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EGDI-WIDER Conference on Linking the Informal and Formal Sectors

Martti Lintunen

Tackling the relationship between the formal and informal sectors

The interaction between formal government legislation and policies with the 'informal' efforts and livelihoods of people is crucial to the understanding of development and to the design of policy to reduce poverty. The task of collating and interpreting the vast experience of attempts to link formal with informal sectors is incomplete. What lessons can be drawn from these experiences of successes as well as failures? How do they alter our conceptualizations of the formal and the informal? And, most importantly, what are the implications for policymakers addressing the challenge of development and poverty reduction?

The **EGDI-WIDER conference** addressed these questions in the context of experiences at different times and in different regions of the world, and across a range of topics such as land titling, common property management, employment, small and medium enterprises, gender relations and women's legal rights. Over 120 experts including participants from the UN, Nordic and other development agencies, as well as researchers and policymakers from many countries attended the conference in Helsinki, 17–18 September 2004. Conference papers are available at:

www.wider.unu.edu

New Sources of Development Finance: Funding the Millennium Development Goals

by A. B. Atkinson

Mobilizing additional finance to meet the challenges of the Millennium Development Goals (MDGs) is an urgent priority. Developing countries are themselves mobilizing resources to meet the MDG targets by 2015, but they will fall short without additional external flows. This led the UN General Assembly to call for 'a rigorous analysis of the advantages, disadvantages and other implications of proposals for developing new and innovative sources of funding, both public and private, for dedication to social development and poverty eradication programmes'. The UN Department of Economic and Social Affairs in turn requested WIDER to commission the study of Innovative Sources. The results of this project have just been published as *New Sources of Development Finance*, edited by A. B. Atkinson, who led the project. The findings were presented at the United Nations in November 2004.

The Funding Challenge

The project started from the assumption that, in order to achieve the MDGs, around an additional \$50 billion per year needs to be mobilized. This could be achieved by a doubling of Official Development Assistance (ODA). Welcome steps have been made in that direction, but this takes time, and time is of the essence. For this reason alone, it is necessary to consider new sources. The report examines seven such sources, shown in the Box on page 3.

Our focus in investigating these new sources is on the additional flow of resources generated. Our first conclusion is that the two global taxes considered could yield revenue of the magnitude required (tax on carbon use) or at least half of the requirement (Tobin tax at a rate of 2 basis points). The economic case for the former is analysed by Agnar Sandmo, and Machiko Nissanke examines the Tobin tax. While the introduction of these global taxes would not be easy, the proposed rates of tax are modest. This reflects the fact that the target $50 billion is a relatively small percentage of the gross national income of rich countries. It is some 0.25% of the total income of the EU and US combined.

Indeed – and this is our second conclusion – the tax rates required for this purpose are an order of magnitude smaller than the tax rates proposed by those advocating these taxes on allocational grounds. The Tobin taxes proposed to 'put sand in the wheels of international finance' have been 10 or 20 basis points, or ten times that considered here. The energy tax considered has a rate per metric ton of a tenth or a twentieth of those typically considered in the literature on global warming. The new taxes cannot therefore be expected to have a major behavioural impact, discouraging speculation and reducing CO_2 emissions.

Elina Moriya

Development communities need to look into new funding sources for MDGs

The third conclusion is that there are alternatives to global taxation. The International Finance Facility (IFF) proposed by the UK government could, with sufficient support from other donors, yield flows over the crucial period up to 2015 of the magnitude required. The creation of SDRs for development purposes, examined by Ernest Aryeetey, has been envisaged as raising some US$25-30 billion. This means that it could contribute a significant part of the total, but would need to be combined with other measures. One such additional source is the global lottery, which is potentially the source of significant revenues if agreement can be reached with national lotteries. Supporting roles could be played by increased remittances from emigrants, and, on a more modest scale, increased private donations.

Fourthly, in each case, we have to investigate how far the funds raised are incremental. Countries signing up to the global lottery, for example, or for a global tax, may cut back on their ODA. There is a risk that innovative measures crowd-out ODA. This is a serious risk, but it should be noted that among the countries actively canvassing support for new measures are those that have also announced that they will reach the target of increasing ODA to 0.7% of national income.

With all the proposals for new sources, one has to ask – who pays? There are good reasons to expect that new global taxes will be passed on to final users. This applies to energy taxes. People tend to think immediately of the impact of a carbon tax on the fuel and transport costs of households, but energy costs enter also as inputs in other sectors, so that part may appear as higher prices for apparently unrelated products. In the case of the Tobin tax, one has similarly to trace the input-output consequences. The other measures too may have costs. The increase in ODA that is effectively envisaged under the IFF, for example, has to be financed, and the future commitments may affect the budgetary position of donor countries.

What's New in the Report?

Insofar as the energy tax and the Tobin tax have been much debated, the report covers well-trodden ground (although, as noted above, with a different perspective). A number of the other proposals have been much less fully investigated. In the case of the IFF, Chapter 8 provides, to our knowledge, the first external analysis of this proposal. The author, George Mavrotas, concludes that the scheme could provide the advantage of stable and predictable flows of resources over the period up to 2015, although it evidently raises the question as to what happens beyond that date. Relatively little attention has been paid to private donations for international development, the subject of the chapter by John Micklewright and Anna Wright. As they show, we know little about the determinants of giving to particular causes. Andrés Solimano examines in the same way the role of remittances by emigrants.

We have tried also to bring new thinking to bear. One example is 'flexible geometry'. If the new sources require government action, then does the success and effectiveness of any particular proposal depend on complete adhesion of all donor countries? It is natural to assume that there is an inherent freerider problem, so that there has to be general, if not universal, agreement. In the present climate, this presumption provides grounds for pessimism about the chances of making progress. On the other hand, suppose that we start from the position that universal agreement may be impossible and examine the implications of going ahead with a subset of countries? The US has so far prevented the creation by the IMF of Special Drawing Rights, and in this case no action seems possible. But it does not follow that other measures are also blocked. Here we can learn from the internal experience of the European Union (EU). The EU has in the past faced situations where one member state chose to 'opt out' of collective decisions. In these circumstances, flexibility in the resulting institutions has allowed the majority to respect the opting-out decision but still make progress towards their objectives. There is 'flexible geometry'. Partial adhesion has costs, but the issue becomes one of balance, rather than an absolute block on action. We have to ask therefore in the case of each proposal whether it is viable to go ahead with a subset of countries? Failure of countries to participate in the IFF means that the scale of the operation is reduced, but the proposal is not undermined. The same applies to the global lottery, indeed insofar as this offers a new product, those countries not participating may lose out. With global taxation, the freeriding problems become potentially more worrying. Significant opting out from a global carbon tax may erode the tax base, as producers relocate to non-participating countries. With a low rate of currency transactions tax, the situation is less clear. It certainly seems realistic to explore how far the euro zone on its own could introduce a Tobin tax at a modest rate. Current fears about the strength of the euro relative to the dollar suggest that now is a good time to ask this question.

Flexibility may be important in a different sense when it comes to the administration of global taxation. It is typically assumed that a tax on countries according to, say, their energy use has to be translated into domestic taxes on energy. National governments could however retain control over the tax base. In this case, participating governments would agree on their national tax liability but retain freedom to decide how the revenue is to be raised domestically. The national government might judge, for example, that a tax on air journeys was unfair on those living in remote rural areas, and choose a different tax base. This would in effect be applying the principle of subsidiarity adopted by the EU.

Our report also contains one completely new proposal. Tony Addison and Abdur Chowdhury have come up with the idea of a global premium bond. Since it is often objected that a global lottery means that people lose their entire stake, they suggest that the payment should be a loan, where only the interest takes the form of a lottery prize, the capital being repayable on request. Premium bondholders never lose their investment but the return depends on their luck. In fact, the premium bond is financially equivalent as a transaction to placing money in a regular savings bank and drawing out the interest each month to buy lottery tickets. But experience suggests that this appeals to a different market, and a global premium bond may also attract those who wish to lend for development purposes.

Finally, in the course of the book, we have applied the insights of public economics to the global plane. In Chapter 10, James Mirrlees considers the lessons from optimal tax design when applied at a global level. In Chapter 11, Robin Boadway examines the lessons from the literature on fiscal federalism, dealing specifically with taxes on nations, taxes on global externalities, and taxes on internationally mobile tax bases.

Innovative sources of development funding considered here

1. Global environmental taxes (carbon-use tax),

2. Tax on currency flows (the 'Tobin tax'),

3. Creation by the IMF of new Special Drawing Rights (SDRs),

4. International Finance Facility (IFF), proposed by the UK Government,

5. Increased private donations for development,

6. Global lottery or global premium bond,

7. Increased remittances from emigrants.

New Sources of Development Finance
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Tracking the Rise of Inequality in China and Russia

James K. Galbraith

By Invitation

It is well-known that economic inequality rose drastically in Russia during the transition (Sheviakov and Kiruta 2001). For China, Khan et al. (1999) report a 42.5% increase in a Gini measure of household income inequality in China between 1988 and 1995 alone. But the information provided by sample surveys on this topic is necessarily of a very general kind, and there are limitations of data. For Russia no study assesses the joint effect of regional and sectoral income changes, while for China, as Benjamin et al. (2004: 7) note, with one exception 'there are no studies that track inequality… on anything approximating a continuous basis.' And equally there are limitations of method. As Wu and Perloff state (2004: 1) '...the Gini index only reflects some aspects of the underlying income distribution. A large amount of information is lost.'

