

Inequality in Bhutan: Addressing it Through the Traditional *Kidu* System

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Abstract

As global inequality is dropping, inequality within countries is rising. The problem of inequality is a cause for concern for nations as it undermines democracy and reduces welfare. Bhutan, a developing country in South Asia, also faces rising inequality. Based on the experience of the *kidu* system in Bhutan, this paper argues that the system is effective in reducing inequality of opportunity. The *kidu* functions as a welfare system in Bhutan, and is under the prerogative of the King of Bhutan. The traditional *kidu* system was reformed by the present monarch of Bhutan in 2006. It was improved with procedures, guidelines and entitlements in place to identify those most needing help. Through a dynamic and systematic organizational set up, it allowed for some form of means-tested social assistance to address inequality of opportunity in Bhutan. Particularly, the educational scholarships and the land reforms forms of *kidu* provides the poor and their future generations to escape from extreme poverty. The *kidu* system in Bhutan is a good example for other developing countries to institute an effective means-testing assistance and integrating a traditional system into the government mechanism.

Keywords: inequality, inequality of opportunity, welfare, *kidu*, means-testing

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1. Introduction

Inequality is a growing concern in almost all countries. As the divide between the rich and the poor widens, countries are facing enormous pressure to tackle inequality as a serious policy concern. Unlike the concept of poverty which focuses on those whose standard of living falls below a certain threshold, inequality is about the variations in living standard across a whole population (McKay, 2002). However, the connection between inequality and poverty is important, as the Kuznet's curve shows the relationship between inequality and per capita income or prosperity as an upside U curve. This means that as per capita income increases, inequality also rises. Once it reaches a certain point, for instance when a country has become fully industrialized and citizens demand redistribution from their government, inequality declines. In recent years, however, the inverted U curve has turned to an italicized N as inequality has started to increase again (Beddoes, 2012).

The definition of inequality can take different forms. The first form is between absolute and relative inequality where absolute inequality is the absolute differences whereas relative inequality is the relative differences in incomes. A second form is between horizontal and vertical inequality, where horizontal inequality is between groups and vertical inequality is among households or individuals. Whether or not inequality is good or bad for a country is debatable. The argument for inequality is based on a libertarian or what Mankiw (2013, p. 32) describes as a 'just deserts' perspective where people receive compensation congruent to their contributions, and that every individual earns the value of his or her own marginal product without the government altering the income distribution. On the other hand, there are strong arguments against inequality. Some of the main arguments are that inequality undermines democracy and reduces welfare. As Doyle and Stiglitz (2014, p. 7) argue, 'full equality is not a goal', and while some economic inequalities may be conducive to economic growth, extreme inequality will have harmful social, economic and political effects.

Despite the differing views on equality of income, there is explicit understanding that focus should be on equality of opportunity. This paper argues that Bhutan, a developing country located in South Asia, faces rising inequality levels. It then examines how the traditional *kidu* system is effective in reducing inequality of opportunity in Bhutan. The most common measure of inequality is the Gini coefficient. It uses the Lorenz curve, which examines the relation of the income of the country against the cumulative population. How far the income distribution of a country lies below the curve determines the inequality of a country. A Gini of 0 represents perfect equality and 1 is perfect inequality. Presently, the Gini coefficients ranges between 0.27 in Sweden and 0.63 in South Africa (World Bank, 2018). Bhutan's Gini increased from 0.36 in 2012 to 0.38 in 2017. As Bhutan's pace of economic development picks up, inequality is likely to increase, and will pose to be a major policy problem for the country.

