Abstract

It is well established in the literature that, on average, economic growth is associated with reductions in income poverty. However, evidence suggests that some countries see a much faster decline in poverty with the same level of growth in income. The objective of this paper is to analyse the cross-country variation in the growth elasticity of poverty across a sample of developing countries during the period 1990 to 2000. In doing so, it first sets up a theoretical framework, which seeks to identify different policy variables as explanations. Subsequently, when applied to panel data econometric analysis for 52 low and middle income countries, we find that the level of initial inequality, credit available to the private sector, literacy, the extent of business regulations, and trade openness are important determinants of the growth elasticity of poverty.

JEL Classification: O11, O40, I39, C33

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