Figure 1. Contribution of Sectors to Rising Inequality in Russia, 1990-2000

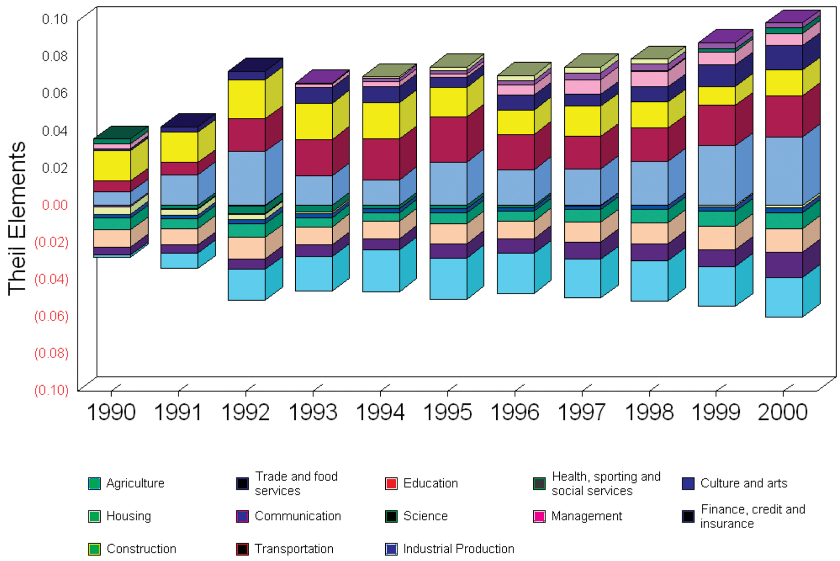
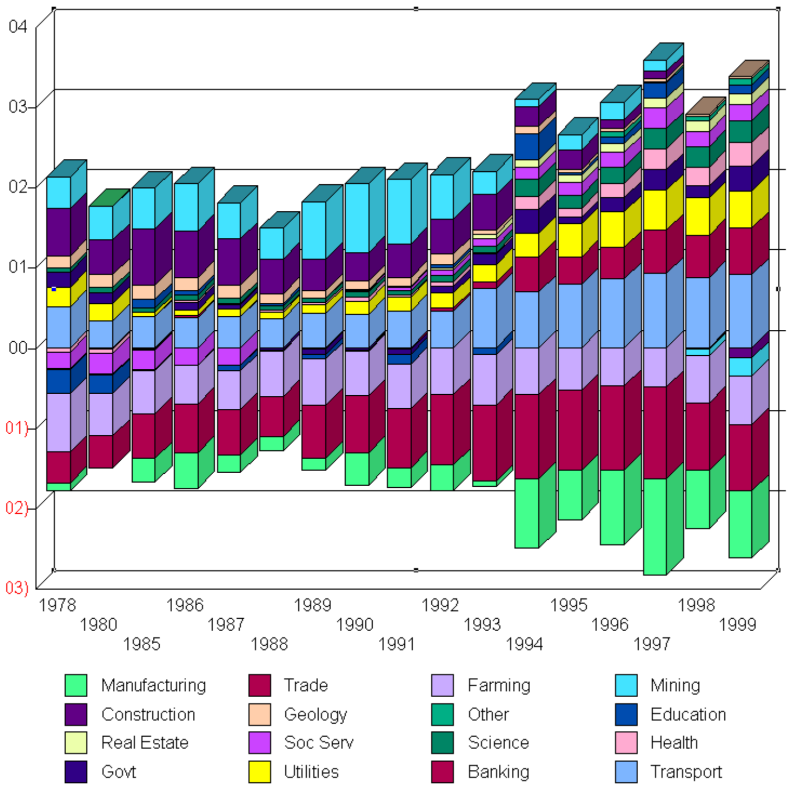


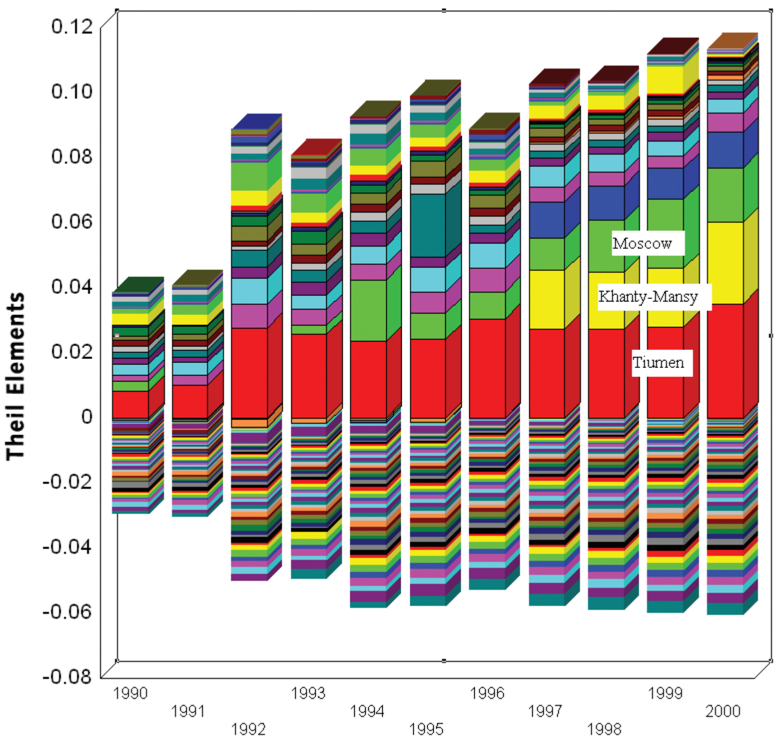
Figure 2. Contribution of Sectors to Rising Inequality in China, 1987-1999



The research of the University of Texas Inequality Project, at http://utip.gov.utexas.edu, takes a new look at the Chinese and Russian transitions. Drawing on official data sources and associated classification schemes, we calculate our own measurement of economic inequality. In particular, we look at the changing spatial distribution of economic activity in both countries, and in the relative prosperity and impoverishment of different economic sectors. We have found this to be a versatile and robust way to measure changing patterns of economic gain and loss, especially useful in environments where annual survey data are unavailable, incomplete, or problematic.

In both countries, we confirm that inequality rose as economic

Figure 3. Contribution of Regions to Rising Inequality in Russia, 1990-2000



Moscow: Green; Khanty-Mansy: Yellow; Tiumen: Red.

liberalization proceeded. In both, regional inequalities rose dramatically, creating major new divisions across geographic space. In both countries, certain sectors gained relative position, notably those which were apparently able to exploit new-found market power to create and retain economic rents. Of these, finance, utilities and transport were the most important in China, and finance and energy production (counted as part of industrial production in the official statistics) were dominant in Russia. However, China's advantage shows up in two important respects. Unlike in Russia, the region with the greatest gains is a major population center. And incomes in education and the social sectors have held up far better in China than in the Russian Federation, a fact that surely reflects differences in the fiscal capacities of the two nations.

Our approach relies on the regularly gathered official measures of income by region and sector. In Russia, this information is collected and published by Goskomstat, the state statistical committee, mainly in annual hard copy publications. Russian data take the form of payroll and employment figures for fourteen major economic sectors, in each of 89 distinct geographic entities (province, city, oblast, krai). There are 1232 province-sector cells in our data set for Russia, for each of eleven years from 1990 through 2000, inclusive. In China, data at a sufficient level of detail are published annually in the *China Statistical Yearbook*, and are available in electronic format. For the year 2000 we have data for each of 16 sectors for 30 provinces in China, or 480 sector-province cells. The data extend back to 1987 on a reasonably consistent annual basis, and it is possible to extend the analysis as far back as 1979 with more highly aggregated information.