The government of Bhutan provides free health and education to all its citizens. While such services have benefited its population, there are some people who fall through the system. Currently, within the government structure, there is no system to cater to the needs of such people who are left out of the government's social policies. With an increase in the ageing population, unemployed youth and changing family structure the number of people who are going to be adversely affected is growing. The only formal mechanism in place in Bhutan to cater to this group of people is through the traditional *kidu* system. According to Shaw (2015, p. 1), the original Tibetan concept of *kidu* has been defined as "welfare, self-help and assistance", and in the context of Bhutan, the concept is closely linked to the "moral authority of the monarch with the economic needs of the public". The Constitution of Bhutan specifies that the prerogative of granting *kidu* lies with His Majesty. The Fifth King of Bhutan, Jigme Khesar Namgyel Wangchuck (r. 2006 – present) reformed the traditional *kidu* system to be more proactive. In addition to the earlier option of people submitting their requests for all types of welfare support, there are mechanisms to identify those who require

kidu. This paper explores these processes of identifying people who require *kidu*. Bhutan's *kidu* system provides an opportunity to explore strategies that can be used as a form of means-testing to reduce inequality of opportunity. It also presents an opportunity to highlight, as an example, how alternate systems functioning outside the government system can be integrated to reduce inequality.

2. Inequality as a Global Problem

Global inequality is now falling, however, inequality within countries is rising. This trend is particularly visible in most of the developed countries where the Gini coefficient in the mid-2000s compared to the mid-1980s has significantly increased (OECD, 2011). In developing countries, the picture is more mixed, but inequality is growing in the larger countries (Hoy & Samman, 2015). While economic forces are partly responsible for increase in gaps between the rich and poor, another major factor is the result of public policy choices, such as taxation, the level of minimum wage and the amount invested in health care and education (Doyle & Stiglitz, 2014). One of the main problems associated with inequality is that it reduces welfare. Based on the principle of diminishing marginal utility, an extra unit of income is worth more to a poor than a rich person. The job of the government, therefore, is to redistribute income from the rich to the poor. Inequality also reduces welfare due to relative deprivation or loss of status. There are two ways to examine inequality: inequality of outcomes and inequality of opportunities. Inequality of outcome, is the inequality resulting from the economic, demographic and social process which generates the distribution of income (Lefranc, Pistoiesi, & Trannoy, 2008). One of the causes of inequality of outcomes is income segregation. Income segregation refers to the 'uneven geographic distribution of income groups within a certain area' (Reardon & Bischoff, 2011, p. 1093). For instance, lower income households live in neighbourhoods with lower average incomes than higher income households, and are likely to be disadvantaged not only by the difference in their own incomes but by differences in their respective neighbour's incomes

(Saxonberg & Sirovatka, 2009). Inequality of opportunity is when a person's chances of getting ahead, for example, attaining an education or getting a good job, is related to socially ascribed characteristics such as race, gender or socioeconomic origin (Breen & Jonsson, 2005). When studying unequal opportunities, it is important to separate the determinants of a person's advantage into "circumstances" and "efforts" (Bourguignon & Ferreira, 2007). Circumstances are factors which are economically exogenous to the person, such as her gender, race, family background or place of birth, and they may affect a person's outcomes but cannot be influenced by the individual. Efforts are outcome determinants which can be affected by individual choice. Thus, a way to understand the concept of inequality of opportunity is in a situation where everyone shares the same set of circumstances, and an equal opportunity policy is one that provides a level playing field for the entire population.

The two concepts of inequality share some commonalities and distinctions. The distinction between inequality of opportunity and inequality of outcomes is important. Ferreira and Gignoux (2011) offer three sets of reasons. Firstly, there is an increasing view that it is inequality of opportunity, and not outcomes, which should inform the design of public policy. Secondly, if the degree of inequality of opportunity affects popular attitudes to outcome inequality, then it may affect beliefs about social fairness and attitudes to redistribution. Thirdly, inequality of opportunity might be a more relevant concept than income inequality for understanding why and whether aggregate economic performance is worse in more unequal societies. In terms of commonalities, equality of opportunity is related to the degree of equality of outcome. Higher inequality of outcome increases the incentives to intergenerational mobility and raises the constraints to mobility, and thereby decreases equality of opportunity (Lefranc et al., 2008). Inequality of outcomes in the present is likely to place family background a prominent role over hard work in determining outcomes (Corak, 2013). Countries with greater inequality of incomes also tend to be countries in which a greater fraction of

Inequality in Bhutan

economic advantage and disadvantage is passed from parents to their children. Doyle and Stiglitz (2015) contend that those born into the bottom of the economic pyramid are unable to reach their potential, and thus reinforcing the correlation between inequality and slower economic growth. Many authors (cf. Bourguignon & Ferreira, 2007; Ferreira & Gignoux, 2011) argue that inequality of opportunity is important to address inequality of outcome.

