PAN-AFRICAN CONFERENCE ON INEQUALITIES IN THE CONTEXT OF STRUCTURAL TRANSFORMATION

28TH - 30TH APRIL 2014, ACCRA GHANA

in partnership with:
INEQUALITIES, UNCOUNTED: MEASUREMENT CHOICES AND POLICY TARGETS

@AlexCobham
Overview

• Overview of inequalities

• What do we know?

• Uncounted: Measurement and power

• Policy targets – including the *Palma*
Economic inequalities

• Dimensions
  – Vertical (between individuals)
  – Horizontal and intersecting (between groups, e.g. by gender; ethnolinguistic; spatial; disability; age; HIV status)

• Aspects
  – Income, including employment opportunities
  – Wealth, including land
  – Stability as well as levels in snapshot
Social inequalities

• Dimensions
  – Vertical (between individuals)
  – Horizontal and intersecting (between groups, e.g. by gender; ethnolinguistic; spatial; disability; age; HIV status)

• Aspects
  – Outcomes (e.g. mortality, literacy)
  – Access to services (health, education)
  – Inclusion (e.g. community involvement/marginalisation => political….)
Political inequalities

• Dimensions
  – Vertical (between individuals)
  – Horizontal and intersecting (between groups, e.g. by gender; ethnolinguistic; spatial; disability; age; HIV status)

• Aspects
  – Access to (influence over) national resources
  – Voice, access to process, representation
  – Outcomes in terms of other inequalities, e.g. access to services
Intergenerational inequalities

• Dimensions
  – Vertical (between individuals)
  – Horizontal and intersecting (between groups, e.g. by gender; ethnolinguistic; spatial; disability; age; HIV status)

• Aspects
  – Sustainability: economic, social, political, and environmental
Costs of inequalities

- Inherent and instrumental
  - Shorter, less fulfilling lives
  - Weaker cognitive development of children
  - Lower economic growth
  - Shorter economic growth periods
  - Higher risk of political conflict and of violence
## What do we know? (VI)

<table>
<thead>
<tr>
<th>Economic</th>
<th>Social</th>
<th>Political</th>
<th>Intergen’l</th>
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What do we know?

This

That

The other

??
Uncounted: Why it matters

1
What is uncounted is not random, but reflects power inequalities

2
The power to count
(to choose what is counted and reported)
can exacerbate inequality
Patterns of uncounted

Uncounted, through lack of power
• Bottom end of distributions
• Marginality

Uncounted, through power
• Top end of distributions (countries, people)
• Criminality
Uncounted by reporting power

Development expenditure per capita, 1996-2000 (North=100)
Female IMR, 1993 (North=100)
Uncounted targets

• Manipulation of data
  – ‘1990 revisionism’

• Manipulation of targets (Pogge)

<table>
<thead>
<tr>
<th></th>
<th>World Food Summit</th>
<th>MDG-1 as adopted</th>
<th>MDG-1 as revised</th>
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<tbody>
<tr>
<td>Language</td>
<td>Halve number</td>
<td>Halve fraction of world population</td>
<td>Halve fraction of dev’g population</td>
</tr>
<tr>
<td>Baseline year</td>
<td>1996</td>
<td>2000</td>
<td>1990</td>
</tr>
<tr>
<td>Baseline, millions</td>
<td>1,656</td>
<td>1,665</td>
<td>1,813</td>
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<tr>
<td>Target 2015 reduction</td>
<td>50.0%</td>
<td>40.4%</td>
<td>27.0%</td>
</tr>
<tr>
<td>Target for 2015, millions</td>
<td>828</td>
<td>993</td>
<td>1,324</td>
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<tr>
<td>Required annual reduction</td>
<td>3.58%</td>
<td>3.39%</td>
<td>1.25%</td>
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The power to revise ‘results’ can render targets meaningless

The power to revise targets can eradicate ambition
## Choices for policy targets

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<th>Negative</th>
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<tr>
<td><strong>MDGs</strong></td>
<td>Gender</td>
<td>Inequality</td>
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<tr>
<td><strong>Post-2015 HLP</strong></td>
<td>Disaggregation &amp; Illicit flows</td>
<td>Economic inequality</td>
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# Choice of indicators

