

Equity and Development

1. Inequity of what?

- Fundamental space: opportunities to live fulfilling lives
 - Related to Sen's *capabilities*
- Constituent dimensions:
 - Consumption (or income)
 - Health and education outcomes
 - Access to public services
 - Agency and recognition

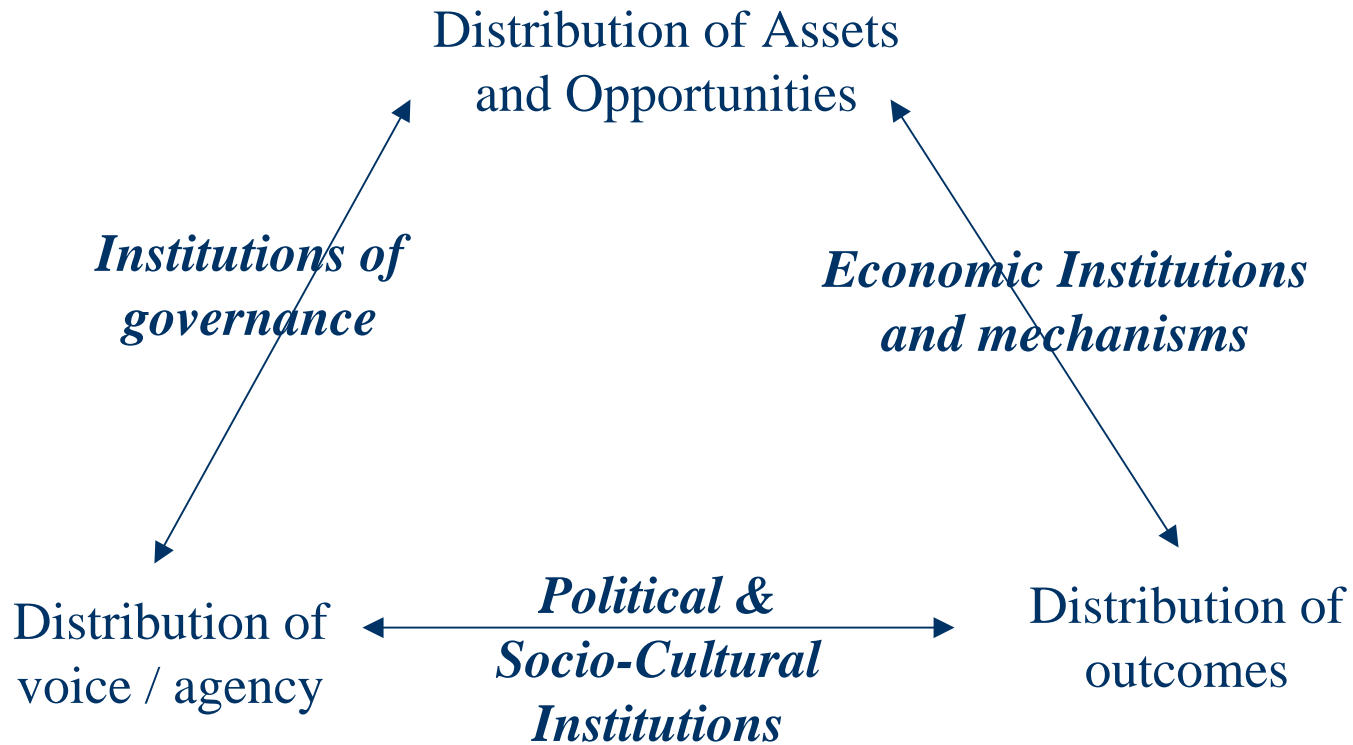
Introduction: A Normative Framework

2. What is equity?

- Equity is a *normative* concept, related to fairness in distribution. Its component principles include:
 - Equality of opportunities
 - ◆ Equality of endowments
 - ◆ Process fairness and merit-based rewards
 - Aversion to outcome deprivation
- It is almost never the same *equality*
- The exact combination of those competing values, as well as a choice along any equity – efficiency trade-off, is a normative matter for social accord in each polity.

Introduction: A Positive Framework

3.



4. Inequality and Conflict

- High inequality can exacerbate several kinds of conflict:
 - **Political conflicts of interest leading** to political instability and inefficient economic choices
 - **Distortionary redistribution** as a consequence of inequality in democratic society
 - **Open civil conflict**: the ultimate failure of institutions to mediate conflicts of interest and poverty trap
 - **Intra-household conflicts**, again with intrinsic and instrumental costs

5. Equity and Policy Objectives

Equity Principles	Broad Policy Goals
Equality of endowments Fairness in Processes	“Level the playing field” Correction of Asset Imbalances Non-Discrimination
Aversion to outcome deprivation	Pro-poor growth Risk Management Safety Nets and Safety Ropes

6. Towards More Equitable Markets and Macroeconomic Policies

■ **Product Markets and Trade**

- Distortions are usually inequitable
- But reform processes must be managed with explicit regard to distributional aspects

■ **Financial Markets**

- Shallow markets are also often narrow and captured (examples from pre-crisis East Asia)
- Wider access: liberalization w/ regulation can be win-win

■ **Labor Markets**

- Process fairness & core labor standards
- LM Policies often involve a trade-off between protection and flexibility

■ **Macroeconomic Management**

- Stability is a public good, but of particular importance to the poor
- Must move towards a fiscal contract which allows for a truly countercyclical fiscal and monetary policies
- Legitimate and inclusive institutions provide for better crisis resolutions

7. Towards More Equitable States

- Equalizing Endowments: Building Assets for Equity
 - Health and Education policies
 - Land markets and land reform
 - Access to infrastructure services
- Ensuring Fair Process: Governance for Equity
 - Legal services and justice systems
 - Redressing discrimination
- Providing a Minimum Guarantee: Social Protection for Equity
 - Social assistance
 - (Old age security?)