Most of the inequality observed around the world is associated with rent-seeking which undermines economic efficiency, but the worse dimension of inequality is the inequality of opportunity, which is both the cause and consequence of inequality of outcomes (Doyle & Stiglitz, 2014). Inequality of opportunities causes economic inefficiency as well as reduced development as large number of individuals are unable to live up to their potential. Bourguignon and Ferreira (2007) also notes that opportunity rather than income or observable outcome has remained relatively rare and the measure of inequality of opportunity is challenging. There are broadly four responses that can be undertaken to address the issue of inequality. The first is fiscal reforms, which have become less redistributive as the expenditure side does most of the redistribution. In general, there is less scope for fiscal response to inequality in developing countries as they have smaller governments and regressive tax system. For example, the weight of individual taxes on incomes as a percentage of GDP is 2.5 percent in China, 1.6 percent in Latin America and 0.5 percent in India, while the average for OECD countries is around nine percent (Bourguignon & Ferreira, 2007). Nevertheless, developing countries can expand social safety nets including conditional cash transfers, provide cash incentives for low income families and develop and reform their tax system. Second set of reforms are economic reforms. These reforms include increasing the minimum wage and strengthening collective bargaining. Such reforms can be good for those with job but potentially problematic for those without. Economic reforms could also include regulating the financial sector and capital flows, deregulating monopoly sectors and

deglobalization by putting tariff barriers in developed countries, and improving access to markets. The third reform is service delivery reforms. It includes spending more on basic service delivery, spending more on what matters most for opportunity (such as pre-school programs), promoting access for the disadvantaged (e.g. scholarships for girls and subsidizing best teachers to teach in the worst schools), and improving service delivery quality. Fourth is social reforms. This can include reforms like addressing discrimination through policies such as affirmative action, etc. or by government intervening in social fabric by strengthening or substituting the traditional family.

3. Rising Inequality in Bhutan

Inequality in Bhutan has received some attention in recent years. As we saw in the earlier section, Bhutan's Gini has increased between the period 2012 to 2017. While Gini is a useful way to determine inequality, the coefficient by itself does not provide a meaningful interpretation of inequality. The trend in the rise or fall of the Gini over a period is important. Another useful way of determining inequality is to compare the consumption pattern of the population. In Bhutan, the top 20 percent consume almost seven times more than the bottom 20 percent and a person in the top 10 percent consumes 1.6 more times than the person in the bottom 40 percent of the population (NSB, 2017). The inequality trend is higher in the urban areas as compared to rural areas. Gini based on expenditure for both the urban and rural areas was estimated at 0.32 in 2007, and in 2012, it had increased to 0.35 for the urban area and 0.34 for the rural area (Tobden, 2017). As of 2017, the shares of the poorest quintile in urban and rural areas were almost similar; however, the share of the richest quintile in the rural areas was higher than that of the urban areas (NSB, 2017).

Poverty is still widespread in Bhutan with a third of the population identified as poor, and this is mainly confined to the

rural areas where close to 70 percent of the people live (Santos, 2013, p. 287). The main causes of poverty in Bhutan are health status and literary attainment. Unequal access to health and education compounds the problem of inequality in Bhutan. In a recent report (NSB, 2017), of the people who reported some sickness or injury, only 60 percent of the poor were likely to visit a medical facility as opposed to 70 percent of the rich. The difference was even more stark when visiting a regional or national referral hospital where only 7 percent of the poor, as opposed to 24 percent of the non-poor, made extra efforts to get referred. Unequal access to education also contributed to inequality in Bhutan. Education is an important factor and accounted for 17-18 percent of total inequality in 2007 and 2012, and the mean expenditure where the head of the household has a graduate degree is three times more than those with no formal education and twice that of those with less than a graduate degree (Tobden, 2017). Another indicator that captures the degree of inequality is the Human Opportunity Index (HOI), which is computed by multiplying the coverage rates by a measure of the dispersion of access across the relevant groups (Rama, Bêteille, Li, Mitra, & Newman, 2015). The HOI ranges from 0 to 100 where 0 is when nobody has access and 100 is when everybody has access. In a comparative study of various developing countries in Asia, Bhutan's HOI is lower than 80 and is at the bottom of the ranking just above Pakistan and Sri Lanka for inequality of opportunity in primary and secondary education (Son, 2012). The other countries included, mentioned in terms of their ranks, are Indonesia, the Philippines, Vietnam, and Bangladesh. The main reasons attributed for Bhutan's dismal performance is due to its geographical circumstance, where terrain makes rural and remote areas inaccessible. Progress in access to education in rural areas continues to remain a challenge and there are many areas where few children attend school and many of these places also have high poverty rates (NSB & World Bank, 2010). This rural-urban residence divide is the most important circumstance followed by per capita household expenditure (Son, 2012).

