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Indonesia Development Forum 2017

Fighting Inequality for Better Growth

Jakarta, 9-10 August 2017



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Inclusive Economic Growth:

How Should Indonesia Adopt it

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Steven Tabor
10 August 2017

INDONESIA DEVELOPMENT FORUM 2017
Jakarta, Indonesia

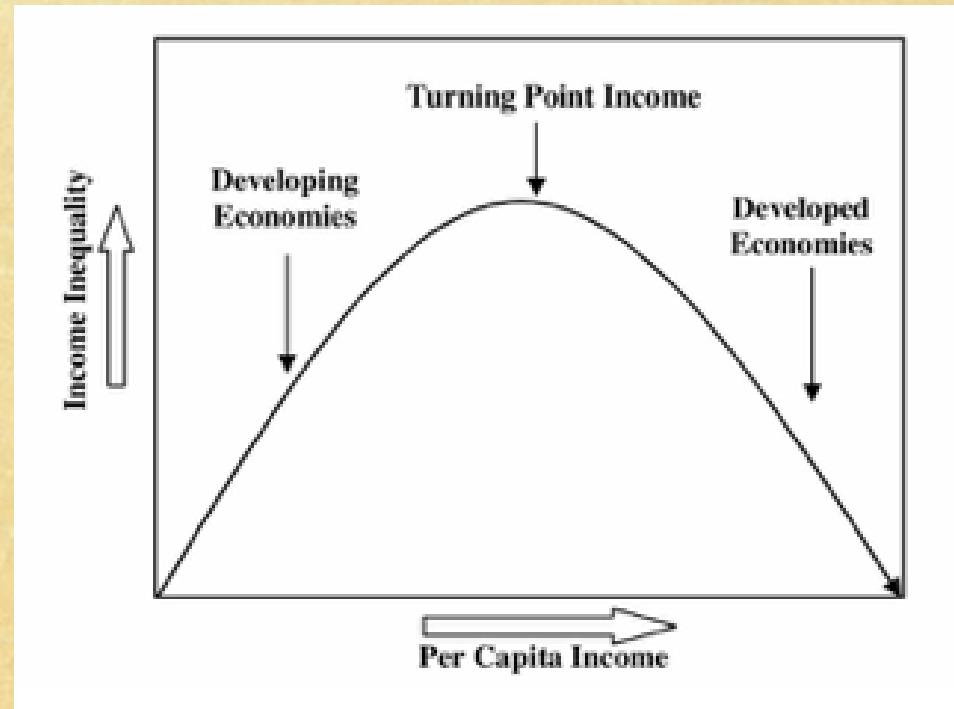
What are we aiming for?

Definitions

- ◆ Different agencies define inclusive growth differently, and often subjectively.
- ◆ Inclusive growth: Good growth with a reasonable level of multi-dimensional equality
 - ◆ **Good Growth:** aiming for non-inflationary, full employment and environmentally sustainable growth which brings a country close to and advances its economic potential.
 - ◆ **Reasonably Equitable:** aiming for a fair distribution of opportunities, assets, access to services and incomes.