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<th>Policy</th>
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<td><strong>Pigou-Dalton transfer principle</strong>: rules out counter-intuitive responses to transfers</td>
<td><strong>Atkinson axiom</strong>: Are the value judgments of using this indicator sufficiently explicit?</td>
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<td><strong>Income scale independence</strong>: should not respond to proportional changes to all</td>
<td><strong>Policy-signal axiom</strong>: Is it clear what signal given to policymakers on direction of change?</td>
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<td><strong>Dalton’s principle of population</strong>: measure shouldn’t respond to merging of identical populations</td>
<td><strong>Clarity axiom</strong>: Is it clear to a non-technical audience what has changed?</td>
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<td><strong>Anonymity or symmetry</strong>: measure is independent of any non-income characteristic of individuals</td>
<td><strong>Policy-response axiom</strong>: Is the policy response sufficiently clear?</td>
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<td><strong>Decomposability</strong>: overall ineq is related consistently to ineq among sub-groups</td>
<td><strong>A horizontal axiom</strong>: Can measure also capture horizontal inequality?</td>
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Accountable counting?

The Palma

• Ratio of national income shares: **top 10% to bottom 40%**

• Rests on Gabriel Palma finding: **stability of ‘middle’ deciles (5-9)**

• ‘Basically, it seems that a schoolteacher, a junior or mid-level civil servant, a young professional (other than economics graduates working in financial markets), a skilled worker, middle-manager or a taxi driver who owns his or her own car, all tend to earn the same income across the world — as long as their incomes are normalized by income per capita of respective country.’
Middle stability across countries

- Highest 10%
- Lowest 40%
- Middle 50%

1990:
- Highest 10%: 35%
- Lowest 40%: 35%
- Middle 50%: 10%

2010:
- Highest 10%: 30%
- Lowest 40%: 25%
- Middle 50%: 15%

Combined:
- Highest 10%: 30%
- Lowest 40%: 25%
- Middle 50%: 15%
Middle stability across time

- UK
- Venezuela
- Peru
- Paraguay
- Panama
- Mexico
- Honduras
- El Salvador
- Ecuador
- Dominican Republic
- Costa Rica
- Colombia
- Chile
- Brazil
- Argentina

- Top 10%
- Middle 50%
- Bottom 40%
Stability across income stages

Argentina
Brazil
Mexico
Peru

Top 10%
Bottom 40%
Middle 50%
The Palma (2010)
Gini and Palma

$y = 0.1969e^{5.6739x}$

$R^2 = 0.9826$
Palma vs Gini

If Palma so closely relates to Gini; and Palma ignores half the income distribution; why would you possibly want to use it?

1. Policy axioms
2. Gini flaws

\[ P = \frac{y}{x} \]
\[ G = 58.1y - 119.5x \]

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Pop quiz

Which measure would you prefer?

\[ P = \frac{y}{x} \]

\[ G = 58.1y - 119.5x + 41.86 \]
3 Palma proposals for post-2015

• Engberg-Pedersen (2013)
  – Halve the distance from a Palma of 1

• Doyle & Stiglitz (2014)
  – Palma of 1

• Cobham (2014)
  – Global agreement, national setting
Conclusions

• Economic, social, political and intergenerational inequalities are at the heart of transformation.

• Being uncounted reflects power: the excess or the lack thereof, & worsens inequalities.

• Post-2015 and national plans offer great opportunities for progress (not least *disaggregation*; but the political obstacles are also great.

• Palma!
Remember:

counting is political
Thank you
Income inequality: too ‘political’?

High-Level Panel:
We recognized that every country is wrestling with how to address income inequality, but felt that national policy in each country, not global goalsetting, must provide the answer. History also shows that countries tend to have cycles in their income inequality as conventionally measured; and countries differ widely both in their view of what levels of income inequality are acceptable and in the strategies they adopt to reduce it.
Income inequality: too ‘political’?

Thought experiment:
We recognized that every country is wrestling with how to address gender violence, but felt that national policy in each country, not global goalsetting, must provide the answer. History also shows that countries tend to have cycles in their gender violence as conventionally measured; and countries differ widely both in their view of what levels of gender violence are acceptable and in the strategies they adopt to reduce it.