Bhutan has done well to reduce poverty levels. The last decade has shown remarkable reductions, even compared to global rankings in the rate of poverty reduction where it dropped from 23.2 percent in 2007 to 8.2 percent in 2017 (NSB, 2017). Bhutan's holistic approach to development has led to reduction in poverty through access to roads, electricity, water, sanitation and education (Santos, 2013). Provisions in the Constitution for the government to provide free access to basic health services in both modern and traditional medicines (Article 9 (21) of the Constitution) and free education to all children of school going age up to tenth standard (Article 9 (16) of the Constitution) mandate the government to undertake policies that reduce such forms of inequality of opportunities. Such 'pro-poor' policies and the planned investments made by the government have been successful in reaching the poor people (Santos, 2013, p. 287). However, challenges continue to persist. The rural areas continue to have significantly higher poverty than urban areas (NSB, 2017) and challenges also remain in reaching out to the poorest poor (Santos, 2013).

4. The *Kidu* System in Bhutan

The *kidu* system in Bhutan is steeped deeply in its tradition. Shaw (2015) speculates that this concept could have been brought into Bhutan in the 17th century, and as communities grew the need for social protection also became necessary. The concept of *kidu* became an integral part of the system during the 1950s when His Majesty the Third King of Bhutan (r.1956 – 1972) initiated land and social reforms, such as abolishing slavery (Shaw, 2015, p. 5). Over the last few decades, *kidu* has been a prerogative of His Majesty the King. In 2008, the Constitution explicitly included that land *kidu* and other *kidus* may be granted as per the Royal prerogatives. Land *kidu* was a major initiative as a source of income and a way of helping the poor people (Shaw, 2015). Through the 1970s land has been distributed to the landless and the poor during the reign of His Majesty the Fourth King of Bhutan (r.1972 – 2006). In his first address to the 86th National Assembly as the Fifth King of Bhutan, he stated that *kidu* was a sacred duty of the King and

all *kidu*-related problems would be resolved. Land *kidu* was specially identified as the major concern of the people. This was also the time when the traditional *kidu* system was reformed and professionalized to provide *kidu* to those most needing it. Procedures, guidelines and entitlements were put in place to identify the poorest of the poor (Pem, 2010).