Is growth naturally inclusive

- ◆ Kuznets says yes
- ◆ Piketty says no

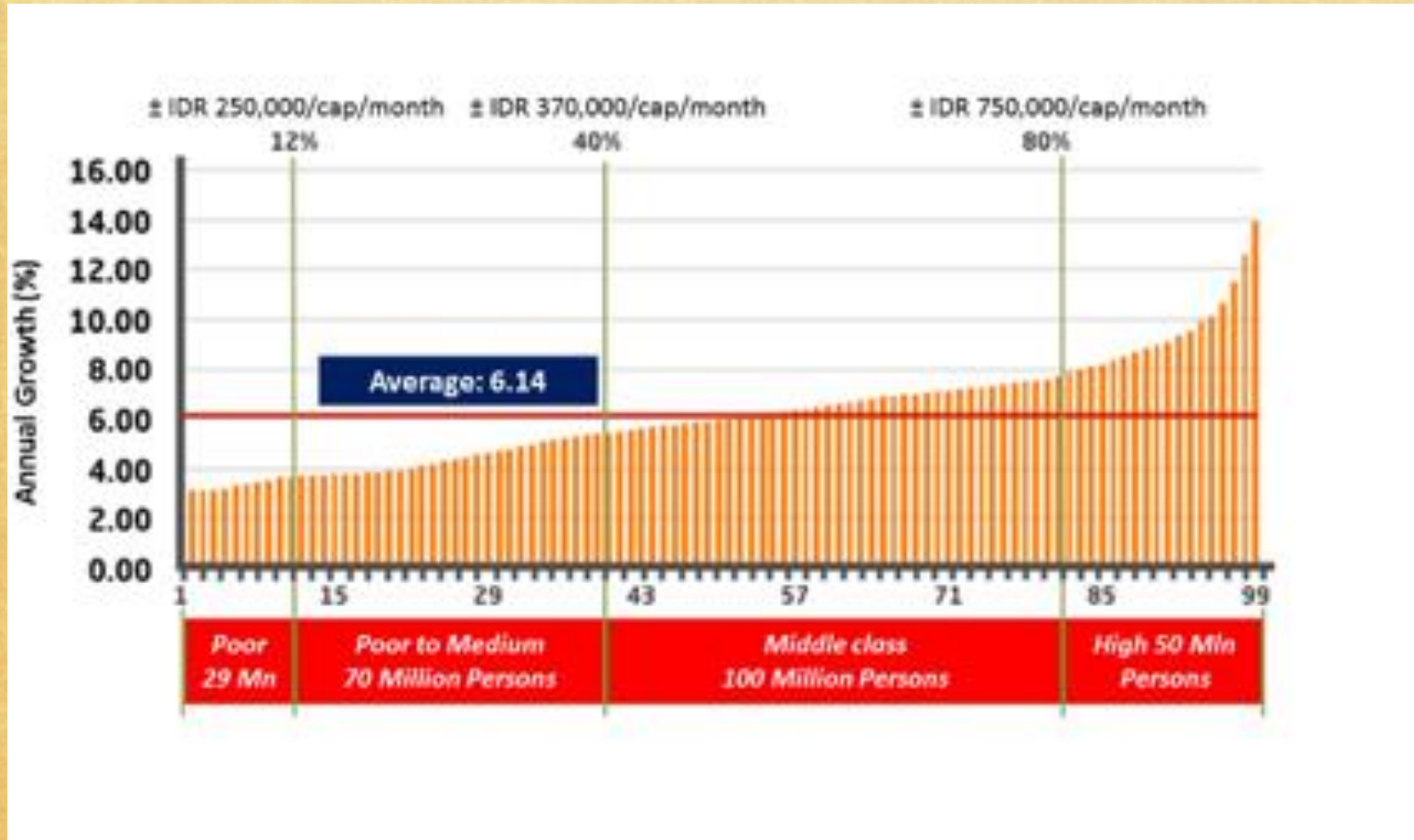


Indonesia Case: Growth has become far less inclusive over time

Indonesia: Consumption Gini

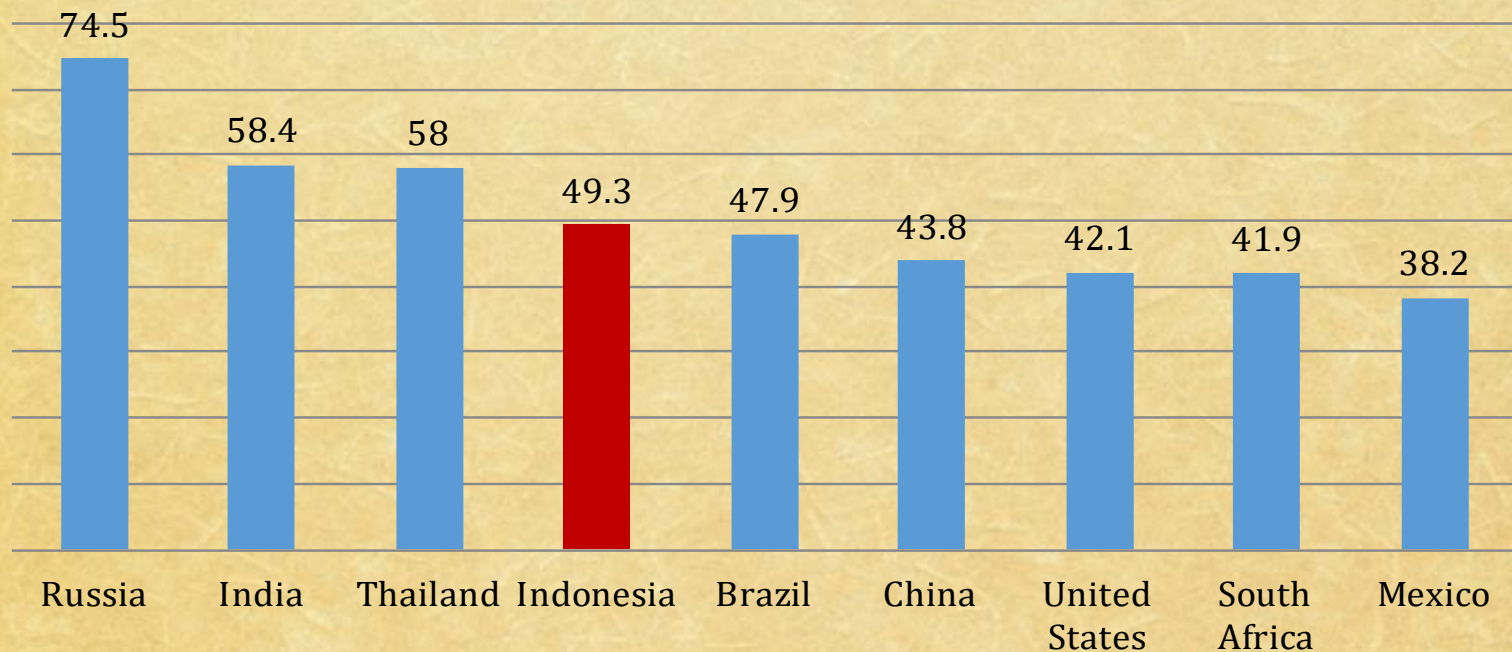