Our method is to compute the between-groups component of Theil's T statistic across province-sector cells for both Russia and China. Theil's T is a very simple measure of inequality, relying only on two bits of information about each cell: its weight in total population (or employment), and the ratio of average income within the cell to average income in the country as a whole. The properties of Theil's T have been explored in detail

Figure 4. Contribution of Regions to Rising Inequality in China, 1987-1999

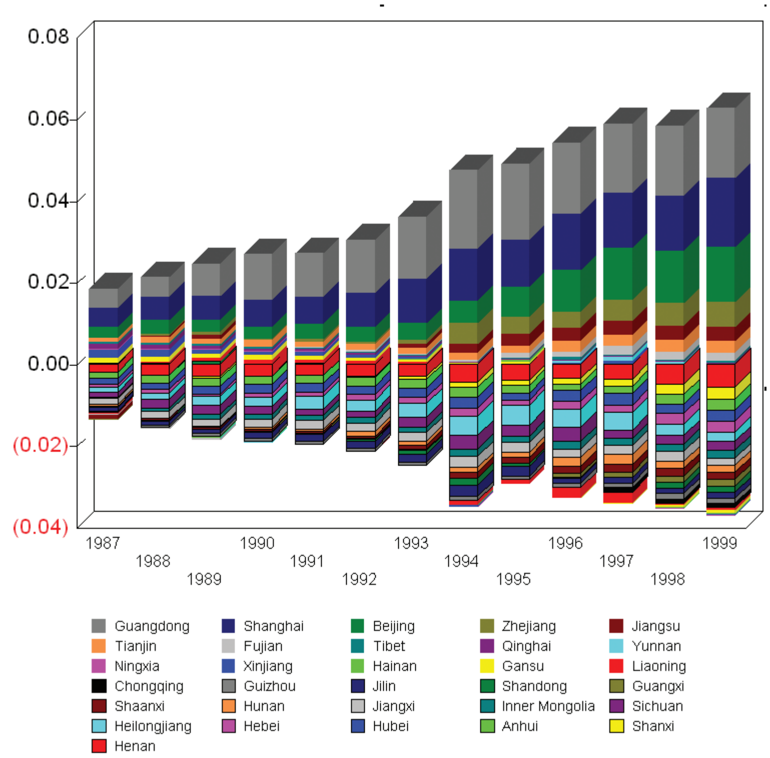
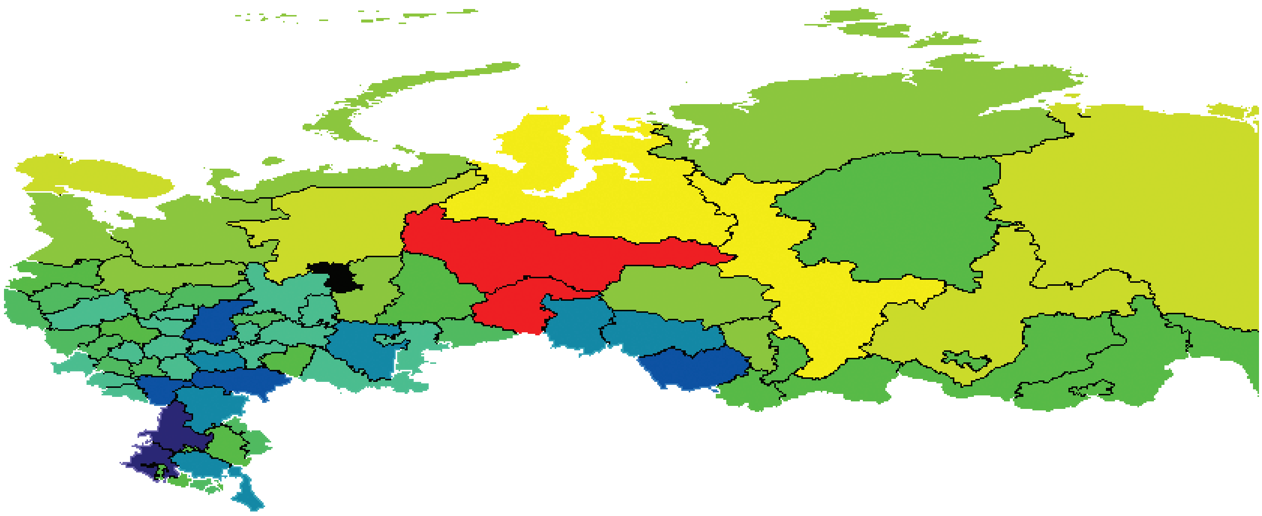


Figure 5. Regional Polarization of Income in European Russia and West Siberia, 2000



Scale as indicated in the text. Map generated with ArcView™

elsewhere (Conceição and Galbraith 2000; Conceição, Galbraith and Bradford 2001); suffice to say they are highly attractive for this type of calculation; in particular we have found that changes in the between-groups component of a distribution are usually a very robust instrument for changes in the underlying distribution. It is also possible to look directly at the contribution to inequality of each cell, sector or province, and to gauge the change in that contribution from year to year.

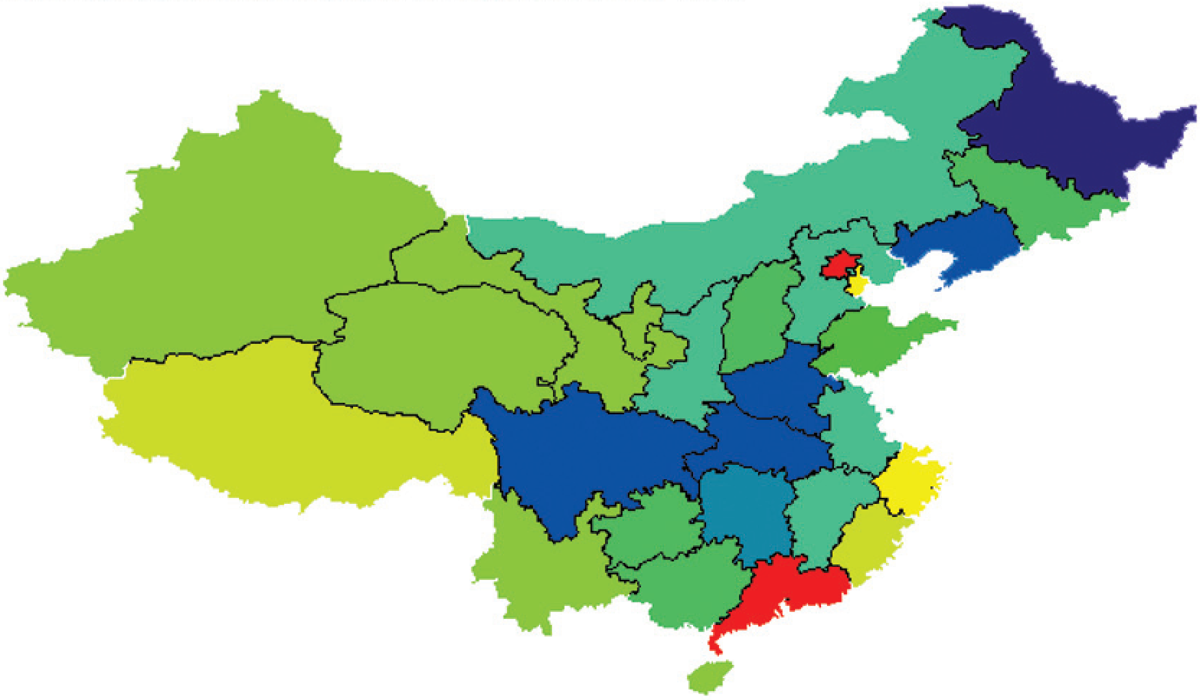
A simple way to present the information is with a stacked bar graph, showing the contribution of each sector and region to inequality in each year. Figures 1 and 2 capture the increasing weight of finance, energy[1] and transportation in the increasingly deregulated economies of both countries. Sectors with average incomes below the national average contribute negative quantities to the Theil index, and so the graphs also show the deteriorating positions of agriculture and services. Figures 3 and 4 show how, in both countries, much of the increase in regional inequality owes to the relative rise of just three regions: the city of Moscow and the oil and gas districts of Tiumen and Khanty-Mansy in Russia, and the province of Guangdong alongside the municipalities of Beijing and Shanghai in China.

Maps provide a useful way to visualize the spatial redistribution of wealth. In figures 5 and 6, the regional Theil elements are arrayed in a colour scheme. Regions are divided into ten groups. The highest values, representing high shares of total income, are shown in red, with a shading to yellow for the second and third groups. Intermediate deciles, whose contribution to inequality is slight either because they have low population shares or incomes close to the national average, are shown in green. Blues indicate those regions with below average incomes and significant population shares: they are the centers of relative poverty. The colour schemes thus show the pattern of regional polarization that emerged in the period of transition and economic reform.[2] In both cases, a similar map made with data from ten or fifteen years earlier would not show the dramatic pattern of regional income polarization that presently exists.

It is no surprise that rising inequality should be a characteristic feature of transition from a socialist to a capitalist system. This is true whether the transition is or is not an economic success. In the absence of strong agricultural support programmes and social security systems, a particular feature of redistribution is a sharp decline in the relative income of the country-side. It seems that there is no mechanism that works effectively to offset this tendency in the transition to the market economy. Whether education, health care, and science suffer major losses of position under economic transition depends, on the other hand, on the tax system and public priorities of the government. China has protected these sectors and indeed expanded them in line with the growth of the Chinese economy overall. In Russia these sectors have suffered absolute and relative losses, with serious consequences for the health, education and culture of the population.

