

The Poor, the Prosperous and the 'Inbetweeners': A Fresh Perspective on Global Society, Inequality and Growth

by Peter Edward, Newcastle University Business School and
Andy Sumner, King's International Development Institute, King's College London

Global consumption grew by \$10 trillion from 1990 to 2010. Who benefited, and what has happened to global and national inequality since 1990?

We find that, first, one can say that total global inequality was relatively static from the late 1980s to 2005, because rising inequality within countries was largely offset by falling inequality between countries. Since 2005 between-country inequality has been falling more quickly than before, and as a result total global inequality has also fallen. We find that falls in total global inequality and global between-country inequality and rises in global within-country inequality in the last 20 to 30 years are all predominantly attributable to rising prosperity in China. The picture looks rather different when China is excluded. Throughout this entire period within-country inequality in the rest of the world has overall been remarkably constant—as some countries have become less equal, others have become more so—while between-country inequality has actually increased slightly.

Second, one can identify a persistent global structure of two relatively homogeneous clusters (the poor/insecure and the secure/prosperous), but we also detect the emergence of a rapidly changing and heterogeneous 'new global middle'. However, most of the 'structural' change in the distribution of global consumption is confined to the upper middle-income countries (UMICs).

This leads us to question whether the emerging global middle really does represent an evolution away from the historical two-cluster world or whether it simply represents a transition phase as some elements in emerging economies move from the poor/insecure cluster into the secure/prosperous cluster.

Table 1
Global Population by Consumption Groups in 2010

	Less than \$2	\$2–\$10	\$10–\$50	\$50+	\$75+	Global total
	Global Absolute Poor	Global Insecure	Global Secure	Global Prosperous	Top 1%	
Total (millions)	2407	2910	1351	227	69	6894
As % of global population	35	42	20	3	1	100

Table 2
Shares of Global Consumption Growth

Global segment (in 2010)	Share of global population (%)	Share of global consumption growth 1990 to 2010 (%)
Global Absolute Poor (<\$2)	34.9	5.1
Global Insecure (\$2.01–\$10)	42.3	24.7
Global Secure (\$10.01–\$50)	19.5	41.4
Global Prosperous (\$50.01+)	3.3	28.7
Top 1% (\$75+)	1.0	14.9

Third, we find that 15 per cent of global consumption growth from 1990 to 2010 went to the richest 1 per cent of the global population. At the other end of the distribution, the 53 per cent of the population living on under \$2/day in 1990 benefited from less than an eighth of that global growth, and the 37 per cent on less than \$1.25/day benefited by little more than a 20th of that growth. Furthermore, a rather modest amount of redistribution would have ended \$2 poverty: if the share of global growth since 1990 flowing to the 35 per cent of the global population who were living on \$2/day in 2010 had increased from 5 per cent to 12 per cent, this would have been sufficient to end poverty at \$2/day.

Finally, we find five different stylised patterns of national growth: pro-poor growth (e.g. Ethiopia); pro-middle growth (e.g. Brazil); anti-poor growth (e.g. Nigeria); anti-middle growth (e.g. Zambia) and equitable growth (e.g. Vietnam). In short, at a national level one could note that different countries manage or govern growth very differently, and this plays, with other factors, an important role in who benefits from economic growth and how much.

Reference:

Edward, P. and A. Sumner (2013). 'The Poor, the Prosperous and the 'Inbetweeners': A Fresh Perspective on Global Society, Inequality and Growth', *IPC-IG Working Paper*, No. 122. Brasilia, International Policy Centre for Inclusive Growth.

