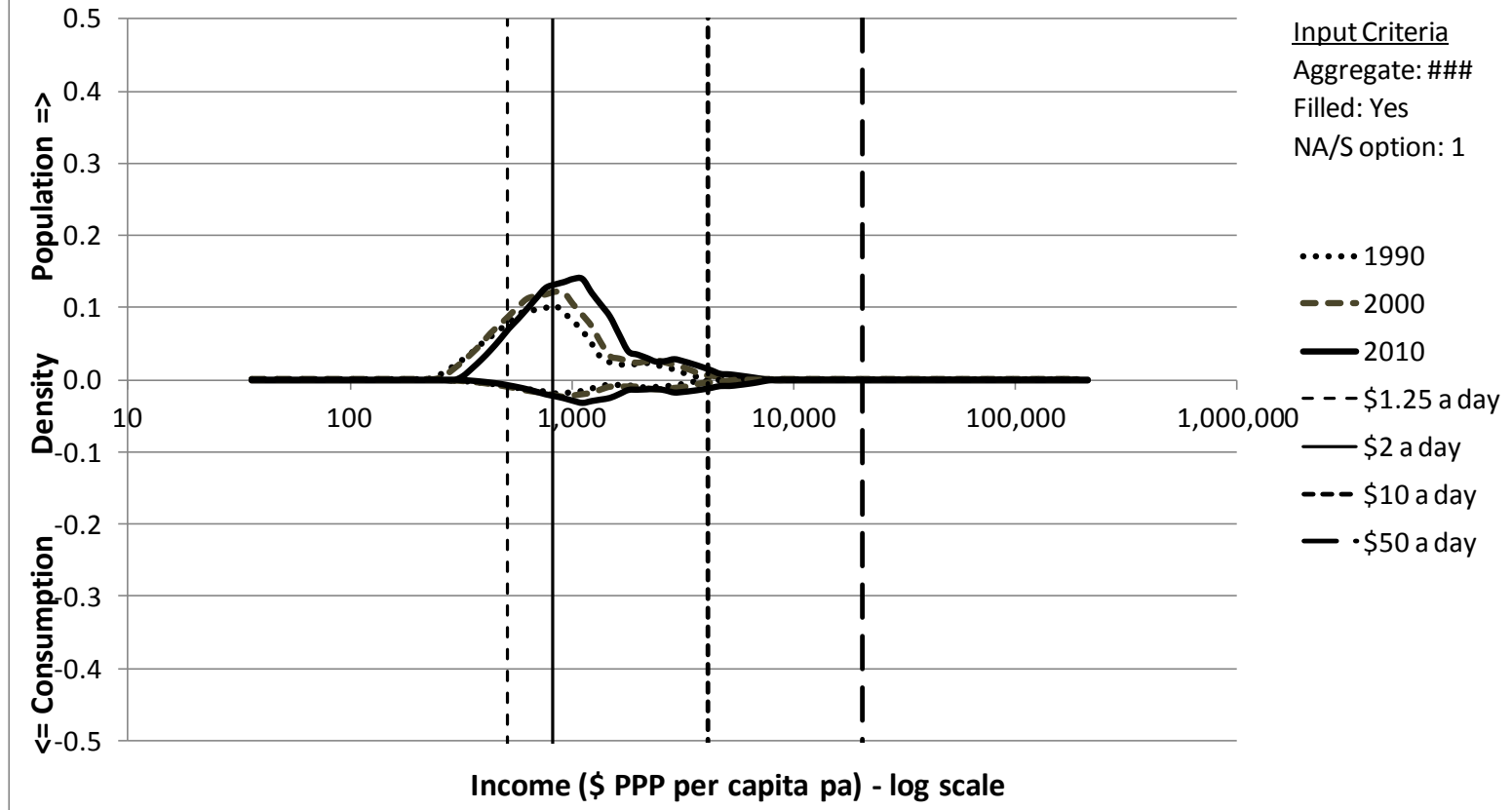
Social transformation in China



Dataset: 2011 PPP \$

... While in India:

plus ça change, plus c'est la même chose



Dataset: 2011 PPP \$

CAVEAT

Rest of presentation is based on analysis prior to latest update of PPP rates and their incorporation (in the last week) into revised GrIP analysis