Studies of this kind are simple and inexpensive to carry out. We believe that they have a large potential to expand understanding of the changing patterns of income

Figure 6. Regional Polarization of Income in China, 1999



Scale as indicated in the text. Map generated with ArcView™

distribution in many contexts where survey data are insufficiently detailed, difficult to compare over time or between countries, or simply unavailable. In related work, we have analyzed the relationship of economic inequality to unemployment at the level of regions inside the European Union (Galbraith and Garcilazo 2004), with results that strongly contradict to received wisdom on the merits of 'labour market reform.' In a new paper, we have analyzed rising inequality in manufacturing pay in India under the reforms (Galbraith, Roy Chowdhury and Shrivastava 2004). In another, we have measured the effect of the information technology boom on income inequality between counties in the United States, with the striking finding that just four Western counties account for the entire increase in this measure in the late 1990s (Galbraith and Hale 2004). Finally, we have assembled a dense and consistent global data set for pay inequality from 1963 through 1999 (Galbraith and Kum 2003), and have used this data set as instruments to create a dense and consistent table of estimated coefficients of household income inequality (Galbraith and Kum 2004), with about four times the number of observations currently available from the widely-used data set of Deininger and Squire (1996). The web site of the University of Texas Inequality Project makes our data sets freely available, and we welcome the collaboration of researchers around the world who share our interest in these techniques.

Footnotes

[1] Energy is measured under 'industrial production' in Russia and under 'Utilities' in China.

[2] For presentation purposes, the Russian Far East is not shown; unfortunately also, due to limitations of the software, Moscow City and Shanghai not seen independently on these maps.

For detailed references see web site: http://utip.gov.utexas.edu

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A revised version of the **World Income Inequality Database (WIID2 Beta)** has been released by WIDER on 3 December 2004. Details and downloads available at: **www.wider.unu.edu**

Looking Beyond Averages in the Trade and Poverty Debate

by Martin Ravallion

There has been much debate about how much poor people in developing countries gain from trade openness, as one aspect of 'globalization'. Some observers have argued that poor people share amply in the gains from external trade in developing countries, while others argue that the benefits are captured by those who are not particularly poor.

Various methods have been used to address the issue empirically, including cross-country comparisons, aggregate time series analyses at country level, and simulation methods using both partial and general equilibrium analyses. A common feature of all these methods is that one attempts to measure the impact of trade openness (or policies to promote openness) on some aggregate measure of inequality or poverty.

Micro data on the living conditions and circumstances of households have pointed to the potential inadequacy of this 'macro lens' on the trade-poverty relationship. At any given level of living one finds that some people are net consumers of food, for example, while some are net producers. Thus some gain but some lose from a shift in the relative price of food associated with trade openness. This heterogeneity carries an important lesson for the debate on trade and poverty: conventional poverty and inequality aggregates may hide much more than they reveal.

Evidence from cross-country studies and time series data

The extensive literature using cross-country comparisons has left ambiguous implications for the impact of trade openness on poverty within countries. Some studies find little or no effect of trade openness on inequality while other studies have reported adverse effects on inequality. Of course, the implications for measures of poverty will also depend on the growth impacts of openness. Empirical support for the view that trade openness promotes economic growth can be found in a number of studies, though not all. Trade openness does not appear to be a particularly robust predictor of economic growth.

Whether the growth effects are strong enough to entail that poverty falls with trade openness remains unclear. If one accepts the view that trade does not affect inequality but fosters growth then it is very likely to lead to lower absolute poverty (meaning that the poverty line is fixed in real terms). However, if (as some studies have suggested) the growth gains are captured more by the non-poor then this will naturally attenuate the impacts on poverty.

The study assembled new data on changes in aggregate poverty incidence between two household surveys for each of about 80 developing countries (with multiple observations for most countries).[1] This was collated with measures of the extent of trade openness, namely the ratio of exports plus imports to GDP.

The study found no robust sign of a systematic relationship between trade expansion and poverty reduction. There are continuing concerns about the data (notably measurement errors) and the methods (such as the choice of control variables). A negative correlation between trade openness and poverty does emerge when one looked at the longest possible time period for each country, though this was not robust to adding control variables for other factors influencing poverty. No convincing sign of a correlation was found for various changes in the data and methods used. The study's findings casts doubt on any generalization that greater trade openness necessarily means lower (or higher) poverty in developing countries. There is clearly considerable heterogeneity across countries in the factors influencing the distributional impacts of trade expansion.

An alternative approach that might be able to better isolate the impacts of trade openness is to study time series data on poverty and inequality for a specific country during periods of trade expansion. China is an interesting case study for this purpose given that it has been argued by a number of observers that the country's greater openness to external trade since Deng Xiaoping's 'Open-Door Policy' of the early 1980s was the key to the subsequent success against poverty. For analytic purposes, China also has the attraction as a case study that going back to the early 1980s allows one to span both a large expansion in trade volume and one of the most dramatic poverty reductions in history; while China's poverty rate today is probably slightly lower than the average for the world as a whole, it was a very different story around 1980 when the incidence of extreme poverty in China was one of the highest in the world.

However, a closer look at the time series evidence for China casts doubt on the view that greater openness to external trade has been the driving force in poverty reduction. Indeed, it is hard to even make the case from the available data that trade has helped the poor on balance in the short term, though longer-term impacts on productivity may well be more poverty reducing. More plausible candidates for explaining China's success against poverty since 1980 or so can be found in the role played by the agrarian reforms starting in the late 1970s, subsequent agricultural growth (which had an unusually large impact on poverty given a relatively equitable allocation of land achieved in the wake of the early reforms to de-collectivize agriculture), reduced taxation of farmers, and macroeconomic stability.

Household impacts of trade reforms in China and Morocco

Aggregate inequality or poverty need not change with trade reform even though there are both gainers and losers at all levels of living. Numerous sources of such 'horizontal' impacts of policy reform can be found in developing country settings. For example, geographic disparities in access to human and physical infrastructure affect prospects for participating in the opportunities created by greater openness to external trade. Similarly, differences in the demographic composition of families will influence consumption behaviour and hence the welfare impact of the shifts in relative prices often associated with trade openness.

The study reviewed results from two studies in which the price changes induced by the trade policy change are first simulated from the computable general equilibrium model and then carried to the household level using large household surveys. This approach respects the richness of detail that is available from a modern integrated household survey. One can measure the expected impacts across the distribution of initial levels of living, and also look at how the impacts vary by other household characteristics, including location and demographic characteristics. This approach is thus able to provide a reasonably detailed 'map' of the predicted welfare impacts by location and socioeconomic characteristics.

The two studies were of China's accession to the World Trade Organization (WTO) (which entailed substantial changes in tariffs and other trade restriction) and of the impacts of the de-protection of cereals in Morocco.

The China study found an overall gain of about 1.5% in mean income, all in the period leading up to WTO accession. Around the time of formal WTO accession, the incidence of poverty would have been slightly higher if not for the trade policy changes over the lead-up period to WTO accession. Looking forward after joining WTO, the study found negligible impact on poverty across a wide range of the distribution.

However, these aggregates hide both losers and gainers. The generally negative impacts for rural households were found to reach quite high levels amongst certain types of households in certain regions. Farm income is predicted to fall due to the drop in the wholesale prices of most farm products (plus higher prices for education and health care). About three-quarters of rural households are predicted to lose real income after WTO accession. This is true for only one-in-ten urban households. Impacts also differ widely across regions. One spatially contiguous region in the northeast of China stands out as losing the most from the reform. Non-negligible welfare impacts were revealed in specific localities and for certain types of households, associated with how factors such as the demographic composition and stage of the life-cycle impacted on net trading positions in the relevant markets.

The Morocco study also found negligible aggregate impact on aggregate poverty of partial de-protection on the poverty rate. However, as in the China study, there was a sizeable, and at least partly explicable, variance in impacts across households. The simulations again suggested that rural families tend to lose; urban households tend to gain. Mean impacts for rural households in some parts of the country were over 10% of consumption. There are sizeable expected welfare losses amongst the poor in these specific regions.

These results again lead one to question the high level of aggregation common in past claims about welfare impacts of trade reform. As in the China case, the Morocco study finds diverse impacts at given pre-reform income levels. This 'horizontal' dispersion becomes more marked as the extent of reform (measured by the size of the tariff cut) increases. It is clear from these results that in understanding the social impacts of this reform, one should not look solely at income poverty as conventionally measured; rather one needs to look at impacts along horizontal dimensions, at given income.

In conclusion, based on the data available from cross-country comparisons, it is hard to maintain the view that trade openness is, in general, a powerful force for poverty reduction in developing countries. Nor does the aggregate time series evidence data for China suggest that trade reform has been an important factor in reducing poverty in that country.

Similarly, in studying the welfare impacts of specific trade reforms, the study found that WTO accession in China is likely to have had only a small poverty-reducing effect in the aggregate. And cereal de-protection in Morocco is predicted to have only a small adverse impact on poverty in the aggregate.

However, the same case studies point to considerable heterogeneity in impacts at any given level of income. In both China and Morocco, one finds a sizeable and at least partly explicable variance in impacts across households with different characteristics, as relevant to their consumption and production behaviour. This heterogeneity holds potentially important clues for the design of social protection policies to complement trade reforms.

[1] The poverty measures were the percentage of the population living below the widely-used international poverty line of US$1.08 a day at 1993 Purchasing Power Parity. This was estimated for all the surveys included in the World Bank's data base at: http://iresearch.worldbank.org/povcalnet.

