



RESEARCH NEWSLETTER

A Global View of Inequality | October 2019

FEATURE STORY



From left to right: Christoph Lakner, Aart Kraay, Louise Cord.

[Story](#) | [Video](#) | [Presentation](#)

Yes, Global Inequality Has Fallen. No, We Shouldn't Be Complacent.

Between 2008 and 2013, global inequality fell for the first time since the industrial revolution. This historic reversal was largely driven by rising incomes in populous developing countries that helped close the gap with high-income countries. While this is a welcome trend, there is no guarantee it will continue into the future, as economist [Christoph Lakner](#) explained at a recent [Policy Research Talk](#).

RESEARCH HIGHLIGHTS

✓ [Poverty and Shared Prosperity 2016: Taking on Inequality](#)

Washington, DC: World Bank.

The Poverty and Shared Prosperity 2016 report looks closely at the role that inequality reduction plays in ending extreme poverty and improving the livelihoods of the poorest in every country. It provides evidence on the latest trends in inequality and reviews recent country experiences that have been successful in reducing inequality. In doing so, the report addresses some myths about the global picture of inequality, and what works to reduce it.

✓ [Global Income Distribution: From the Fall of the Berlin Wall to the Great Recession](#)

[Christoph Lakner](#) and [Branko Milanovic](#), *World Bank Economic Review* 30 (2): 203–32, 2016 | [Data](#) | [Code](#) | [Blog: Elephants are tough animals](#) | [Research Digest: Global Inequality between 1988 and 2008 and the “Elephant Graph”](#).

Globalization between 1988 and 2008 included the end of the Soviet Union and the integration of developing countries into the world economy. This analysis provides the most up-to-date evidence on global interpersonal inequality, which captures the effects of these tectonic shifts on within- and between-country inequality.

✓ **Global Inequality**

[Christoph Lakner](#), Chapter in [After Piketty: The Agenda for Economics and Inequality](#), edited by Heather Boushey, J. Bradford DeLong, and Marshall Steinbaum. Harvard University Press, 2017 | [Working Paper Version](#).

In the 2000s, global inequality fell for the first time since the Industrial Revolution, driven by average incomes converging across countries. Although within-country inequality increased in population-weighted terms, for the average developing country the rise in inequality slowed down in the 2000s.

✓ **[How Much Does Reducing Inequality Matter for Global Poverty?](#)**

[Christoph Lakner](#), Daniel Gerszon Mahler, Mario Negre, and Espen Beer Prydz, *World Bank Policy Research Working Paper 8869*, May 2019.

A set of scenarios for global poverty from 2018 to 2030 under different assumptions about growth and inequality suggests an important role for inequality on the path to eliminating extreme poverty. Reducing each country's Gini index by 1 percent per year has a larger impact on global poverty than increasing each country's annual growth 1 percentage point above forecasts.

✓ **[The distribution of consumption expenditure in Sub-Saharan Africa: The inequality among all Africans](#)**

La-Bhus Fah Jirasvetakul and [Christoph Lakner](#), *Journal of African Economies* (forthcoming) | Blog: [Is inequality in Africa rising?](#) | [Working Paper Version](#).

Between 1993 and 2008 growth in the Africa-wide distribution of consumption expenditure has been low (around 1 percent per year, from household surveys). But this growth has been uneven, such that the richest 5 percent of Africans received around 40 percent of the total gains, while the bottom 40 percent received only 10 percent.

✓ **[Is Inequality Underestimated in Egypt? Evidence from House Prices](#)**

[Roy van der Weide](#), [Christoph Lakner](#), and Elena Ianchovichina, *Review of Income and Wealth* 64(s1): 55–79, October, 2018 | [Working Paper Version](#).

This study uses data on house prices to estimate the top tail of the income distribution in Egypt. The analysis shows strong evidence that inequality is indeed being underestimated by a considerable margin. When correcting for the missing top tail, the Gini index of household per capita income for urban Egypt is found to increase from 39 to 52.

✓ **[Capital and Labor: The Factor Income Composition of Top Incomes in the United States, 1962–2006](#)**

Anthony B. Atkinson and [Christoph Lakner](#), *World Bank Policy Research Working Paper 8268*, December 2017.

Using data derived from tax records, this study documents an increasing association of capital and labor incomes in the United States since the 1980s. This has contributed to the well-known increase in the top 1 percent's share of total income, further exacerbating rising inequality in capital incomes and earnings.

✓ **[Trading off the Income Gains and the Inequality Costs of Trade Policy](#)**

[Erhan Artuc](#), [Bob Rijkers](#), and Guido Porto, *World Bank Policy Research Working Paper 8825*, April 2019.

This paper quantifies the welfare gains of trade liberalization using household survey data for 54 countries. Average gains from

trade are 1.9% but tend to come at the expense of exacerbated inequality. In the majority of developing countries, the prevailing tariff structure induces sizable welfare losses.