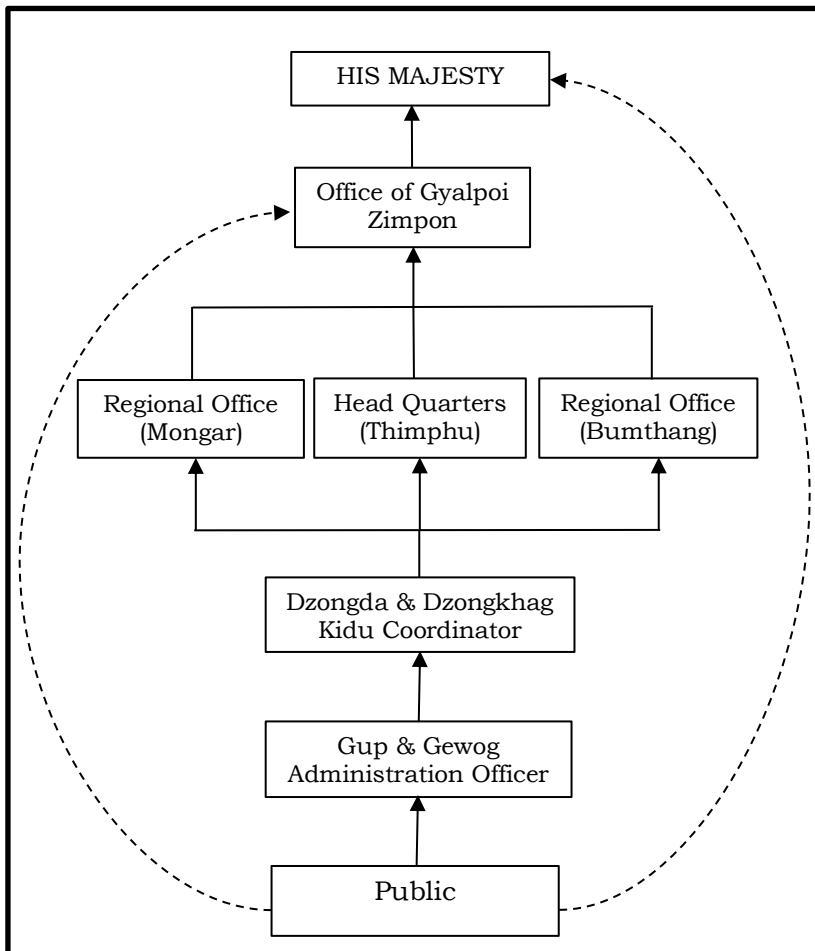
Four main categories of *kidu* were identified and established: *kidu* for the destitute, the impoverished, poor students and the landless (Penjore, 2015). Basically, the first three categories were income supplements where a living allowance was provided. The ‘destitute’ and ‘impoverished’ categories included orphans, children raised by single parent or relatives, children of landless farmers, children born to families with no or little cash income, disabled children with no support and old people without any source of income or family to support them. The poor students included children from families who are poor and cannot afford to send their children to school despite the free education provided by the government. Generally, these families received a fixed amount each year depending on the student’s level of education. The fourth category, that is, those without any land, has been the major *kidu* granted in recent years. These group of *kidu* recipients included disabled and old with no children or relatives, homeless people with no source of income and those who face acute food insecurity (Penjore, 2015). In addition to those without land, land *kidu* was also granted as a part of the major land reform initiated. Besides these four main categories of *kidu*, there were also other forms of *kidu* that were granted during times of disaster, land rehabilitation, providing medical treatment both within the country and abroad, pardoning and reducing of prison sentences, education scholarships, and granting citizenships.

When the *kidu* system was reformed, His Majesty the Fifth King commanded that it must be professionalised and based on principles of equity and on proactive and rigorous selection criteria (Gyamtsho, 2008). To streamline and put a functioning *kidu* system in place, two offices were established in Central Bhutan (Bumthang) and Eastern Bhutan (Mongar) (refer to

Figure 1). These two offices covered the 12 *dzongkhags* in Central and Eastern Bhutan. The main office in Thimphu, the capital city, was responsible for the *dzongkhags* in Western and Southern Bhutan, as well as urban-related *kidu* in Thimphu city. The main office and the regional offices worked through the existing government administration to establish a strong network of people who could reach out to all corners of the country (Pem, 2010). At the *dzongkhag* (district) level the network included the 20 *dzongdas* (district administrators) and 20 *dzongkhag kidu* coordinators, and at the *gewog* (block) level 205 *gups* (village heads) and 205 *gewog* administrative officers. These officials are part of the local governments and the function of *kidu* is one of their many functions. Figure 1 shows the set-up of the *kidu* system and how the public can access *kidu*. Unlike the previous system where people had to travel to Thimphu to make a *kidu* submission, with the new system people could now make their submissions to the *gup* or the *gewog* administrative officers in their own communities. The *gups* and *gewog* administrative officers could also take the initiative to identify those who require *kidu* and make the submissions on their behalf. Based on a set of criteria identified by the Office of *Gyalpoi Zimpon*, the submissions are whetted at the *dzongkhag* level either by the *dzongda* or the *dzongkhag kidu* coordinator before being submitted to the regional offices and finally to His Majesty through the Office of *Gyalpoi Zimpon*. To ensure that the submissions are not delayed or lost in the process an integrated information management system was developed at the back-end. The *Kidu* Information System database was developed by collating information from various agencies such as the National Land Commission, Department of Immigration, and other key agencies. This also meant that the Office of *Gyalpoi Zimpon* liaised with various agencies to ensure that the right people were getting access to *kidu*. Alternately, as indicated by the dashed lines in Figure 1, the public can also submit their petitions directly to His Majesty and the Office of *Gyalpoi Zimpon*. A common sight during His Majesty's many tours to