Martin Ravallion is with the World Bank's Development Research Group. This article summarizes his paper under the same title prepared for the WIDER project, 'The Impact of Globalization on the World's Poor', presented at a workshop at WIDER, October 2004. These are the views of the author and should not be attributed to the World Bank or any affiliated organization.

The Impact of Globalization on the World's Poor
- Channels and Policy Debate -

by Machiko Nissanke and Erik Thorbecke

The process of globalization provides a golden opportunity for mankind to contribute to a major reduction of poverty world-wide. While the potential for poverty-reduction is great, the extent of it will depend on many factors including, in particular, the pattern of growth followed by the developed and developing countries and the overall global policy framework. A question that is often raised is whether the actual distribution of gains is fair and whether the poor benefit less than proportionately from globalization—and could under some circumstances actually be hurt by it. The risks and costs brought about by globalization can be significant for fragile developing economies and the world's poor. The downside of globalization is most vividly epitomized at times of periodical global financial and economic crises. The costs of the repeated crises associated with economic and financial globalization appear to have been borne overwhelmingly by the developing world, and often disproportionately so by the poor who are the most vulnerable. On the other hand, benefits from globalization in booming times are not necessarily shared widely and equally in the global community.

The fear that the poor have in some instances been by-passed or actually hurt by globalization was highlighted by recent studies which point towards limited—if not a lack of—convergence among participating national economies and across regions as globalization has proceeded. The observed trend towards greater inequality in the world income distribution between countries and regions (when the latter are not weighed by population size) and within many developing countries has a close bearing on conditions affecting the world's poor, as inequality acts as a filter between growth and poverty. In particular, inequality may affect growth and thereby poverty alleviation in the future.

The most recent estimate suggests the share of the population of the developing countries living below US$1 per day declined from 40% in 1981 to 21% in 2001. However, this progress on poverty reduction was mainly achieved by the substantial reduction of the poor in China (400 million fewer people were poor in China in 2001, compared to the estimate in 1981). Further, it is reported that the absolute number of the poor has fallen only in Asia and risen elsewhere and the total number of people living under US$2 per day actually increased worldwide. In particular, poverty has increased significantly in Africa in terms of poverty incidence as well as depth of poverty.

Though any trend in poverty and income inequality observed so far cannot be exclusively or even mainly attributed to the 'globalization' effect, as such, without rigorous analyses, these various estimates, even the most optimistic ones, can not dismiss the concerns raised that the globalization process may have had at least some adverse effects on poverty and income distribution. These concerns have generated a passionate debate worldwide as well as a powerful anti-globalization movement.

The globalization-poverty relationship is complex and heterogeneous, involving multifaceted channels. It is highly probable that globalization-poverty relationships may be non-linear in many aspects, involving several threshold effects. It may be futile to attempt to establish theoretically, on an a priori basis, the effects of globalization on poverty as universally observable conditions. Indeed, each sub-set of links embedded in the globalization (openness)-growth-income distribution-poverty nexus can be contentious and controversial. Besides the 'growth' effects of globalization on poverty (i.e. the effects of globalization on poverty filtered directly through economic growth), the globalization/integration process operating through various other channels is known to create winners and losers, affecting both vertical and horizontal inequalities. These channels include changes in relative factor and good prices, factor movements, the nature of technological change and diffusion, the impact of globalization on volatility and vulnerability, the world-wide flow of information, and global disinflation.

CHANNELS AND LINKAGES

The Growth Channel through which Globalization Affects the Poor

Policies of openness through liberalisation of trade and investment regimes and capital movements have been advocated worldwide for their growth-enhancing effects. However, the direction of causality between openness and growth is still debated and the positive openness-growth link is neither spontaneously achieved nor universally observable.

Moreover, there are two contradictory theoretical strands relating income—and wealth inequality to growth, which constitutes the second link in the causal chain from openness to poverty through the 'growth' effect. The conventional view is to emphasise the growth-enhancing effect of inequality through higher aggregate savings and capital accumulation as well as on the basis of existence of investment indivisibilities and incentive effects. The contrasting new political economy literature links greater inequality to reduced growth operating through a number of sub-channels, such as: unproductive rent-seeking activities that reduce the security of property; the diffusion of political and social instability leading to greater uncertainty and lower investment; redistributive policies encouraged by income inequality that impose disincentives on the rich to invest and accumulate resources; imperfect credit markets resulting in underinvestment by the poor—particularly in human capital, and the lower fertility rates that are associated with a larger share of total income accruing to the middle class (see Figure 1).

The proponents of this new political economy approach argue that growth patterns yielding more inequality in the income distribution would, in turn, engender lower future growth paths. This would then also affect the potential for poverty alleviation. Thus, according to this school of thought successful poverty alleviation depends not only on favourable changes in average GDP per capita growth but also on favourable changes in income inequality. Inequality is an impediment to poverty-reducing growth, as the elasticity of poverty with respect to growth is found to decline with the extent of inequality. As the pattern of economic growth and development, rather than the rate of growth per se, would have significant effects on a country's future income distribution and poverty profile, a search for pro-poor growth or distribution—neutral growth is essential.

Indeed, in a world of interdependent evolution, openness is a necessary but not a sufficient condition for successful development. All countries have to undergo a structural transformation throughout the process of development. The key issue in starting the cumulative growth process at an early phase of

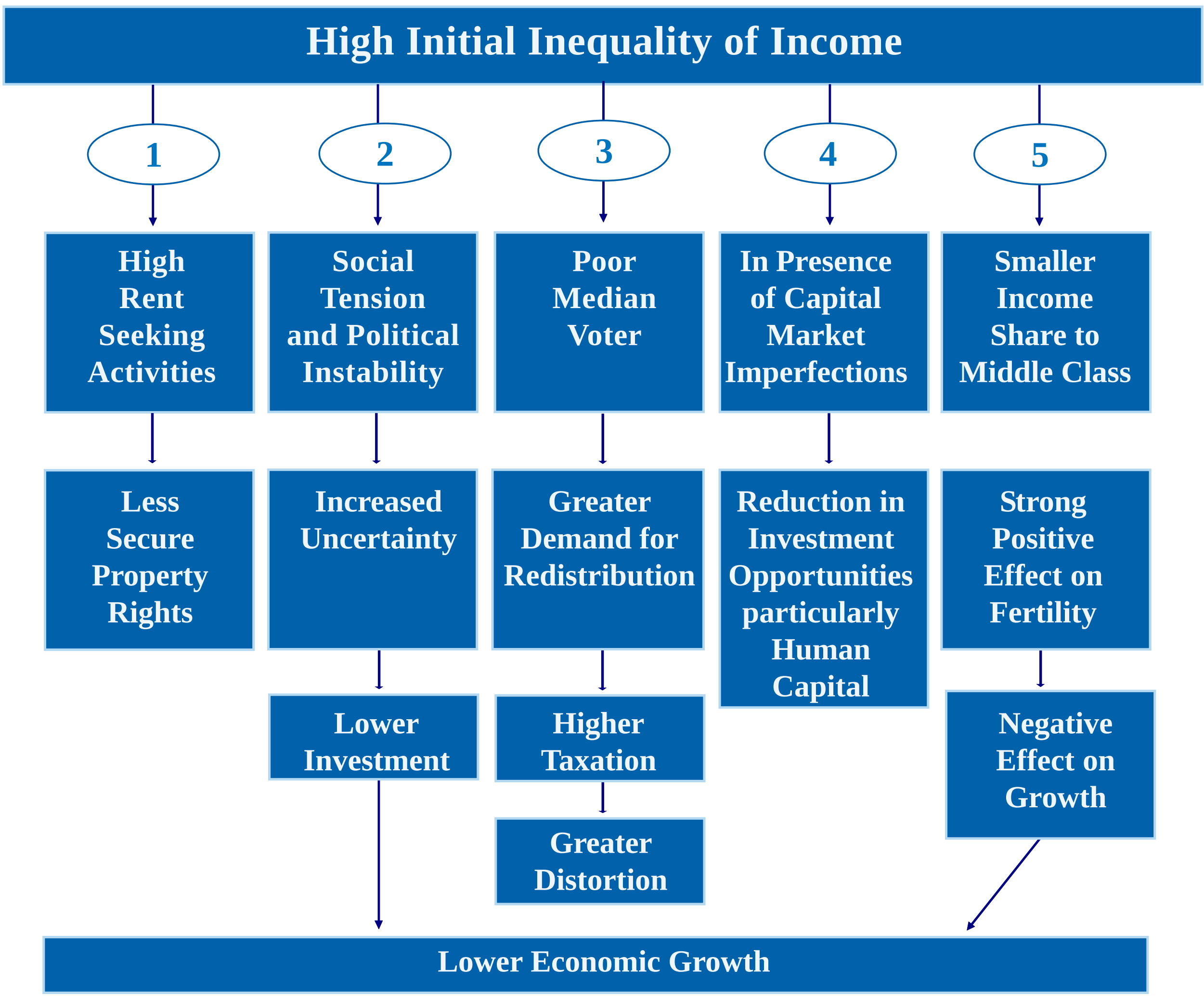

Figure 1. Modern Political Economy Approach

development is how to generate the resources required to reach the take-off point. At the outset of the development process a country is predominantly agrarian and the economy is relatively closed. A continuing gross flow of resources should be provided to agriculture in the form of such elements as irrigation, inputs, research and credit, combined with appropriate institutions and price policies to increase this sector's productivity and potential capacity of contributing an even larger flow to the rest of the economy and hence a net surplus later on to finance the incipient industrialisation process. The experience of East Asia has demonstrated that after reaching the take-off point, a careful structural transformation generates a growth process that is pro-poor, whilst taking advantage of the potential benefits of openness.

