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An Empirical Note on the Effect of Poverty on Economic Complexity

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Abstract

This empirical note aims to complement the works by Gnangnon (2019) on the effect of poverty on export product diversification in developing countries, and Gnangnon (2021) on the effect of economic complexity on poverty in developing countries. It investigates the latter issue the other way around. In other words, it uses a panel dataset of 135 countries over the period of 1998-2019, and the two-step system Generalized Method of Moments estimator to explore the effect of poverty on economic complexity, which is a strong predictor of economic growth and development. The analysis has revealed that higher poverty levels influence negatively economic complexity, and advanced countries tend to bear a higher negative effect of poverty on economic complexity than relatively less advanced economies. These findings underline the need for fostering efforts at both national and international levels to fight poverty. Through a variety of channels, pro-poor policies would ultimately contribute to greater economic complexity, and consequently promote economic growth and development.

Keywords: Poverty, Economic Complexity, Developing Countries.

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