

Abstract for “Accelerating Poverty Reduction in a Less Poor World: The Roles of Growth and Inequality.”

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This paper re-examines the roles of changes in income growth and inequality on poverty reduction. The study provides estimates on the relative effects of inequality reduction versus growth promotion in reducing poverty for countries with different levels of initial poverty. Using country panel-data for the 1980-2010 period, the results indicate that, as countries become less poor, inequality-reducing policies are likely to become relatively more effective for poverty reduction than growth promoting policies. In line with other studies, the results indicate that the growth elasticity of poverty reduction (GEPR) either increases or remains constant with the level of initial poverty. Nevertheless, the results also strongly indicate that, as countries become less poor, the inequality elasticity of poverty reduction (IEPR) increases faster than GEPR. Therefore, if the marginal cost of reducing inequality relative to the marginal cost of increasing growth does not increase with lower poverty levels, the results suggest that to accelerate poverty reduction, greater emphasis should be given to equity rather than growth as countries attain higher levels of development.