Lehtikuva / AP Photo / Bob Edme

The process of globalization provides a golden opportunity for mankind to contribute to a major reduction of poverty world-wide

Other Channels through which Globalization Affects Inequality and Poverty

The income distribution effects induced by a shift in relative product prices in the process of opening up of trade are well known as postulated in the Samuelson-Stolper theorem of international trade theory. The losers (especially, the poor residing in either urban or rural area) may be vulnerable to these induced effects in addition to changes in absolute and relative prices of wage goods. While developing countries, well endowed with unskilled labour should experience a decline in income inequality through an increased demand for unskilled labour, the postulated narrowing wage gaps between skilled and unskilled labour have not been observed in many developing countries, particularly in Latin America and Africa. This could be explained by many factors, including: i) the nature of new technology heavily biased in favour of skilled and educated labour; and ii) the entry into the world markets of low-income Asian economies with abundant reserves of unskilled labour such as China and India.

The highly differentiated degree of cross-border factor (labour and capital) mobility observed today may be identified as another channel of producing winners and losers as a result of globalization. In particular, the extent of cross-border mobility differs significantly between skilled and unskilled labour. In consequence, the 'wage equalization' process is less likely to take place through labour migration. More generally, there are some distinctive features of factor movements: i) capital and skilled labour do not migrate to poor countries as much as among developed countries; ii) there is a tendency for skilled labour to migrate from developing countries to developed countries; and iii) with capital market liberalization, there is a propensity for capital flight to developed countries, particularly during periods of crisis or instability. With such 'perverse' movements, as globalization proceeds, developed countries would see inequality fall, while developing countries would experience rising inequality.

While the mobility of unskilled labour is severely restricted and regulated, de facto labour mobility has taken place through the increasingly free cross-border capital mobility and the ability of Multi-National Corporations (MNCs) to re-locate production sites in response to changes in relative labour costs. In fear of driving away MNCs, governments of developing countries are less likely to enact regulations to protect and enhance labour rights. Thus, the differential factor mobility as observed over the recent decades may profoundly affect the functional income distribution between labour and capital.

The nature of technical progress and of the technological diffusion process can be a further channel through which globalisation could affect income distribution and poverty. Technical change emanates predominantly from R&D activities in the developed countries in response to conditions typical of their own resource endowment. Hence, technical change tends to be labour-saving, capital-intensive and skill-biased, and would tend to increase inequalities in both developed and developing countries by creating a wider wage-gap. There is a high degree of substitutability between unskilled labour and capital, in contrast to the high degree of complementarity between skilled labour and capital. Furthermore, technological diffusion and access to new technology is not universal and spontaneous. Hence, productivity differences may widen globally over time, which may increase income inequality. In particular, globalization has accelerated the process of privatization, including the privatization of research, which could make it harder and, in some instances, costlier for developing countries to access the new technology. A possible case in point might be in the domain of agricultural technology where the new bio-technological revolution is developed by large private corporations in contrast with the earlier Green Revolution which was in the public domain.

Greater openness also tends to be associated with greater volatility and economic shocks, which affect the vulnerable and the poor households harder and deepens poverty and income inequality at least temporarily. There is some evidence that the poor are hurt proportionately more during contractionary periods than they benefit from expansionary periods. For example, the Asian Financial Crisis hit hardest the poor households in the urban areas—lacking safety nets.

The poor are often not well positioned to take advantage of new opportunities opened up by the enormous increase in the flow of information world-wide. Finally, while global disinflation brought benefits in terms of macroeconomic and monetary stability, the latter may have been achieved, in some instances, at the expense of some additional growth. The common condition of fiscal retrenchment observed worldwide may have contributed to the erosion of governments' capacity to raise revenues for re-distributional purposes.

POLICY IMPLICATIONS

The observed 'between-country' income divergence trend tends to bring into question the validity of the income convergence thesis. Indeed, a mere adoption of open trade and investment regimes does not guarantee developing countries' entry into the convergence club. Many poor countries, which have opened their economies since 1980s, have fallen behind not just relatively but absolutely in terms of both income levels and structural development. Whether global market forces establish a virtuous circle or vicious circle will depend on the initial conditions at the time of exposure and the effective design and implementation of policies at the national and international level to manage the integration process.

A strategic position towards globalisation cannot be equated with a simple fine-tuning of the pace and sequence of liberalization measures. Clearly, it is a question concerning the pattern or forms of integration. In particular, national development policies should be strategically designed in the light of the potentially skewed nature of the on-going process of globalization discussed above.

Given the observed trends towards greater inequality in per capita income levels between countries and within many countries, developing countries have to take strategic steps to protect themselves in order to derive benefits from the dynamic forces of globalization, with a long-term vision for upgrading their comparative advantages towards high-value added activities. Governments of developing countries to succeed in this endeavour should consciously engage in building institutional capacities for integration, including a capable nation-state that is ready to take on the enormous challenges posed by globalization.

This calls for effective complementary policies and safety nets to be in place at both national and global levels. Policymakers need to design and implement an active development strategy not only to benefit from, but also to help counteract the negative effects of the immutable forces of globalization. It is not enough for governments to assume an active role in liberalizing trade and capital movements and de-regulating their economies, while passively waiting for the fruits of the 'Washington consensus' and the market forces of globalization to pull them on a fast development track. Instead, governments need to pursue both active liberalization and active domestic development policies. Those who argue that we need more equitable forms and processes of globalization to start with need to confront the fact that any contemplated changes in the nature of the present forces of globalization require a much better grasp of the concept of 'pro-poor globalization' than we presently hold. It is only through rigorous and well focussed studies that many of the questions raised above relative to the impact of globalization on poverty can be apprehended and, hopefully, answered within a specific context.

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Machiko Nissanke and Erik Thorbecke are the co-directors of the UNU-WIDER project on 'The Impact of Globalization on the World's Poor'.

Globalization, Poverty and Inequality: What is the Relationship? What can be done?

by Kaushik Basu

1. Forbes Online, 27 February 2003,[1] offers some information about the world's ten richest people. Much of the information would cause little surprise. The list shows that big money comes from software innovation, economies of scale in retailing, the business of oil, investment luck, and inheritance. What is, however, really striking is just *how* rich these ten people are.[2] Together they had, in 2002, a net worth of $217 billion, ranging from Bill Gates in the lead with $40.7 billion to John Walton (son of Sam Walton, founder of Walmart) with $16.5 billion.

To understand how staggering this is, note that in the same year Tanzania, with a population of 35 million, had a GDP of $10.15 billion. In other words, if one assumes that the ten richest people earn a return of 5% on their assets, their earning in one year would be roughly equal to the total annual earnings of the entire population of Tanzania.

If we leave out individuals and turn to nations, the gaps of course shrink but are still striking. Take the richest and the poorest countries (in terms of per capita income) from the list of the 152 nations for which data are provided in the **World Development Indicators 2004**. These are, respectively, Norway and Sierra Leone. Each of these countries has a population of 5 million. Sierra Leone has a per capita income of $140 and Norway $38,730. If we make purchasing power parity corrections on these, they get a bit closer: Sierra Leone $500, Norway $36,690. But still a person picked at random in Norway is 73 times as wealthy as a person chosen randomly in Sierra Leone.

I do not present these numbers to advocate any obvious normative proposition, such as how bad governments are in the Third World or how little governments of industrialized nations are willing to share with the poor but to draw our attention to the fact that, even though the debate on whether global inequality has risen or fallen in recent times may be unresolved, the *amount* of inequality is staggering; the *hiatus* between the richest and the poorest people on earth is unacceptable by any moral standard.

inter-regional inequality has gone over the last two or three decades, the overall trend, viewed over a long stretch of time and measured as the ratio between the richest and the poorest regions, is that of unequivocal deterioration. Using a specific carving of the world, the richest region was 1.8 times richer than the poorest region half a millennium ago, whereas, currently, the richest region has a per capita income that is 20 times the income of the poorest region. And viewed in large strides of time the deterioration has been monotonic.

Lehtikuva / AFP Photo / Mario Vazquez

'...as globalization progresses, there is increasing need for the coordination of policies across nations.'

2. As globalization occurred with rapidity in recent decades, has inequality in the world increased? The answer is mired in debate. If, however, we take a very long run view, the answer becomes much more transparent. Over the last five centuries, the world has become more globalized and much more prosperous, and, if we consider inter-regional inequality, it is clear that inequality has grown as well. Some of the basic information is on display in **Table 1**. Though there is scope for debate about how global,

What has happened in recent times remains more controversial but no matter how that debate is settled, it seems easy to argue that there is reason for concern. First, if a sizable population feels increasingly marginalized because it finds itself becoming poor relative to global wealth, this is bound to stoke political volatility. Second, no matter what has been the trajectory and no matter what its connection to globalization, the level of inequality that we see today, is far too large for complacency.