various parts of the country are the people waiting along the road or trekking path to submit their petitions.

Figure 1: *Kidu System*



5. *Kidu* System as a Way of Addressing Inequality in Bhutan

The *kidu* system as set up by His Majesty the Fifth King has been an effective policy intervention in addressing inequality in Bhutan. Although the government continues to strive to reduce poverty through its universal access to health and education policies and infrastructure and other rural-based policies, there are still people who fall through the cracks. The *kidu* system targets this group of people whose needs are not addressed by the government's universal social policies. It was His Majesty's vision to ensure that the *kidu* system should work as a social safety net with social and economic roles (Gyamtsho, 2008).

The new *kidu* system and the organizational set up has allowed for some form of means-tested social assistance to address inequality of opportunity in Bhutan. Brodtkin and Majmundar (2010) point out that organizations operate as the gateway to public benefits as they are formally authorised to adjudicate claims, interpreting and applying eligibility rules in the process. For such a system to exist within Bhutan's government is challenging since it already provides universal access to basic services and needs. Targeting specific segments of the population even if the needs are genuine can be subject to undue political influence. Such scenarios can lead to situations where politics becomes a battle over control of the state and its resources for personal gain, such as handing out patronage and getting bribes for political favours (Saxonberg & Sirovatka, 2009). Fortunately, the *kidu* system operates outside the political spectrum, and it does not have to succumb to such political pressures. Additionally, working through the government system is likely to encounter cumbersome processes and rules to determine eligibility. A central premise is that social policies are not self-executing but depend on organization practices for their production, and that processing rules may be quite extensive, requiring numerous appointments at welfare offices and presentation of documents for verifying eligibility (Brodtkin & Majmundar, 2010). It can be

argued at a first glance at Figure 1 that the process in the new *kidu* system is as cumbersome with several layers. While each level aids in the whetting process and establishes accountability to the submissions made, the turnaround is quicker. The direct access to His Majesty and Office of *Gyalpoi Zimpon* also provides alternate avenues in cases of delay or urgency, thus reducing the extensive and cumbersome process of accessing *kidu*.

The *kidu* system fills in the vacuum left by the government, market and the community sectors in Bhutan towards addressing inequality. Families tend to be the last safety net in the absence of any means-tested social assistance in Bhutan (Schmähl, 2002). In situations without any family members to fall back on, people can be left vulnerable. The market in Bhutan is not able to satisfy the needs of the multi-dimensionally poor (Santos, 2013). The poorest households are unable to participate in the public policy process leading to social and economic exclusion (Dorji, Jamtsho, Gyeltshen, & Dorji, 2013, p. 90). This is where the *kidu* steps in, in the absence of a means-tested social assistance system. Generally, the main approaches to a means-testing is through an income and assets tests, or some combination of the two, and the interaction between these and the income tax system (Saunders, 1999). There are only 78,964 personal income tax payers in Bhutan as of 2017, which is approximately 10 percent of the total population (Rinzin, 2017). Any form of income test in Bhutan would not include a large segment of the population, irrespective of whether or not they are poor and deserving of social assistance. There is scope for reforms in the income tax policies to address inequality, particularly as Bhutan continues to develop economically. The current personal income tax structure is based on a system of progressive slabs of 10, 15, 20 and 25 percent (Mohammad & Kvintrade, 2014). The tax rate for the high-income group can certainly be increased as it is one way to reduce inequality. Piketty (2013) proposes a fiscal reform that includes 80 percent tax rate on incomes over \$0.5 or \$1 million (M), which is not to raise revenue but to reduce executive remuneration, and a

