HIDDEN DIMENSIONS OF EQUITY AND POVERTY REDUCTION: THE TASKS AHEAD

ANIRUDH KRISHNA
DUKE UNIVERSITY

Presented at the Second India Conference

INSTITUTE FOR INTERNATIONAL ECONOMIC POLICY
GEORGE WASHINGTON UNIVERSITY

OCTOBER 5, 2016
Figure 1.1: How wealthy or poor are the people of different countries?

Source: Krishna (2016), with data from Credit Suisse Global Wealth Report 2013
• Wide range of lifestyles and aspirations
• Policy stretch
• Compressed development

**KEY EQUITY OBJECTIVE:**
How to take more people from the left side to the right side (of the streamgraph)
THREE CRITICAL (BUT MOSTLY HIDDEN) TASKS

• VULNERABILITY: falling into poverty

• SOCIAL MOBILITY: very low (among the lowest)

• POVERTY IN URBAN CONTEXTS: increasing, but poorly understood
# THE FIRST TASK: VULNERABILITY

**Poverty Flows** (% of all households)

<table>
<thead>
<tr>
<th>LOCATION</th>
<th>Escaped Poverty (A)</th>
<th>Became Poor (B)</th>
<th>Net change (A minus B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rajasthan</td>
<td>11%</td>
<td>8%</td>
<td>3%</td>
</tr>
<tr>
<td>(6,376 households, 1975-2002)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gujarat</td>
<td>9%</td>
<td>6%</td>
<td>3%</td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>14%</td>
<td>12%</td>
<td>2%</td>
</tr>
<tr>
<td>Orissa</td>
<td>11%</td>
<td>12%</td>
<td>-1%</td>
</tr>
<tr>
<td>(800 households)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All-India</td>
<td>23%</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>(3,139 households, 1970-82)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All-India</td>
<td>18%</td>
<td>20%</td>
<td>-2%</td>
</tr>
<tr>
<td>(3,239 households, 1981-99)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All-India</td>
<td>18%</td>
<td>22%</td>
<td>-4%</td>
</tr>
<tr>
<td>(13,593 households, 1993-2005)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sources:** Top to bottom – Krishna (2004); Krishna, et al. (2005); Krishna (2006); Hatilebakk (2014); Bhide and Mehta (2004); Dhamija and Bhide (2009); Krishna and Shariff (2011)
MAJOR REASONS FOR DESCENT

• Illnesses, accidents, and high health care costs
  (3-5% of the population, every year)

• Marriages, dowries, and funeral feasts

• Crop failures

• High-interest private debts
Large Local Variation

Two villages in Andhra Pradesh (1976-2003)

<table>
<thead>
<tr>
<th>VILLAGE</th>
<th>Percentage of Households who</th>
<th>Reduction in the stock of poverty (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Remained Poor</td>
<td>Escaped Poverty</td>
</tr>
<tr>
<td>Sultanpurthanda</td>
<td>23.6</td>
<td>49.4</td>
</tr>
<tr>
<td>Bhojathanda</td>
<td>55.6</td>
<td>1.0</td>
</tr>
</tbody>
</table>
HIGHEST POSITIONS ACHIEVED
Ten years (1995-2005), 105 villages, three states

<table>
<thead>
<tr>
<th>POSITION</th>
<th>NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountant</td>
<td>3</td>
</tr>
<tr>
<td>Computer operator</td>
<td>7</td>
</tr>
<tr>
<td>Constable</td>
<td>26</td>
</tr>
<tr>
<td>Clerk typist</td>
<td>12</td>
</tr>
<tr>
<td>Civil Engineer</td>
<td>2</td>
</tr>
<tr>
<td>Doctor</td>
<td>2</td>
</tr>
<tr>
<td>Driver</td>
<td>8</td>
</tr>
<tr>
<td>Lineman (electricity)</td>
<td>8</td>
</tr>
<tr>
<td>Messenger (peon)</td>
<td>9</td>
</tr>
<tr>
<td>Panchayat secretary</td>
<td>6</td>
</tr>
<tr>
<td>Records keeper (patwari)</td>
<td>11</td>
</tr>
<tr>
<td>Sub-inspector (police)</td>
<td>6</td>
</tr>
<tr>
<td>Schoolteacher</td>
<td>67</td>
</tr>
<tr>
<td>Soldier (jawaan)</td>
<td>41</td>
</tr>
<tr>
<td>Software Engineer</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Krishna (2010)
COUNTERPART RESULT