Table 1. Levels of GDP Per Capita, 1500-1998 (in 1990 PPP US$)

	1500	1700	1913	1998
U.S.A.	400	527	5,301	27,331
Sweden	695	977	3,096	18,685
U.K.	714	1,250	4,921	18,714
Japan	500	570	1,387	20,413
India	550	550	673	1,746
China	600	600	552	3,117
Africa	400	400	585	1,368
Ratio of richest to poorest	1.8:1	3.1:1	9.4:1	20:1

Source: Madison, A. (2001) **The World Economy: A Mellennial Perspective**, Paris: OECD

3. During a field visit to the village of Jakotra, in a remote corner of Gujarat, India, I found a palpable concern among the poor villagers about what globalization might do to them. The villagers, who earn their livelihood largely from handicrafts and embroidery work on textile, were concerned that their livelihood could get wiped out by competition from an international producer, who may manufacture embroidered clothing in large factories and export this to India. Talking to the villagers I realized what a double-edged sword globalization is. On the one hand, they have clearly benefited in the last decade because of globalization and their ability to sell their products in faraway lands. On the other hand, they rightly fear that this prosperity may not last. And these people are still sufficiently poor that the end of prosperity for them could mean acute poverty and destitution.

In the full paper I construct a simple model to illustrate some of the policy dilemmas and risks associated with globalization. But I should emphasize that the message of this must not be read as one against globalization. The potential benefits created by the easier flow of goods, services, software products and labor are enormous and to stop these would be an error. At the same time, the fear of these getting stopped must not lead us to praise all aspects of globalization. By pointing to its negative fall-outs, we can encourage policies to counter them and to distribute better the spoils of globalization. Not only should this be viewed as a moral imperative, to ignore the marginalization of groups is to risk political instability and even war.

4. In crafting policy that is concerned with the conditions of the poor and the disadvantaged and at the same time is dynamic and not unmindful of growth, I would suggest that governments set themselves a simple normative objective. Where traditionally we associated each country's welfare with its per capita income, the normative criteria that I propose would require us to associate it, instead, with the per capita income of the poorest 20% of the population. I call this the 'quintile income' of a country. What is being suggested is that in evaluating a country's well-being we should focus on the country's quintile income.

The quintile income measure, viewed as an equity-conscious measure of welfare has several normative advantages. Unlike a policy that tries to minimize poverty or minimize inequality, the objective of maximizing the quintile income has a natural dynamism, because it is a moving target. In a country with gross inequalities, this measure will suggest that we focus on the conditions of the poorest people. But if the better off people are ignored totally and for too long, they will soon be a part of the bottom quintile of the society and so deserve attention. If there is full equality in society, this measure does not allow the policy-maker to sit back. Since in such a society the quintile income coincides with the per capita income, the aim now will be to raise the per capita income.

Also, a focus on the quintile income does not mean that the growth rate is to be ignored. It is simply that the growth rate should be measured in terms of the growth rate of the quintile income.

There is also the advantage of directness in this new measure. Instead of saying that we should aim to increase income and expect the benefits to reach the poorest sections, this measure says that we should aim to increase the growth rate of the quintile incomes.

The focus on quintile income also suggests how we should view inequality. In general, I would view inequality as undesirable, but poverty as the greater evil. The amount of inequality that we should tolerate is the amount 'necessary' to minimize poverty, which is here equated with maximizing quintile income. It is, for instance, arguable that a society of perfect equality would be crushingly poor.

5. But there is a practical problem in advocating equity-conscious policies to each country individually. Re-distributive policies by individual governments are possible; but, at the same time, as globalization progresses, there is increasing need for the coordination of policies across nations. When we see the enormous poverty in Ethiopia we tend to blame it on its government. While most governments have room to improve their performance and the Ethiopian government may have more than its share, it would be wrong to overlook that how much Ethiopia can control poverty depends, in part, on what happens in Kenya, Tanzania, India, China and the US.

India's recent experience speaks to this. By all accounts inequality in India has risen in recent decades, especially the last one, and detailed studies show that one particular segment that has contributed to this significantly is the better-off segment of the population. It is very likely that this segment is the one that is benefiting most from globalization, since it belongs to the part of the economy that is most open and linked to the world. Under this circumstance, if India were to individually try to tackle this, it would amount to a futile and in the end, self-defeating resistance to globalization.

What is needed instead is coordination of policy across countries on matters of poverty-removal and equity-enhancement. From this theoretical understanding to move to real-world policy is not an easy task. Countries are at different levels of development and policy instruments are many more than choosing tax rates and immigration rules. How can countries coordinate policies in such a world? What is needed is a new global organization or a new initiative in some existing global institution that concentrates on coordinated anti-poverty policies. We have today central coordinating organizations for labor market policies and labor standards (ILO), for trade policies (WTO), for environmental policies (UNEP), but on anti-poverty and equity policies, although there are many pronouncements from the United Nations and other organizations, there is no vehicle, at the supranational level. Maybe the time has come to consider this.

[1] See www.forbes.com/lists/2003/02/26/billionaireland.html

[2] Another striking commonality among these people that may interest students (especially those who find college a grind) is that three of these ten are university drop-outs (Bill Gates, Harvard; Paul Allen, Washington State University; Lawrence Ellison, University of Illinois).

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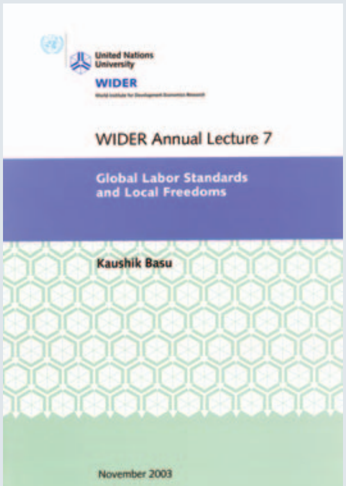
This article is an abstract of a paper written for the UNU-WIDER project on 'Impact of Globalization on the World's Poor', directed by Machiko Nissanko and Erik Thorbecke, Helsinki, 29-30 October 2004.

Kaushik Basu presented the ***2003 WIDER Annual Lecture on***

Global Labor Standards and Local Freedoms

This lecture is available in print and online at: www.wider.unu.edu



WIDER Book Launches and Presentations of New Studies at International Forums

Joe Peoples

New Sources of Development Finance: Funding the Millennium Goals was presented by A. B. Atkinson, Director of the study and Warden of Nuffield College, Oxford, at the permanent Mission of Germany to the UN on 15 November 2004. José Antonio Ocampo, Under-Secretary-General for the UN Economic and Social Affairs, and Tony Shorrocks, Director of UNU-WIDER chaired the session. The digital video of the presentation is available at: www.wider.unu.edu

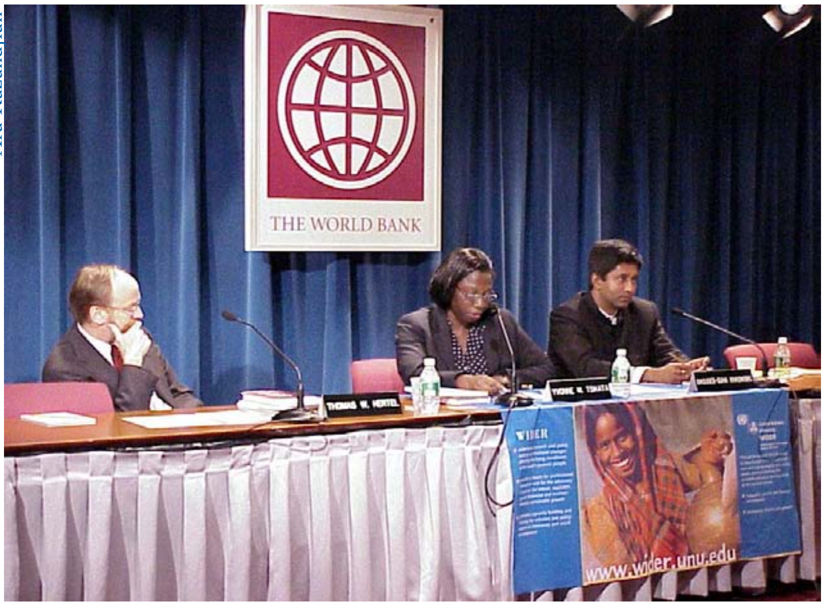
Photo: (from left) A. B. Atkinson, Tony Shorrocks and José Antonio Ocampo.

Hélène Gandois

WTO and the challenges for trade-led growth was presented on 29 September 2004 at the Dag Hammarskjöld Library Auditorium of the United Nations Headquarters in New York by Basudeb Guha-Khasnobis, Director of the WTO study, and Kym Anderson, an author of the study, presently with the World Bank. Inge Kaul from UNDP New York was the discussant, Jean-Marc Coicaud, Head of UNU office in New York was Chairperson. The event was attended by a broad audience from the development community in New York.