To access the latest Policy Research Working Papers, please click [here](#).

RELATED BLOG POSTS

85% of Africans live on less than \$5.50 per day

[R. Andres Castaneda Aguilar](#), [Dean Mitchell Jolliffe](#), [Tony Fujs](#), [Christoph Lakner](#), [Espen Beer Prydz](#) | *Data Blog*, October 3, 2019.

In East Asia and Pacific, there have been drastic changes in the distribution of the population across different poverty lines between 1990 and 2015. East Asia and Pacific has been much more successful than Sub-Saharan Africa in the fight against extreme poverty. East Asia and Pacific has also seen an expansion of the middle class (defined as living on more than \$15) from less than 1% to almost one-fifth, and a rapid increase in the population living between \$5.50 and \$15 to almost half of the regional population. This has not happened in Sub-Saharan Africa. The decline in extreme poverty in the region (from around three-fifths to two-fifths of people living in Sub-Saharan Africa) translated primarily into an expansion of the population living below \$5.50, with the middle-class accounting for a negligible share of the regional population. Put differently, 85% of Africans are still poor if judged by the standards of upper-middle income countries.

[Read the blog](#)

Estimating global poverty in R and Stata

[R. Andres Castaneda Aguilar](#), [Tony Fujs](#), [Christoph Lakner](#), [Espen Beer Prydz](#) | *Data Blog*, October 1, 2019 | [Technical Note](#) | [See previous technical notes](#).

The World Bank's global poverty measures published through the [PovcalNet](#) website can now be accessed directly from within R and Stata. The R package [povcalnetR](#) and the Stata command [povcalnet](#) offer the same functionality as the [website](#), namely the estimation of poverty at any poverty line for individual countries, groups of countries, or entire regions. Accessing [PovcalNet](#) directly from within R and Stata is a major improvement to the usability of the tool; for example [PovcalNet](#) results can be directly merged with any other R/Stata dataset. In this blog, we show how the commands can be downloaded and illustrate their use with an example. We will illustrate the use of the commands with a series of blog posts over the next few weeks. A more detailed description with more examples can be found in the github pages ([R](#) and [Stata](#)), as well as [Castaneda et al. \(2019\)](#) for the Stata command. We encourage users to send us comments and suggestions, and to report any bugs in the github issues pages ([R](#) and [Stata](#)).

[Read the blog](#)

September 2019 global poverty update from the World Bank

[R. Andres Castaneda Aguilar](#), [Tony Fujs](#), [Christoph Lakner](#), [Minh Cong Nguyen](#), [Espen Beer Prydz](#) | *Data Blog*, September 24, 2019 | [Technical Note](#) | [See previous technical notes](#).

The September 2019 global poverty update published today includes revised survey data which lead to minor changes in the most recent global poverty estimates (a detailed description of all changes can be found in [Atamanov et al. \(2019\)](#)). As part of the September update, we are also releasing the Stata command [povcalnet](#) and the R package [povcalnetR](#), which allow users to

estimate poverty at any poverty line for the world, regions or sets of countries, by querying the World Bank's database of household surveys directly from within Stata/R. The commands also retrieve inequality statistics provided by the database. Finally, the [PovcalNet](#) website now provides metadata on the [comparability of poverty estimates](#) within countries over time, compiled by the Country Poverty Economists in the World Bank's Poverty and Equity Global Practice.

[Read the blog](#)

UPCOMING EVENTS

- **October 28, 2019:** [Policy Research Talk: Detecting Corruption and State Capture](#)
- **December 9, 2019:** [Policy Research Talk: The Unintended Consequences of Cash Transfers](#)
- **March 16–20, 2020:** [Land and Poverty Conference 2020: Institutions for Equity and Resilience](#)

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RESEARCH DIGEST

The Fall 2019 issue of the Research Digest focuses on global migration.

Global migration has become an important instrument to lower poverty rates in developing countries and raise productivity in developed countries. The World Bank's research on migration, which is carried out throughout the institution, offers compelling hard evidence on the economic gains. Articles in this issue focus on migrants' incomes; the troika of aging, education, and migration; a new approach to determining migration patterns—notably, those of “transit migrants”—and the length of time refugees spend in exile; and a new Migrant Rights Database, which will enable country comparisons as the international community works toward a global standard for migration governance and the protection of human rights.

[Read this issue](#)

BLOGS FROM THE RESEARCH DEPARTMENT

The 2019 Nobel: remembering the world's poor

[Pinelopi Goldberg](#) | *Let's Talk Development*, October 14, 2019.

Congratulations to Abhijit Banerjee, Esther Duflo, and Michael Kremer for the richly deserved Nobel Prize! And congratulations also to the Royal Swedish Academy of Sciences for reminding us, through this excellent choice, of those most in need of the attention of science and policy: the world's poor!