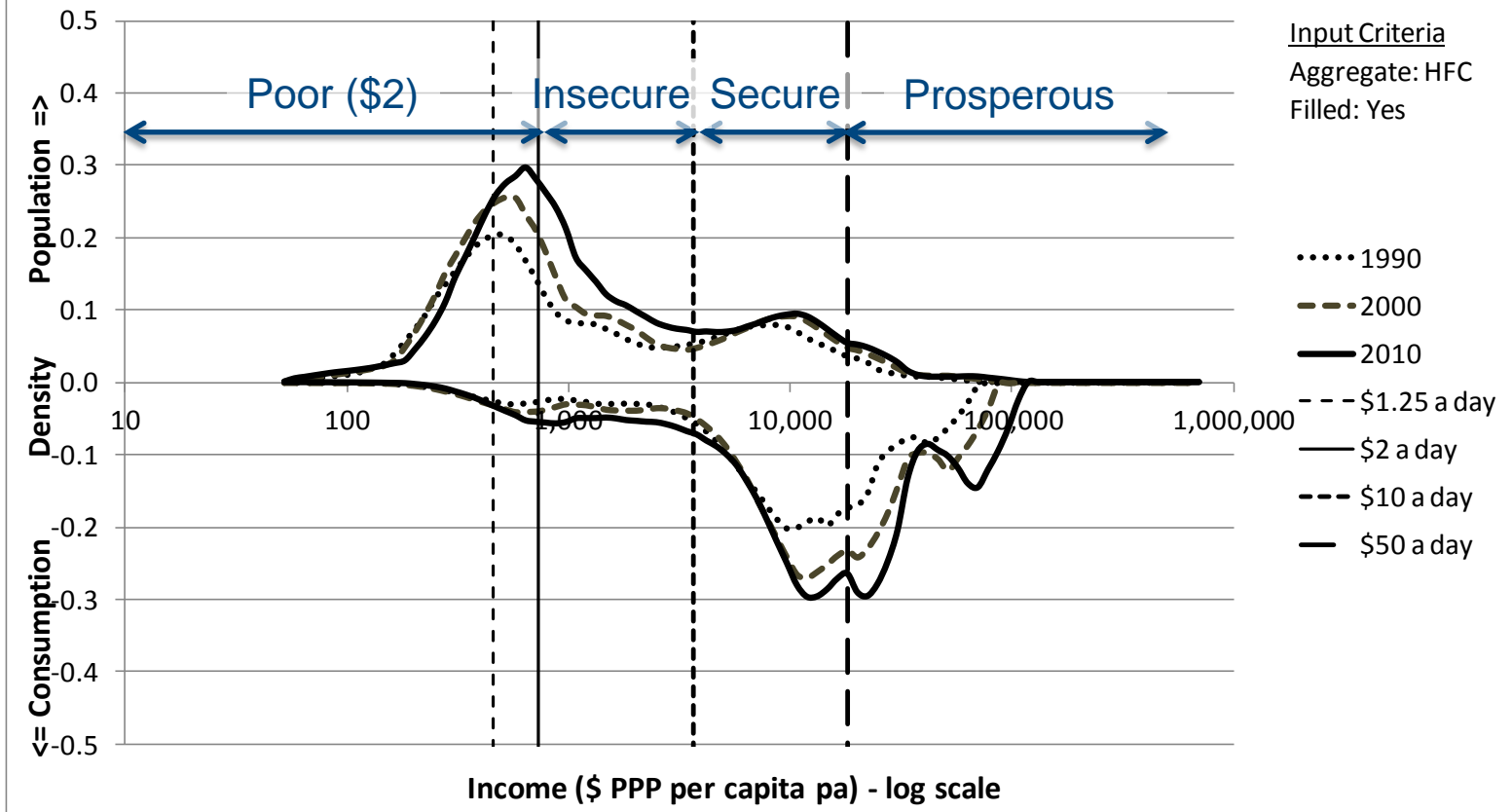
Four layered global society

Three thresholds:

- \$2 a day (2005 PPP \$)
 - Centre of lower income countries population peak
- \$10 a day
 - 'Security from poverty' line: proposed by Pritchett (2006)
 - Supporting evidence by López-Calva & Ortiz-Juarez (2011) and Birdsall et al., (2013): 'strugglers', 'vulnerable'
 - 87% of HIC population above this
 - 98% of LIC and LMIC population below this
- \$50 a day
 - Around half of HIC consumption is above this line
 - 87% of HIC population below this

