Where Are We Today in the Fight Against Global Poverty?

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I. Economic growth and poverty

• What we know
  o Growth is **still good** for the poor
    o Average incomes in the poorest two quintiles increase at the same rate as overall average incomes
• Identifying pro-poor macroeconomic policies is difficult
  o Policies that benefit everyone else tend to benefit the poor too
  o Two exceptions
    o Financial development
    o Government expenditure cuts
I. Economic growth and poverty

- Macroeconomic shocks impact poverty
  - Direct channels
    - Relative price changes
    - Reduced labour demand
    - Inflation
  - But there are indirect channels too
    - Crises (e.g. terms of trade shocks) increase armed conflict which then impacts poverty
    - Decline in public expenditures in response to the shock
I. Economic growth and poverty

- Macroeconomic shocks have medium-term effects
  - Missed opportunities for human capital accumulation

- In poor countries, human capital accumulation of children is procyclical
  - Infant mortality rises and school enrolment and nutrition fall during recessions
  - Reasons?
    - Household: costs, need for child labour
    - State: Reduction in public expenditures
II. Gender and poverty

• Poverty incidence is gendered
  o Global poverty rates systematically 0.5 pp higher for women than for men
• Sustainable Development Goal 5: Achieve gender equality and empower all women and girls
• Closely related to poverty goals because
  o Gender equality can be an important tool in reducing poverty
  o As countries reduce poverty, gender outcomes improve
Example: Latin America and the Caribbean
Poverty rate 2021, females and males

Source: Buitrago-Hernandez et al. (2024)

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III. Going forward

1. Macroeconomic shocks: Pro-poor crisis response
   - Adequate safety nets (short-run)
     → Safety nets should exist ex ante even if not much used
     → Financial access as part of the safety net
   - Focus on human capital (medium-term)

2. Fertility seems to be closely associated to female poverty
   - What determines desired fertility?
   - Importance of age at first birth

3. Breaking a poverty trap may require breaking an “aspiration trap”
   - In low-income countries, fatalism and low aspirations are associated with poverty
   - Migrants have different educational aspirations (esp. men)
III. Going forward

1. Macroeconomic shocks: Pro-poor crisis response
2. Fertility seems to be closely associated to female poverty
3. Breaking a poverty trap may require breaking an “aspiration trap”
   - Requires exposure to new information or new role models that may induce individuals to revise their goals
     - Particularly important for girls → tend to internalize parental stereotypes and have weaker outcomes
   - Role of the media (esp. where literacy is low)
     - Shown to affect family preferences, education and occupational choice
III. Going forward

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Some references