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The Consumption, Income, and Wealth of the Poorest: An Empirical Analysis of Economic Inequality in Rural and Urban Sub-Saharan Africa for Macroeconomists*

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Abstract

We provide new empirical insights on the joint distribution of consumption, income, and wealth using cross-sectional and panel household-survey data from three of the poorest countries in the world—Malawi, Tanzania, and Uganda—all located in Sub-Saharan Africa (SSA). Our main contribution is to establish the co-existence of two phenomena in SSA: (i) a low transmission from income inequality to wealth inequality (i.e., low accumulation); and (ii) a low transmission from income inequality to consumption inequality (i.e., high consumption insurance). The variation between rural and urban areas in SSA—and between SSA and the United States of America—reveals a negative relationship, and potentially, a trade-off between accumulation and consumption insurance.

JEL: O10; O55; I32; E21

Keywords: Macroeconomy, Consumption, Income, Wealth, Sub-Saharan Africa, Inequality, Cross-Sectional Data, Panel Data, Accumulation, Insurance

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