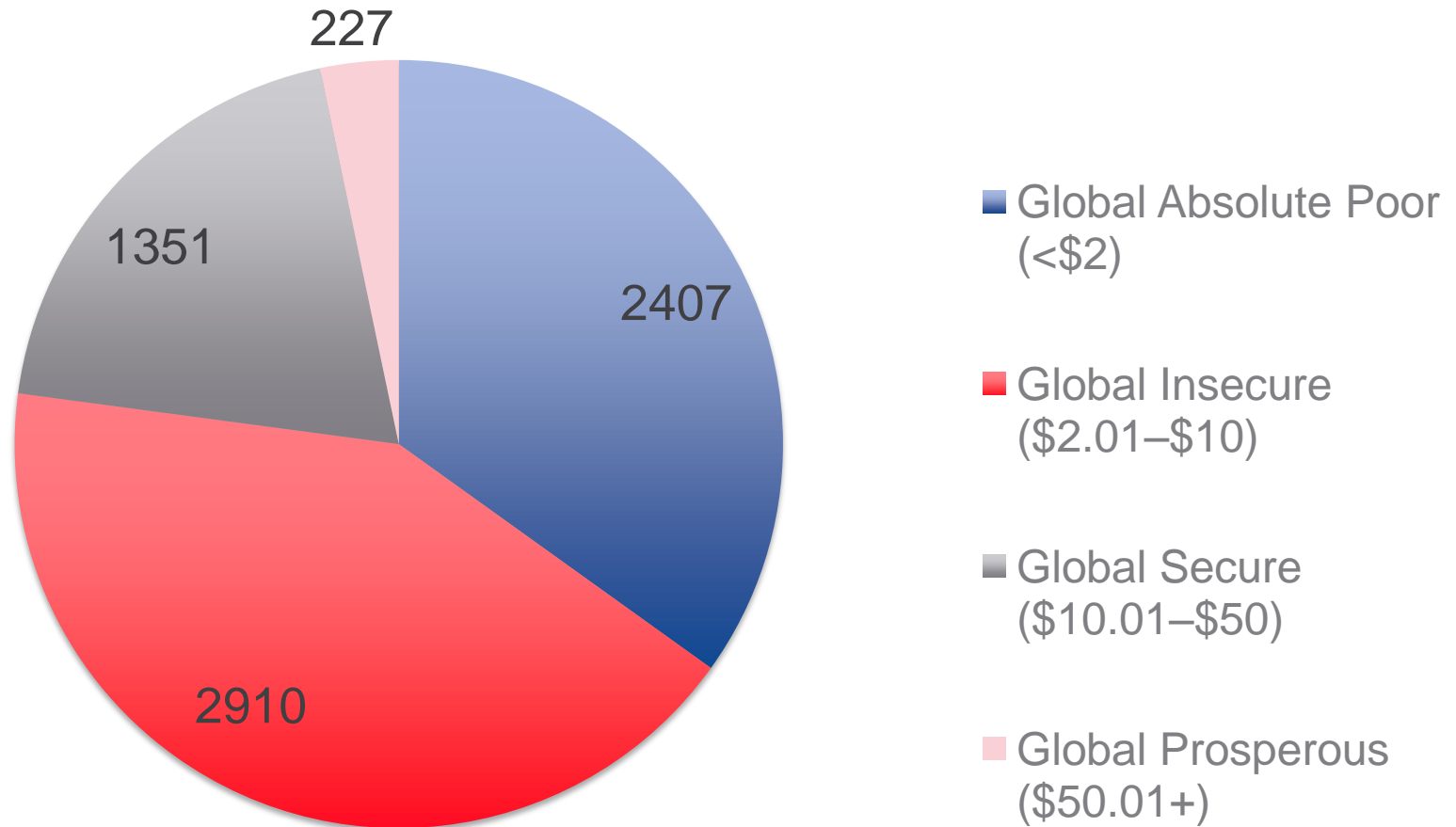
Thresholds for four-layered world

World excl. all UMICs (current status)



Dataset: 2005 PPP \$, GrIP v1.0

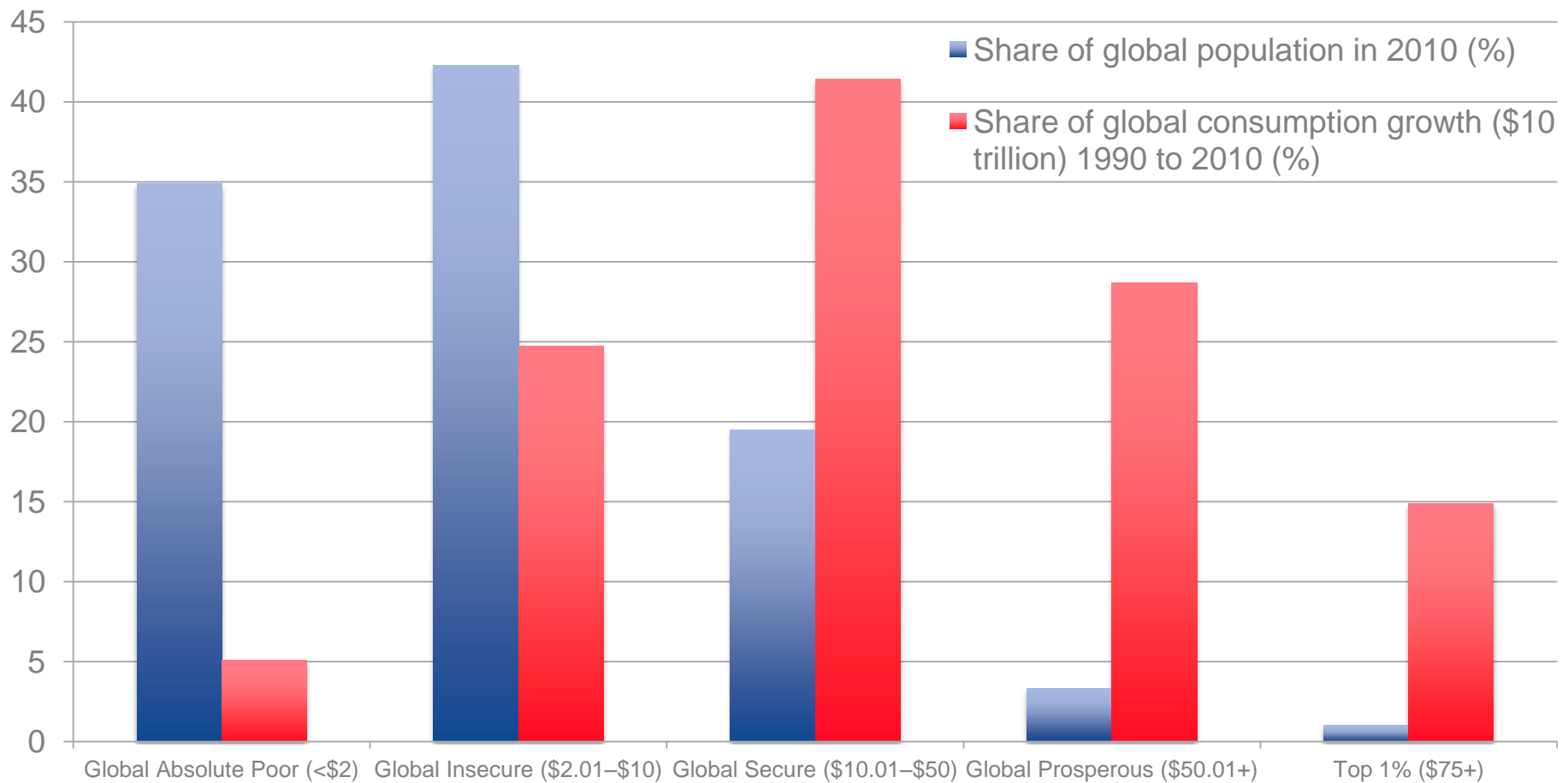
2010: A Four Layer World?



