

Relationship between economic growth, inequality and poverty: an analysis applied to the Spanish regions.

The effects of economic growth on poverty have been largely discussed in the last years. As a matter of fact, it is not straightforward whether economic growth by its own would be able to finish, or at least reduce, poverty. In 1964, for example, Anderson pointed out that economic growth would not eradicate poverty, since individuals with fewer capacities to take advantage of the inherent opportunities of growth would be systematically left out. Thus, they would not be able to reap the full benefits of economic dynamism over time. Although in 2002 Dallar and Kraay reached the conclusion that growth is always good for the poor, other authors such as Kakwani (2000) or Kakwani and Pernia (2004) show that, if inequality increases along the growth process, poverty can even worsen despite the increase of average income.

However, most of the literature on the relationship between growth, inequality and poverty is focused on developing countries. Hence, and also taking into account that growth and poverty links are not clear at all, this dissertation addresses these links and develops some tools to try to deepen the knowledge on this issue. The tools developed are applied to the Spanish regions using the new Survey on Income and Living Conditions (SILC) data set for the Spanish regions, for the period 2003-2005. To this aim, the work is divided in five chapters.

Chapter 1 revisits some important concepts in relation to poverty-related studies. A review of the literature on poverty and inequality in Spain in the reference-period is also carried out.

In chapter 2, the methodology proposed by Kakwani and Pernía (2004), among others, to study if growth is *proo-poor* (that is, whether poor people are able to reap the full benefits of economic growth and become the main winners of income increases) is applied to the Spanish data. Furthermore, this methodology is adapted to analyze how inequality affects to the difference in poverty in different regions or countries.

In chapter 3 a new methodology to study whether economic growth is enough to reduce poverty, based on stochastic dominance with statistical inference is developed. Such a theoretical toolkit is adapted in chapter 4 in order to analyze the effect of income inequality on poverty across regions or countries. In both sections theoretical instruments have been applied to Spanish data sets,

Finally, chapter 5 summarizes the main results, both from a theoretical and empirical point of view. In particular, and from a national perspective, the above-mentioned analysis concludes that between 2003 and 2004 economic growth was *anti-poor*, while it might well be considered as *pro-poor* along the 2004-2005 biannual period.