

KEYNOTE ADDRESS

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One of the paradoxes of recent economic growth in Asia has been the phenomenon of rapid economic growth resulting in greater inequality of incomes. While poverty has fallen across Asia and in most of South Asia over the last two decades, inequality has increased. This has led to much questioning on the impact of the processes of economic growth on poverty reduction and inequality in income distribution.

Although there has been a reduction in poverty in most of South Asia, there has been an increase in income inequality. This address assesses how and to what extent the recent period of economic growth in South Asia has been both less inclusive and less pro-poor. It explores why recent growth has reduced poverty but increased inequality and examines what factors have been driving these outcomes.

The economic and social scenario we are witnessing in South Asia is not the well known one of the richer getting richer and the poorer getting poorer. The rich are getting vastly richer and the poor are getting less poor, but the gap between the rich and the poor is increasing. Even though the incidence of poverty has declined, the disparity of incomes in the population has widened. This is the phenomenon that requires analysis. This raises concerns on equity and implications for social tensions and political stability.

Despite the reduction in poverty, there are significant numbers of people in poverty. A key issue is why poverty persists despite high economic growth? The recent period of economic growth has been both less inclusive and less pro-poor. What are the reasons for the poor getting relatively poorer? Is it inherent in the growth strategies of these countries? Is this inevitable? Are there policies that could ensure growth with equity?

The keynote addresses these issues and suggests a number of policies that could help redress these trends and broaden the benefits of growth in South Asia. These include fiscal policies to increase spending on health, education, and social safety nets; labour market reforms to boost the labour share of total income; and reforms to make financial systems more inclusive. Are there policies that could achieve greater equality of incomes in tandem with rapid growth? Is it more desirable to achieve greater equality of incomes and less poverty with more modest economic growth?