Number of people (mill)

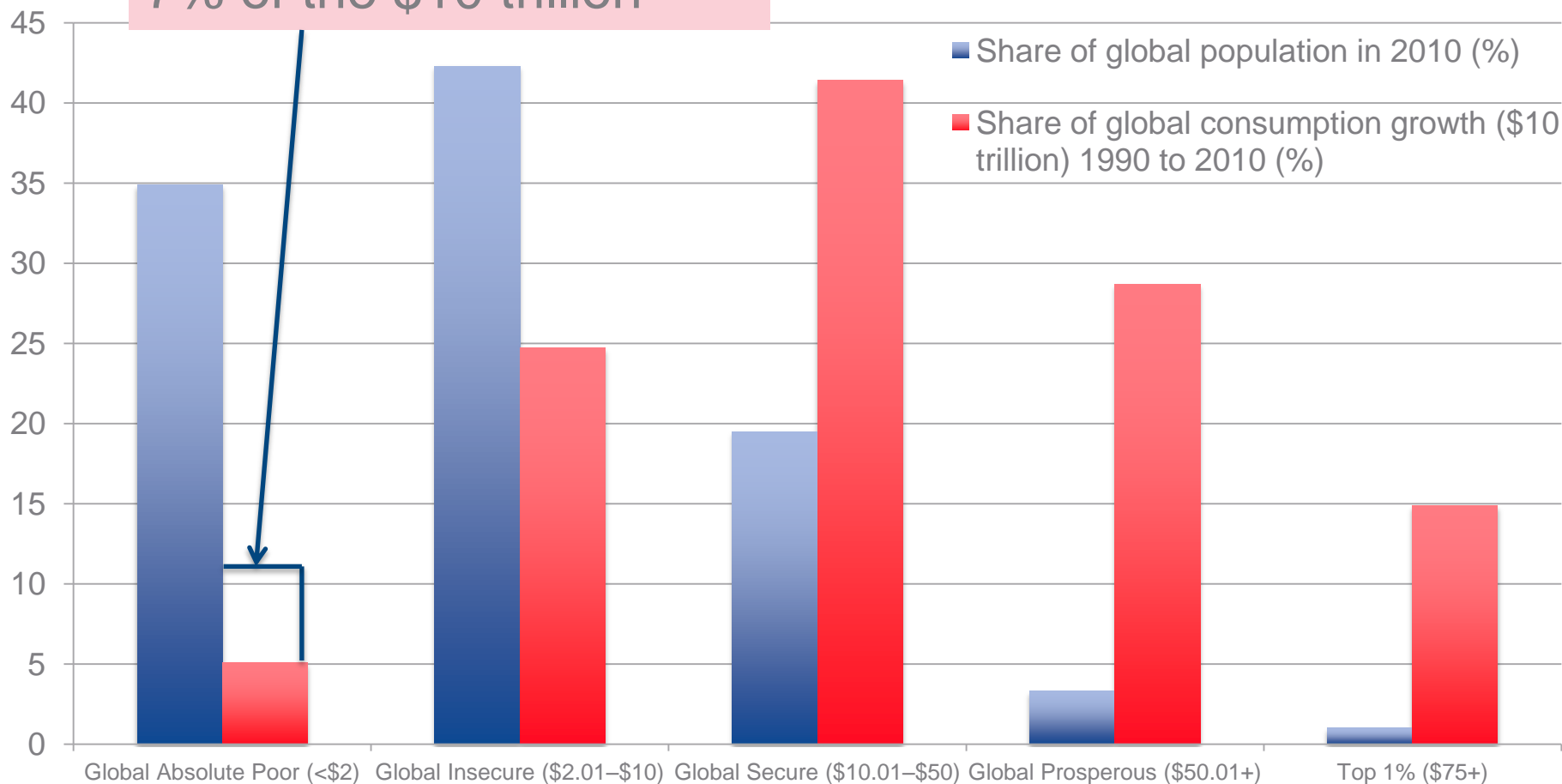
Are we all winners?

