

Comments on "Distributional  
Change in Middle Income  
Countries"

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# Overall Remarks

- All three presentations examine patterns and determinants of inequality in middle income countries – LAC and S Africa.
- LAC provides an interesting contrast to S Africa.
- **Declining labor income inequality in LAC, increasing in S Africa.**
- What role did patterns of economic growth, national policies and labour market institutions play in these divergent trends?
- What lessons can other MIC countries learn from these country experiences?

# A Synthesis

- Labor market institutions mattered a great deal in explaining inequality movements.
- Pattern of economic growth may have mattered more than the rate of growth, but not clear how so for LAC.
- But SBTC seems to play a different role in LAC versus SA – why?
- Why did the education premium fall in LAC – is it due to less demand for skilled workers or increasing supply of college educated workers? Very different implications!
- What about the role of trade? Have Stolper Samuelson effects been more favourable in LAC in the 2000s? (earlier work had shown negative effects)

# Possible Lessons for other MICs

- Possible to reverse increase in inequality, with appropriate government policy (minimum wage increases)
- A word of caution here: possible to do this when the economy is growing.
- While national policies may have mattered for the decline in inequality in LAC, strong economic growth fuelled by the commodity boom may have provided a favourable environment for redistributive policies.
- Pattern of growth matters – S Africa experience shows that a stagnant manufacturing sector along with the growth of a two tier services sector can fuel wage polarisation.
- **S Africa's experience may well be what we see in other MICs, with "tertiarisation"/"financialisation"/" deindustrialisation"**