

Abstract for “The Pace of Poverty Reduction Revisited: A Fractional Response Approach”

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Poverty reduction through growth is at the heart of current debates on equitable development. This paper makes three contributions. First and foremost, we argue that empirical poverty decompositions should capture the boundedness of the poverty headcount ratio directly; that is, they should build in the inherent non-linearity and non-constancy of the income and inequality elasticities. As a solution, we propose a fractional response approach to estimating poverty decompositions and present extensions dealing with unobserved heterogeneity, measurement error and unbalancedness. Second, using a large new data set, we estimate income and inequality elasticities of poverty for the 2\$ a day and 1.25\$ a day poverty lines. The models fit the data remarkably well. Third, building on the improved accuracy of the fractional response results, we present poverty projections from 2010 until 2030. We discuss some implications of these results for the post-2015 development agenda.