Shares of \$10 trillion growth (2005 PPP \$) 1990 to 2010



Cost to eradicate absolute (\$2) poverty

Poverty gap in 2010 =
7% of the \$10 trillion



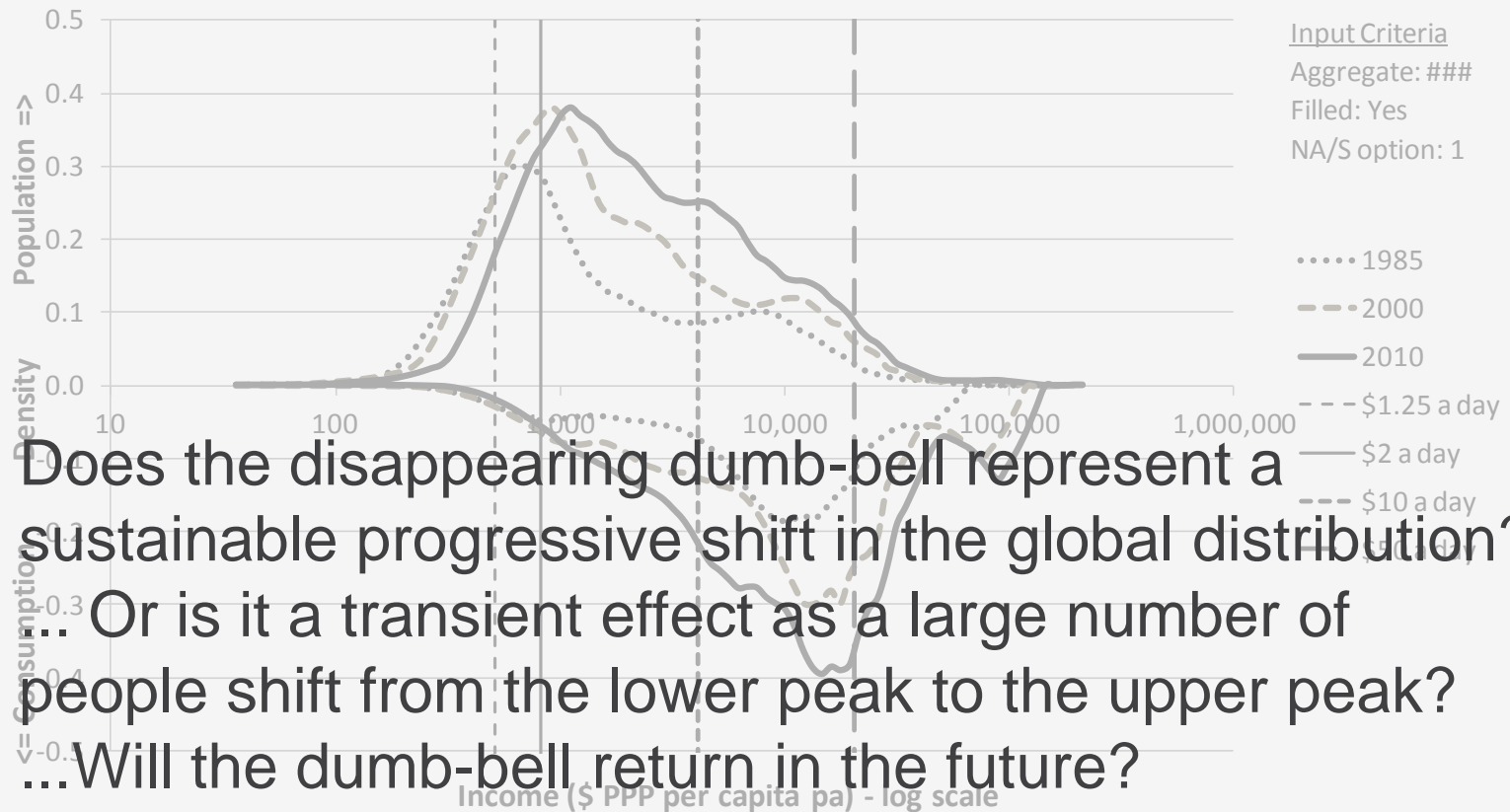
Beyond growth and poverty

So, is the solution to the problem really that we need more growth?

Might it be time to shift the debate:

