

Inequality: What Has Been Happening, Why Does It Matter, And What Can Be Done?

Round up of Day 1
and
Issues for the Panel



Inequality: Causes and Effects

- Though poverty is declining, inequality is rising, including in Asia.
 - Capital vs. labor
 - Skilled vs. unskilled
 - Urban vs. rural
- Inequality is detrimental to growth. Redistribution is pro-growth, except in extreme cases.
- Need to make growth pro-equality (inclusive growth).
- Social dimensions beyond income.

Policies to address inequality

- Fiscal Policies (main tool)
 - Redistribution uses spending more than taxes.
 - Low scope and coverage of social spending in Asia limits redistribution, particularly towards the poorest
 - Energy subsidies are popular, but does not promote equality.
 - Reform social spending to achieve better redistribution.
 - Also scope for reforming taxes.
 - Fiscal and administrative capacity important for policy delivery
- Monetary and financial policies also affects inequality
 - Low and stable inflation, access to financial services
 - Quantitative easing policies?

Country Experiences

- Still framed in terms of poverty reduction rather than in terms of addressing inequality?
 - Social safety nets
 - Enhancing equality of opportunity (education)
- Conditional Cash Transfer = redistribution plus impact on social policy goals
- Structural and labor market policies = address issue of relative poverty and low paid, low quality jobs.
- Monetary policies to supply stable financial environment

Questions and Possible Issues for Discussion

- Good equality or bad equality? Does the cause (driver) of inequality matter in the adoption or redistributive policies?
 - Skilled vs. unskilled (low vs. middle class)
 - The rich vs the rest (capital vs. labor)
 - Spatial (urban vs. rural)
- What causes inequality to reduce growth, and what are the remedies?
 - Health and human capital (specific spending on health and education)
 - Social cohesion (redistribution as goal in itself)
- What are the relative roles of direct redistribution and levelling the playing field? Should policies focus on income, wealth or consumption?
- What drives redistributive policies in emerging and developing countries? What are the obstacles to designing 'good' policies, and how can they be overcome?