ENTRANTS TO ENGINEERING COLLEGES, BUSINESS SCHOOLS, AND CIVIL SERVICES

< 10% educated in rural schools  
> 80% from English-medium schools  
< 10% from asset-poor households (bicycle/radio)  
> 90% of fathers with college and mothers with high school education  
> 80% of fathers: government officials, executives, or businessmen

➢ HIGH DEGREE OF EXCLUSION FROM OPPORTUNITY

Krishna (forthcoming). Also: Bardhan (2010); Clark (2014); World Bank (2013)
LOW INDIVIDUAL ACHIEVEMENTS ⇒ LOW AGGREGATE OUTCOME

**SAME STORY**
- Patent applications
- Research papers published
- New businesses registered
WHY DO SO MANY INDIVIDUALS ACHIEVE SO LITTLE?

3 Main Factors

- Quality of education
- Information, guidance, motivation
- Role models

VICIOUS CYCLE

PROMISING SMALL-SCALE EFFORTS: Prerana, Vidyaposhak, Super 30, Dream a Dream, Make a Difference, Aspiring Minds, Bharat Calling, Mentor Together, Lead Trust, ...others
THIRD TASK: URBAN POVERTY

• GROWING FAST

• POORLY UNDERSTOOD
  
  o SLUMS: superficial knowledge
  
  o SHORT-TERM ECONOMIC MIGRANTS: one-third (?) of all city residents
  
  o CONTEXTS OF RAPID CHANGE – in both directions
TYPE 1A: DECLARED - REHABILITATED

Ragigudda- JP NAGAR
TYPE 1B: DECLARED - NOT DEVELOPED

Muniyappa Cement Compound
TYPE 2A: DECLARED - PRIVATE LAND - NOT DEVELOPED

New Binnamangala
TYPE 2B: DECLARED - NOT DEVELOPED (LITIGATION)

Hombegowda
TYPE 3A: UNDECLARED

Ashrayanagar
TYPE 4: NEW MIGRANT (BLUE POLYGON)

Kachakaranahalli
TYPES OF SLUMS: continuum of well-being
RAPID CHANGE (1)

Quadrant II - Atturu (2005 – 2010)
RAPID CHANGE (2): Manjunath

2009

2013
RAPID CHANGE (3)

GD Mara 2003  2006  2013
OTHER TAKEAWAYS (URBAN POVERTY)

- Faint correlation with official status (notification)
- Few indications of secular improvement (thresholds)
- Low social mobility (other thresholds)
  - four generations, but almost no engineering or medical students
1. BETTER METHODS, BETTER DATA

2. VULNERABILITY: Health care + local threats/opportunities

3. UPWARD MOBILITY: Career information + role models

4. URBAN POVERTY: new frontier (methods: satellite images)

- STORIES and PHOTO-ESSAYS: www.urbanindiastories.com
- ARTICLES and PAPERS: sites.duke.edu/krishna
Record of high national growth, with:

1. **Enduring poverty**
   - > 60 percent below $2/day
   - > 75 percent: poor, near-poor, or vulnerable

2. **High vulnerability**
   - 3-5% fall into poverty

3. **Low social mobility**
   - Small global middle class:
     - Cars: < 4%
     - Credit cards: < 4%
     - Internet at home: < 3%
     - Travel abroad: < 2%
     - Stocks and bonds: < 2%
RAPID CHANGE 1

Srinivasa Colony 2008

Srinivasa Colony 2009