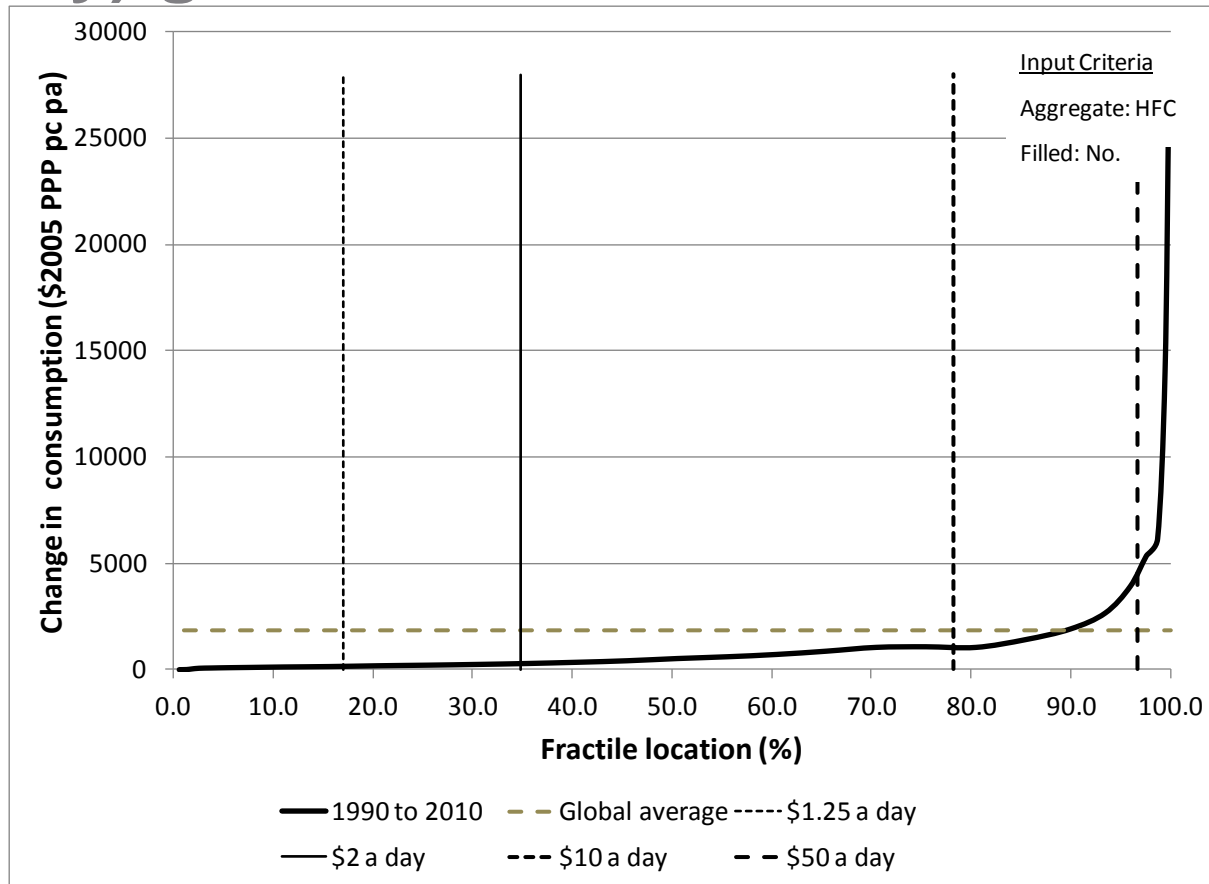
- Away from growth
- Away from focussing on extreme poor headcounts
- Towards a perspective that considers the whole global distribution
- And in doing so maybe pay more attention to the mobile middle(s)

A question for the future:



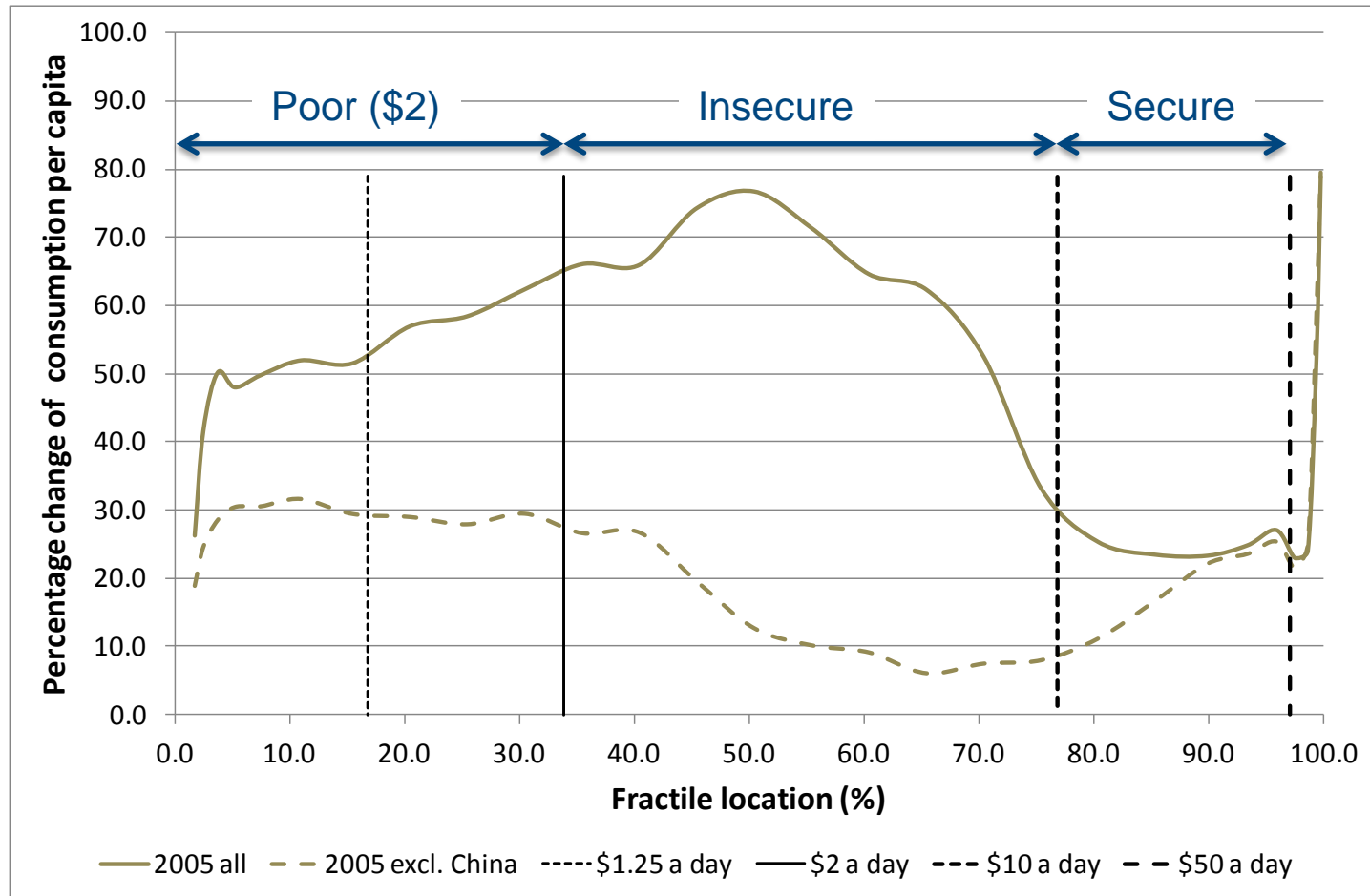
- Does the disappearing dumb-bell represent a sustainable progressive shift in the global distribution?
- ... Or is it a transient effect as a large number of people shift from the lower peak to the upper peak?
- ... Will the dumb-bell return in the future?