The top earners are racing away from the pack



Wealth inequality is severe

Share of wealth controlled by the top 1 percent, 2016

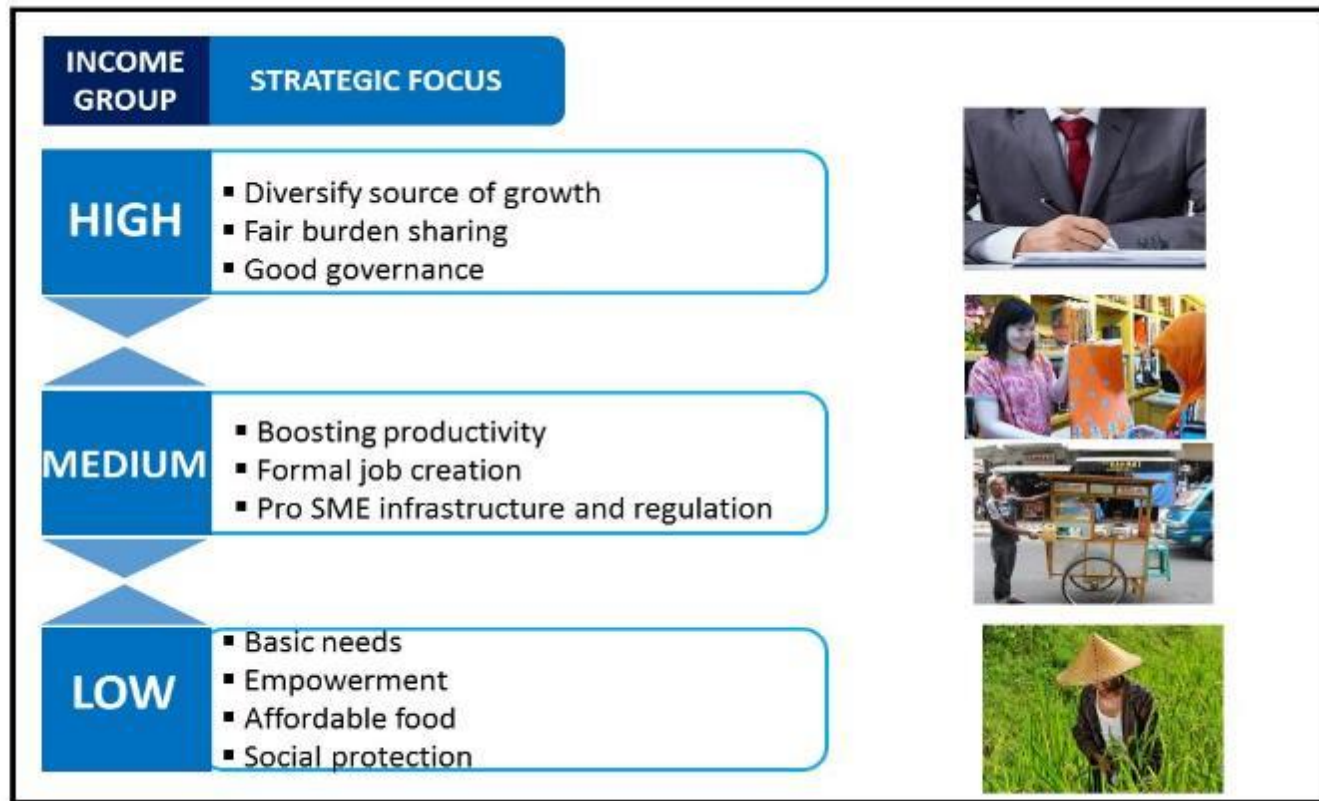


Source: Credit Suisse Global Wealth Databooks, 2016

Why has growth been fairly inequitable?

