Strugglers: This Century’s New Development Challenge

Keynote
Australasian Aid Society Conference
Canberra, February 13, 2018

Nancy Birdsall
Senior Fellow and President Emeritus, Center for Global Development
ثوراة الكرامة

REVOLUTION DE LA DIGNITE

الشهيد
محمد البوغزيزي

Le Martyr
Mohamed BOUAZIZI

Leila ALLAGUI
Imp. Poste Tunis 2011
This talk

• Strugglers: a (crude) income classification
• Some characteristics
• Why they matter: governance and the middle
• What to do: development policy; role of outsiders
Probability of falling back into poverty $4 - $18

Probability of falling into poverty (i.e. below $4 PPP per capita per day)

$6 income = more than 40% chance of falling back into poverty

$10 income = 10% chance of falling back into poverty

Source: Lopez-Calva and Ortiz-Juarez (2011).
New poverty lines from World Bank

Figure 1: National poverty lines increase with national income

Source: based on data from Joliffe and Prydz (2016)
The developing world in 2030: still mostly strugglers

Source: PovcalNet, using 2011 PPPs and UN Population Projections
As poverty fell, the middle class doubled; from a higher base, the struggler group almost doubled.

Source: PovcalNet, using 2011 PPPs and UN World Population Projections under "medium variant" assumptions.
Most strugglers live in middle-income countries

Source: PovcalNet, using 2011 PPPs and World Bank World Development Indicators using 2013 GDP per capita
2030: 90% are still poor or strugglers

Source: Methodology based on Birdsall, Lustig, and Meyer (2014); data used are from Dykstra and Sandefur (2014), based on 2005 PPPs
Strugglers: the dominant group in Asian LMICs; middle class larger in Brazil and Thailand

Source: PovcalNet, using 2011 PPPs
II  Key characteristics of strugglers

- Urban and peri-urban
- Primary schooling – and sometimes more
- Informal workers
- Vulnerability and anxiety
On average strugglers have completed primary education.

Figure 5: Years of Schooling for Adults Aged 25-65, by Income Category

Source: Socio-Economic Database for Latin America and the Caribbean (CEDLAS and The World Bank).
Strugglers work in sectors “between” agriculture and formal sector jobs.
No paystub aka informal workers


The poor and strugglers in non-agricultural work make up 90 percent of informal workers in Indonesia.

Expectations and aspirations

Source: Lakner and Milanovic (2015); Milanovic (2016)
Vulnerability and anxiety

Replicating the World Inequality Report, Figure E4, limited to 1988-2008

Cumulative growth rate (%)

Income group (percentile)

Calculations by Justin Sandefur, based on replication files downloaded from the WID website (2a - world-gic.do), with an alternative date range.
III. Strugglers: Why they matter
It is manifest that the best political community is formed by citizens of the middle class, and that those states are likely to be well-administered in which the middle class is large, and stronger if possible than both the other classes [. . .]; for the addition of the middle class turns the scale, and prevents either of the extremes from being dominant.

—Aristotle, Politics
GDP and middle class share

Source: Loayza, Rigolini data (2012 paper; 2010 data) on 128 countries.
Tax revenues per capita

Source: IMF, OECD, WDI
When is the middle class large enough?

Source: PovcalNet, using 2011 PPPs
is a struggler (Middle class is in blue)
transfers -- the strugglers in Brazil pay more than they get

Fiscal incidence (%)
relative to market income

Net market income
Direct cash transfers
Disposable income
Net indirect taxes
Post-fiscal income

Brazil (2009)

Net market income: -1.0%
Direct cash transfers: 9.4%
Disposable income: 8.4%
Net indirect taxes: -15.4%
Post-fiscal income: -7.1%

Fiscal incidence of taxes and transfers -- the strugglers in Brazil pay more than they get.
Indonesia 2016: The median voter is poor

Median: $3.5 (PPP)

Natl. poverty line: $.82/day

Source: PovcalNet via Dykstra and Sandefur (2014) dataset (2005 PPPs)
India 2010: A society still of the truly poor

Median: $1.6 (PPP)

Source: PovcalNet via Dykstra and Sandefur (2014) dataset (2005 PPPs)
IV What to think? What to do?

What to think:
- Economic growth matters – not sufficient but necessary
- Inclusive growth matters: The active, effective state
What to do?

• The future of work when informality is “normal”: productive informality
• Social insurance for workers without paystubs
• The politics of tax policy: taxing property and income
• Design of automatic stabilizers; pricing of energy and water
• Fuel subsidies and cash transfers
• UBI and distribution of natural resource rents
What to do: The role of outsiders

Aid
Beyond aid: A just global system
  Trade, migration, technology transfer, climate, GPGs
  Multilateral institutions: Globalism
  International NGOs
  Independent think tanks in developing countries

The global agenda is a “development” agenda: SDGs and the Paris Accord
Thank You
Remember
Mohamed Bouazizi