Two views on the fairness of global growth: 1: (very) good for the rich



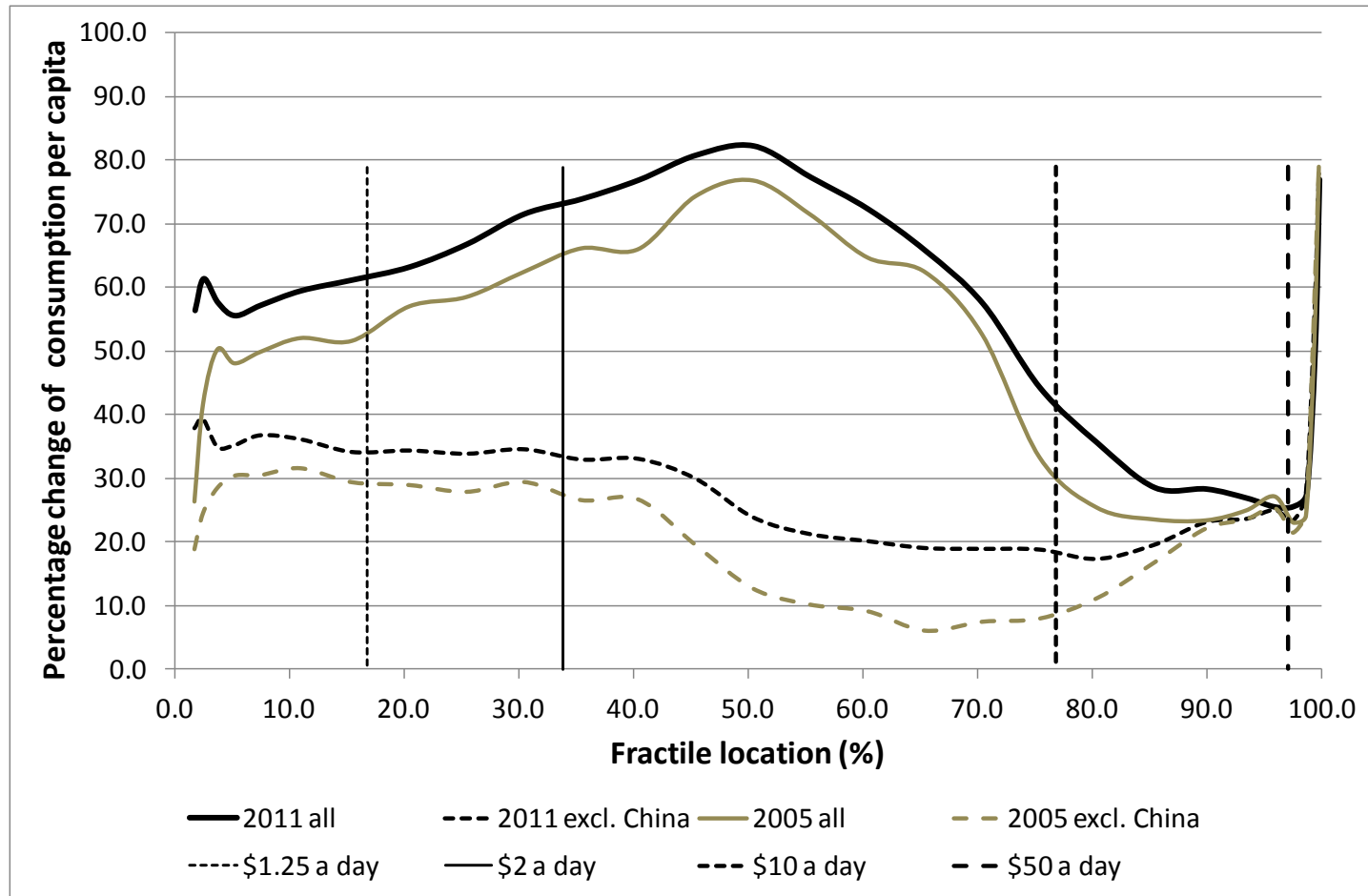
Dataset: 2005 PPP \$, GrIP v1.0

Two views on the fairness of global growth: 2: best for insecure, good for poor?



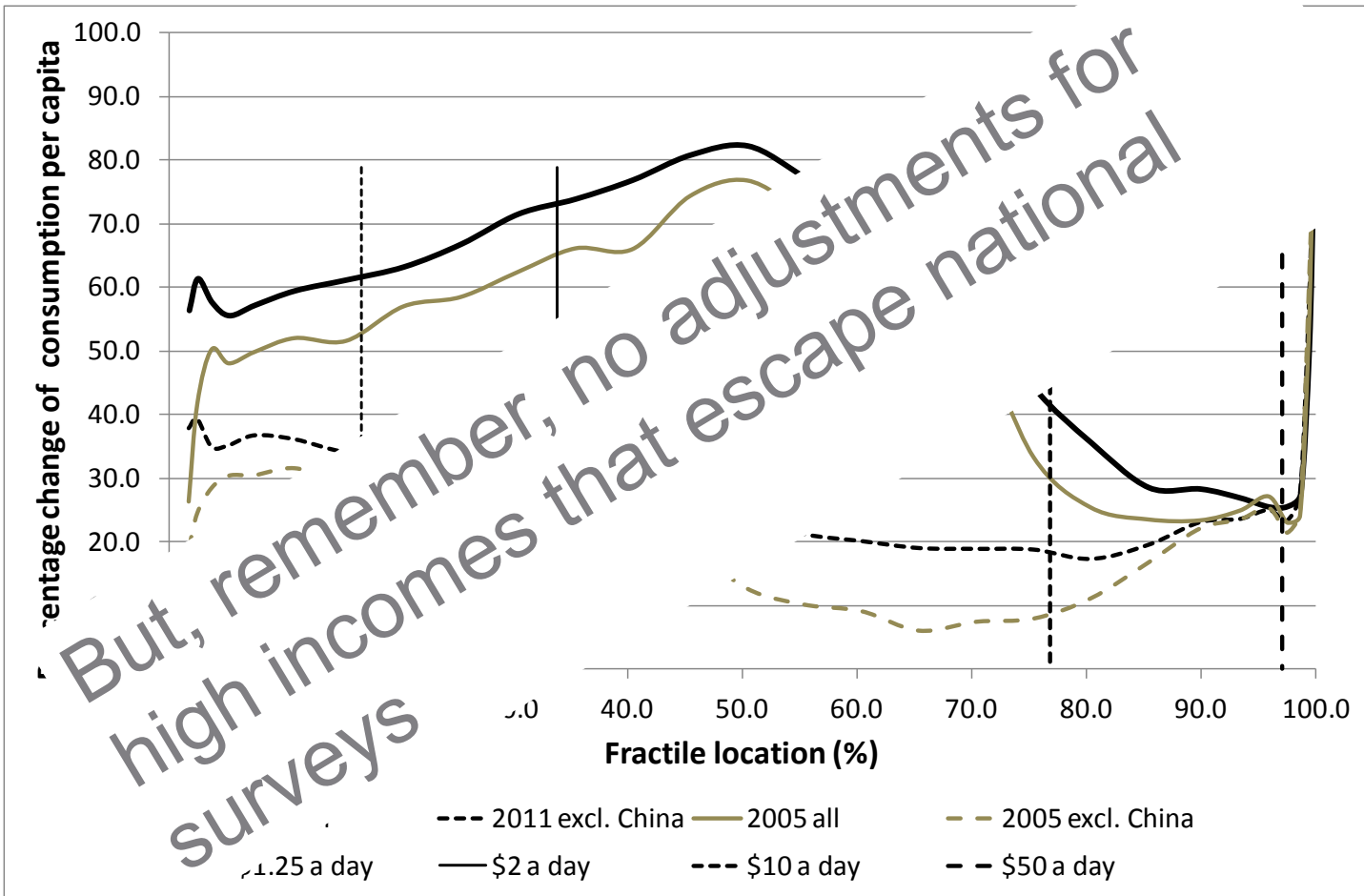
2005 PPP \$. For an early version see Edward, 2006

Two views on the fairness of global growth: 2: best for insecure, good for poor?



Dataset: Updated GrIP 23 June 2014.

Two views on the fairness of global growth: 2: good for the poor/middle



References

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