- ◆ Colonial dualism, KKN, elite capture and differences in starting points
- ◆ Narrow export base and finance and urban property as growth drivers----all have concentrated ownership
- ◆ Dualistic labor market with steady growth in middle-income consumer demand driving demand for low value services
- ◆ Structural transformation not boosting productivity
- ◆ Government revenues and spending not playing a redistributive role
- ◆ Traditional beliefs, attitudes and values

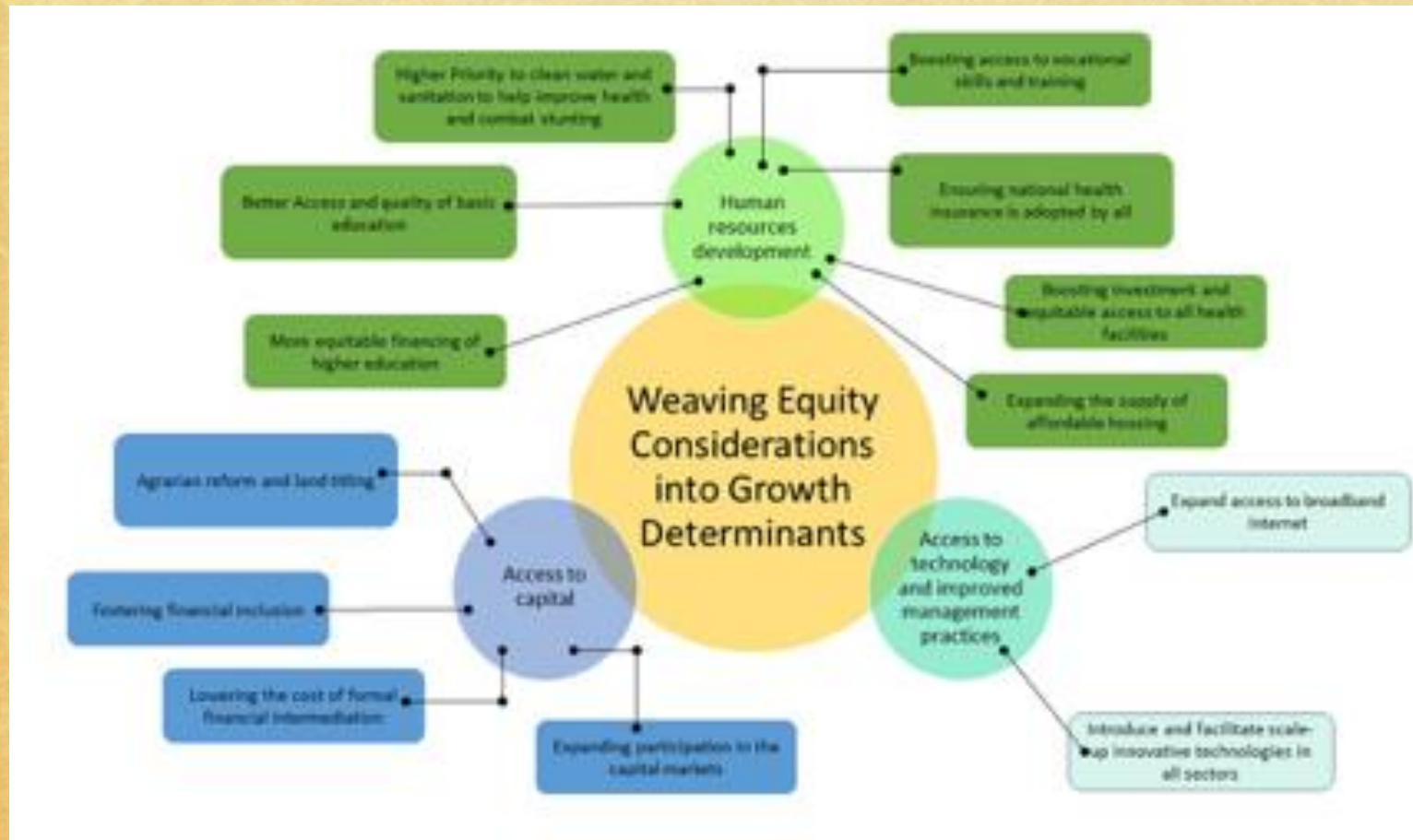
Inclusive Growth: all groups have a role to play



Weaving Inclusion into the Enabling Policy Framework for Growth



Integrating inclusion into the capital accumulation process



Where to start?

- ◆ Distinguish inequality from poverty reduction
- ◆ Ensure all groups contribute to inclusive growth
- ◆ Define medium-term priorities to mainstream equity considerations into the macro-framework and into the capital accumulation process
- ◆ Start with quick wins (quick response game changers)
 - ◆ Tax and social assistance
 - ◆ Subsidized credit and transfers to poorer regions
 - ◆ Agrarian reform including productive land
 - ◆ Easing food trade restrictions