Photo, the panel: (from left) Inge Kaul, Kym Anderson, Jean-Marc Coicaud and Basudeb Guha-Khasnobis.

Ara Kazandjian



WTO and the challenges for trade-led growth was also presented at the Infoshop of the World Bank on 23 September 2004 by Basudeb Guha-Khasnobis and Thomas W. Hertel, an author of the study and presently with the World Bank. Yvonne M. Tsikata from the World Bank was the Chairperson and discussant. This presentation was also attended by a broad audience from the development community in Washington DC. The digital video of the presentation is available at: info.worldbank.org/etools/bspan

Photo: (from left) Thomas W. Hertel, Yvonne M. Tsikata and Basudeb Guha-Khasnobis.

WIDER Publications

New Titles

Policy Brief

Policy Brief 10 New Sources of Development Finance: Funding the Millennium Development Goals
A. B. Atkinson
September 2004

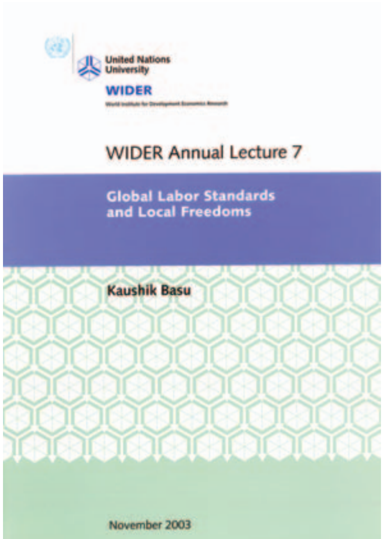
Mobilizing additional finance to meet the challenges of the Millennium Development Goals (MDGs) is an urgent priority. Developing countries are mobilizing resources themselves to meet the MDG targets by 2015, but they will fall short without additional external flows. Prompted by the UN General Assembly resolution of September 2000 calling for 'a rigorous analysis of the advantages, disadvantages and other implications of proposals for developing new and innovative sources of funding, both public and private, for dedication to social development and poverty eradication programmes' UN DESA and UNU-WIDER undertook a project on 'Innovative Sources for Development Finance'.

This Policy Brief summarizes the key findings of the study, namely: Global environmental taxes (carbon-use tax); Tax on currency flows (the 'Tobin tax'); Creation of new Special Drawing Rights (SDRs); International Finance Facility (IFF); Increased private donations for development; Global lottery and global premium bond; and Increased remittances from emigrants.

These themes are expanded in *New Sources of Development Finance* (Oxford University Press).

2003 Annual Lecture

WIDER Annual Lecture 7
Global Labor Standards and Local Freedoms
Kaushik Basu
September 2004



One of the less recognized consequences of globalization is an erosion of democracy, with the lives of individuals in developing nations becoming increasingly dependent on decisions taken in other countries over which they have no influence. The imposition of global labour standards—however well-meaning the motivation of the proponents—risks adding to this disenfranchisement as well as hurting the intended beneficiaries.

Journals

Journal of African Economies
Vol 13 No 4 December 2004,
The CFA Franc Zone 10 Years After Devaluation
Edited by David Fielding

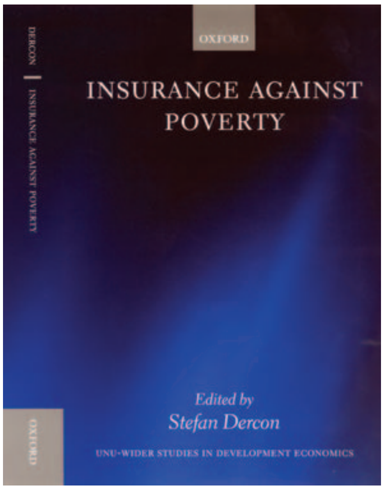
Journal of Economic Geography
Vol 5 No 1 January 2005, Spatial Inequality and Development

Papers selected from the concluding conference of the UNU-WIDER project on Spatial Disparities in Human Development

Books

Insurance Against Poverty

Edited by Stefan Dercon
(hardback) 0-19-927683-8
November 2004
UNU-WIDER Studies in
Development Economics
Oxford University Press



'Economic vulnerability is all the more dramatic for poor people in developing countries that unfavorable shocks like illness, drought, floods or adverse price changes are most likely to have big and persistent negative effects on their standard of living. This volume … provides a comprehensive account of theoretical and empirical aspects of economic vulnerability and insurance policies aimed at reducing it.'

Francois Bourguignon
Chief Economist and Senior
Vice President, Development
Economics, World Bank

'The articles by leading authorities in the field, provide a state of the art collection of thinking on how poor people deal with the multiple risks facing them, and how public policy can help provide better safety nets for the most vulnerable. Since the strategies employed by poor people to deal with the risks they face are a major obstacle to their ability to grow out of poverty, the insights offered by the articles in this volume will contribute considerably to policies towards global poverty alleviation.'

Alexander Sarris
Director, Commodities and Trade
Division, Food and Agriculture
Organization of the United Nations
(FAO), Rome, Italy, and Professor
of Economics, University of
Athens, Greece

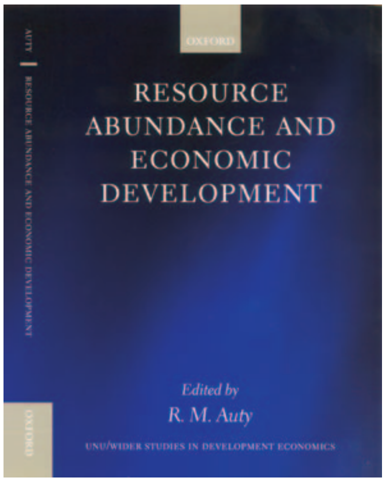
New Sources of Development Finance

Edited by A. B. Atkinson
(hardback) 0-19-927855-5
(paperback) 0-19-927856-3
November 2004
UNU-WIDER and UN-DESA
UNU-WIDER Studies in
Development Economics
Oxford University Press

The Millennium Development Goals require a doubling of funds for economic development by 2015. Examining innovative ways to secure these resources, this book sets out a framework for the economic analysis of different funding sources, applying the tools of modern public economics and considering the underlying political economy. It examines in turn a series of new and controversial proposals, including global taxes such as a carbon tax, a global lottery, pre-commitment of aid, increased private donations, and increased remittances by emigrants.

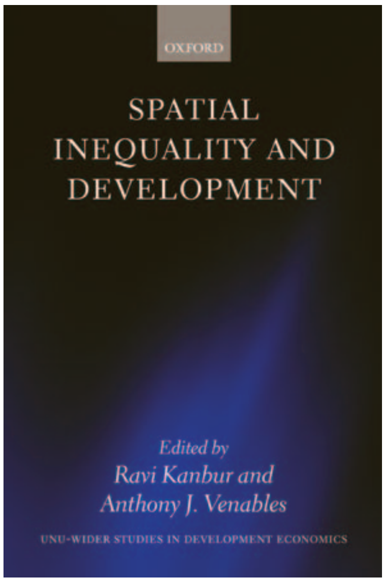
New in paperback
Resource Abundance and Economic Development

Edited by Richard M. Auty
(paperback 0-19-927578-5)
November 2004
UNU-WIDER Studies in
Development Economics
Oxford University Press



Spatial Inequality and Development

Edited by Ravi Kanbur and
Anthony J. Venables
(hardback) 0-19-927863-6
January 2005
UNU-WIDER Studies in
Development Economics
Oxford University Press



‘This collection offers a fresh and important account of spatial inequality. Wide in geographical scope, its most important contribution is the many-sided demonstration that spatial differences in average incomes and consumption play a not insignificant role in explaining total interpersonal income inequality, that geography matters and that tackling spatial inequality could make an important contribution to combating poverty.’

Mick Dunford
School of Social Sciences and Cultural Studies, University of Sussex

Forthcoming books

Growth, Inequality, and Poverty: Prospects for Pro-Poor Economic Development

Edited by Anthony Shorrocks and Rolph van der Hoeven
(paperback) 0-19-928-224-2, February 2005
UNU-WIDER Studies in Development Economics, Oxford University Press

Poverty, International Migration and Asylum
Edited by George J. Borjas and Jeff Crisp
(hardback) 1-4039-4365-6, March 2005
Studies in Development Economics and Policy, Palgrave Macmillan

Discussion Papers

DP2004/10 Guanghua Wan, Ming Lu and Zhao Chen: Globalization and Regional Income Inequality: Evidence from within China

DP2004/09 Tony Addison: Development Policy: An Introduction for Students

DP2004/08 James B. Davies: Microsimulation, CGE and Macro Modelling for Transition and Developing Economies

A revised version of the **World Income Inequality Database (WIID2 Beta)** has been released by **WIDER** on 3 December 2004. Details and downloads available at: **www.wider.unu.edu**

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WIDER *Angle* is the newsletter of UNU-WIDER. Published twice a year, the newsletter focuses on the Institute’s research activities. It is distributed free of charge. The newsletter is also available on our Web site at: www.wider.unu.edu.

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