As advanced countries have started to turn inward in recent years by closing their borders either directly to people from poorer countries or indirectly to the imports produced using cheap labor from these countries, the word “poverty” is starting to disappear from the research and policy priorities of many institutions. The World Bank, with its emphasis on eliminating extreme poverty, is still an exception. But outside the Bank, within-country inequality, gender disparities, climate change, and biodiversity have replaced poverty as the main areas of focus and dominate the current public debate.

[Read the blog](#)

A Nobel Prize for Development RCTs!

[David McKenzie](#) | *Development Impact*, October 14, 2019.

Today the 2019 Nobel Memorial Prize in Economic Sciences was awarded to Abhijit Banerjee, Esther Duflo and Michael Kremer “for their experimental approach to alleviating global poverty.” Here is the [scientific background](#) from the Royal Swedish Academy of Sciences, the [Guardian’s coverage](#) (including a link to an [interview with Abhijit’s proud Mum](#)), and [coverage from Marginal Revolution](#). This is fantastic recognition for three amazing researchers who have inspired so much of our work. I wanted to celebrate this and note a few additional elements that make their work particularly special.

[Read the blog](#)

Overlapping priorities: Data for mapping biodiversity and development activities

[Susmita Dasgupta](#), [Brian Blankespoor](#), [Tim Herzog](#), and [Aieshwarya Davis](#) | *Data Blog*, October 8, 2019.

The World Bank’s new Terrestrial Biodiversity Database provides global coverage of locally relevant information that facilitates assessments of the tradeoffs between development activities and biodiversity priorities.

The world is losing biodiversity at an unprecedented rate. One million plant and animal species are near or on the verge of extinction, and the rate of species extinctions [continues to accelerate](#). Unfortunately, conservation efforts worldwide are often hindered by limited information on critical ecosystems and biodiversity.

To bridge this data gap, the World Bank recently developed an innovative, open-access [Terrestrial Biodiversity](#) database. The database was constructed by integrating comprehensive information from overlapping habitat maps of 6,532 amphibians, 5,435 mammals, 4,291 reptiles, and 11,126 birds. These authoritative habitat maps represent all known and catalogued species in each area from the International Union for Conservation of Nature and Birdlife International, as well as information on 827 distinctive ecoregions from the World Wildlife Fund (WWF) covering the entire terrestrial world.

[Read the blog](#) | [Working paper: Potential Forest Loss and Biodiversity Risks from Road Improvement in Lao PDR](#)

What does stunting really mean? Some reflections on the interaction between health and cognition in the early years

[Kathleen Beegle](#) and [Emanuela Galasso](#) | *Development Impact*, October 3, 2019.

It is arguably not an exaggeration to say that stunting is a mainstay approach to judging the ill-health of children and cumulative under-investment in childhood. Recently, though, a number of thought-provoking papers (Leroy, Frongillo, LF, among others) in the public health literature have re-examined the meaning of this measure and have sparked an important debate for those of us who study human development. A recent Forman lecture by Harold Alderman at IFPRI in June masterfully brought together a large body of work on the interplay between biology and economics of child development. It is time to take stock.

[Read the blog](#)

An interview with Martin Ravallion

[Kathleen Beegle](#) and [Berk Özler](#) | *Development Impact*, July 11, 2019.

Martin Ravallion is the inaugural Edmond D. Villani Professor of Economics at Georgetown University, and previously had been director of the research department at the World Bank. This interview explores the following questions:

- You have spent almost 25 years at the World Bank– including many as a manager or director. Now you’re in academia: how does it compare? What do you enjoy the most in being a professor compared with a researcher at the WB? What, if

anything, do you miss about being at the Bank?

- Movement is afoot on issues facing women and minorities in economics. What, to you, are the most pertinent issues? Are you hopeful of substantial improvements soon? If so, what will it take?
- [Many readers might be under the false impression that you are against RCTs](#). Is there anything you'd like to say here that might clarify some misconceptions or has been hard for you to get across in papers or on social media? Also, the field has been changing rapidly since the early criticisms of RCTs. Have your views changed about any of this since, say, you published "[Should the Randomistas Rule](#)" 10 years ago?
- You recently have been more vocal about poverty in the US. Your [recent paper with Jolliffe and Margitic](#) makes use of [your earlier work](#) on consumption/income floors to examine what happened to the poorest here at home and the role of SNAP (commonly known as food stamps) trying to counter the sinking of the floor. For readers who have not read your papers on this, can you please explain the idea of the income floor and the issues that come up in trying to measure it using household surveys?
- You were behind the Bank's "dollar-a-day" poverty line and oversaw it for a long time. You have now passed this torch on but must still be following its course and offering advice. How do you see the evolution of this work? Does it still play a role or is it time for something else? How does it, or should it, interact with the literature on multidimensional poverty measurement?

[Read the blog](#)

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