progressive global tax on capital, combined with high level of international financial transparency. However, any harsh policy changes related to income needs to be mindful of negative effects on entrepreneurship (Mankiw, 2013) and encouraging fraudulent practices and improper disclosure of information (Saunders, 1999). Any fiscal reform solely for purposes of income-testing in Bhutan may require a major policy initiative, and in fact may not be necessary. Part of the reason is because the current identification system of the poor for *kidu* serves as a simple yet efficient way to identify those who are in need of intervention. In addition, the funding for *kidu* is operated and sourced outside of the government's budget. So, there is no conflict with the government-of-the-day's functioning. Further, the "means-testing" of deserving people is based on a set of procedures and guidelines. The appointment of *kidu* coordinators at the community level helps in ensuring a targeted approach through observations over a period and gathering information from other community members.

At this stage, it may be pre-emptive to declare that *kidu* has been successful in addressing inequality of opportunities in Bhutan. Measuring the outcome of inequality of opportunity is challenging (Bourguignon & Ferreira, 2007). The outcomes of the *kidu* interventions such as education scholarships and land grants can only be determined in the long-term. Nevertheless, some output indicators of the success of *kidu* in Bhutan can be gleaned from these statistics. In 2010, more than 400 poor individuals and households and over 4,000 poor children were recipient of *kidu* (Penjore, 2015). As of 2015, 9,287 acres of land was granted as land *kidu* to 7,947 households. A total of 123,071 acres of land was granted as *kidu* to 102,336 beneficiaries in 13 *dzongkhags* since 2010 (Penjore, 2015). These numbers are likely to be higher and a study to determine the impacts of each of the *kidu* in the near future may be desirable. Such interventions that target inequality of opportunities acts as the missing link between the concepts of income inequality and social mobility and eases intergenerational mobility (Corak, 2013). Particularly in

Bhutan, access to education and land by one generation helps in raising the income status of the subsequent generation. Therefore, such forms of interventions address inequality of opportunities and requires compensating people for disadvantages related to circumstances so the distribution of outcomes can be entirely attributed to efforts (Rama et al., 2015).

6. Conclusion

As inequality becomes a problem for all countries, developing country like Bhutan will find it difficult to deal with the challenge. Poverty continues to be a major concern for such countries, and inequality further aggravates it. Governments are unable to effectively deal with the problem of inequality due to the lack of focus or the resources. Bhutan's government faces a similar issue. Despite providing free basic health care and access to education, there are people who still suffer from extreme poverty. Socio-economic changes, such as the rural-urban divide and increase in urban poverty, are taking place amidst the rapid economic growth in Bhutan. As a nascent democratic country, Bhutan's government faces multiple challenges. Currently, there are no specific policies to deal with inequality. The responsibility and the gap is filled by the traditional *kidu* system, which operates under the monarchy. Under the Fifth King, the *kidu* system was reformed to make it proactive and wider in its scope. The categories of *kidu*, ranging from supplementing income to granting land, were increased. A systematic organization was created to manage the increased mandate. The Office of *Gyalpoi Zimpon* with its regional offices and extended networks using the government officials in the *dzongkhags* and *gewogs* were responsible for identifying and ensuring that *kidu* reached out to the deserving people.

The *kidu* system with its targeted approach is an effective mechanism to identify the poor people who need assistance throughout the country. It serves as a means-tested social assistance system combining both an objective as well as

subjective approach. Such a combination helps in distinguishing circumstance from effort in dealing with inequality. The *kidu* system is an effective strategy to reduce inequality of opportunity. The various forms of *kidu*, particularly educational scholarships and the land reforms for the poorest of the poor, provides these groups of people and their future generations an opportunity to escape for extreme poverty. While a proper analysis is required to examine some of these long-term impacts of *kidu*, the number of people receiving such forms of support has increased since the new *kidu* system was established. The lessons from the *kidu* system in Bhutan has broader implications for other developing countries, especially those whose institutions are steeped deeply in their traditions. It provides an example of using an effective means-testing assistance and integrating a traditional system into the government mechanism. As countries try and tackle the problem of inequality, such strategies can only serve as useful policy options.

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Inequality in Bhutan

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