

Proposal for a single-session academic panel at EuroSEAS 2017

Structural Change, Inequality and Inclusive Growth in Southeast Asia

Abstract:

The UN goal of ending global poverty by 2030 will require that high growth rates are sustained and that growth is inclusive and shared across society so that poverty reduction is maximised. The former, high and sustained growth, is best driven by structural change. This is not least to avoid a growth slowdown or a contested ‘middle-income trap’. However, structural change is associated with rising disparities between the rich and poor. In contrast, inclusive growth is best achieved with steady or falling inequality to maximize poverty reduction. How to manage this tension or trade-off between structural change and inclusive growth is a crucial contemporary question for developing countries as they seek to end poverty as well as to pursue economic development.

Throughout the last decades, the economies of Southeast Asia have outperformed other regions and a substantial reduction in income poverty has been achieved. At the same time, however, regional and national inequality have risen drastically, from previously low levels, in several Southeast Asian countries. These disparities appear to be linked to processes of structural change, growing industry and service sectors and shrinking agricultural employment, urbanization and technological change, and an increased skills premium, among other factors. Although social protection has been expanding in some parts of Southeast Asia, these developments could continue to exacerbate inequalities in the future.

The proposed panel addresses the fundamental tension between disruptive structural change, often benefitting a relatively narrow group of winners, on the one hand, and the goal of inclusive growth with its emphasis on distributive justice, on the other hand. How is Southeast Asia to manage the trade-off between sustaining high economic growth rates that require structural change and typically drive up disparities whilst at the same time making growth inclusive which entails steady or even falling inequality to maximize the rate of poverty reduction? Where is political mass support for the creative-destructive processes that drive structural change to come from? Which economic and institutional arrangements mediate the inherent socio-economic trade-offs of structural transformations in the most equitable way?

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