

Appendix A: Sample Countries and Summary Statistics on Estimated Household Income Inequality Gini Index Score

Country	Mean EHII	Standard deviation EHII	Observations
Afghanistan	42.43	2.43	15
Albania	41.15	10.57	8
Algeria	38.52	2.48	28
Angola	53.93	3.48	6
Argentina	43.95	1.45	11
Armenia	52.91	4.99	5
Australia	33.06	2.78	35
Austria	34.40	1.27	37
Azerbaijan	40.88	3.29	5
Bahamas	50.00	1.24	3
Bahrain	53.16	–	1
Bangladesh	42.87	2.74	26
Barbados	44.00	1.49	28
Belgium	35.05	1.66	30
Belize	47.24	0.64	2
Benin	49.12	1.18	7
Bhutan	49.86	–	1
Bolivia	47.40	3.03	30
Bosnia and Herzegovina	36.95	2.12	2
Botswana	46.52	1.07	15
Brazil	47.02	1.02	5
Bulgaria	30.75	4.91	36
Burkina Faso	45.09	2.50	10
Cameroon	50.96	4.66	24
Canada	35.65	1.40	37
Cape Verde	35.51	3.33	2
Central African Republic	47.96	2.93	19
Chile	45.28	2.49	37
China	30.99	1.31	10

Colombia	44.02	0.73	37
Republic of Congo	52.05	1.31	14
Costa Rica	41.44	1.80	18
Cote d'Ivoire	47.79	1.27	22
Croatia	33.64	2.36	11
Cyprus	41.45	2.62	37
Czech Republic	21.15	0.90	29
Denmark	30.61	0.52	36
Dominican Republic	46.74	2.02	23
Ecuador	45.31	2.64	37
Egypt	42.23	3.01	36
El Salvador	45.55	2.59	29
Equatorial Guinea	50.34	1.23	2
Ethiopia	44.09	1.60	9
Fiji	43.23	3.22	27
Finland	32.04	1.34	37
France	34.02	0.89	17
Gabon	49.43	4.25	8
Gambia	44.95	1.74	8
Ghana	50.78	2.14	28
Greece	41.96	1.53	37
Guatemala	48.83	3.82	26
Haiti	46.80	1.73	21
Honduras	45.90	2.20	26
Hong Kong	29.41	5.46	27
Hungary	30.49	4.65	37
Iceland	34.14	1.40	29
India	8.40	1.48	37
Indonesia	48.67	2.11	29
Iran	43.09	5.30	30
Iraq	43.18	2.18	27
Ireland	37.85	1.86	36
Israel	39.20	2.81	34
Italy	36.91	1.58	32
Jamaica	49.93	3.58	27
Japan	36.16	1.97	37
Jordan	48.00	1.68	32
Kenya	49.26	1.42	36
Republic of Korea	39.49	2.69	37
Kuwait	52.20	2.41	31
Kyrgyzstan	44.85	1.47	6
Latvia	28.59	7.28	6
Lesotho	50.00	3.63	7
Liberia	50.04	1.37	3
Libya	44.19	4.02	17
Lithuania	39.77	2.31	5

(Continued)

Country	Mean EHII	Standard deviation EHII	Observations
Luxembourg	31.32	1.69	32
Macao	26.19	3.33	20
Macedonia	37.67	2.85	10
Madagascar	45.01	3.21	22
Malawi	49.36	3.31	32
Malaysia	41.23	2.40	32
Malta	35.03	3.00	34
Mauritania	54.85	2.07	2
Mauritius	42.16	4.14	32
Mexico	42.90	1.53	30
Moldova	36.15	7.85	9
Mongolia	57.32	6.06	5
Morocco	48.43	1.20	26
Mozambique	52.25	3.08	14
Myanmar	45.93	3.58	10
Namibia	43.28	–	1
Nepal	47.45	2.58	9
Netherlands	33.52	1.63	37
New Zealand	34.65	3.23	34
Nicaragua	41.81	1.60	21
Nigeria	45.29	2.24	26
Norway	32.28	1.35	36
Oman	50.37	0.69	6
Pakistan	45.76	2.08	30
Panama	46.68	1.69	35
Papua New Guinea	49.79	1.76	27
Paraguay	40.11	–	1
Peru	48.16	2.36	12
Philippines	46.65	1.39	35
Poland	31.32	4.36	30
Portugal	40.04	2.25	27
Puerto Rico	45.11	3.38	15
Qatar	54.53	1.55	8
Romania	30.20	2.17	12
Russia	40.01	1.74	6
Rwanda	48.68	3.56	12
Samoa	48.69	0.21	2
Saudi Arabia	53.67	–	1
Senegal	44.11	4.81	24
Seychelles	36.16	2.39	11
Sierra Leone	53.95	4.91	2

Singapore	39.00	4.19	37
Slovak Republic	33.57	2.64	6
Slovenia	28.98	3.47	12
Somalia	46.52	2.13	14
South Africa	43.35	1.15	33
Spain	39.48	1.35	37
Sri Lanka	45.83	2.20	17
St. Vincent and Grenadines	53.50	0.89	2
Sudan	46.67	–	1
Suriname	45.80	2.36	20
Swaziland	49.19	2.61	26
Sweden	29.19	3.12	37
Syria	45.31	5.16	36
Taiwan	31.60	1.56	25
Tanzania	48.91	2.47	23
Thailand	48.45	2.68	19
Togo	49.32	3.41	14
Tonga	46.46	2.83	15
Trinidad and Tobago	49.07	3.44	23
Tunisia	46.70	2.03	25
Turkey	43.97	2.06	36
Uganda	50.16	4.04	14
Ukraine	36.80	4.75	9
United Arab Emirates	45.70	3.14	4
United Kingdom	32.47	2.55	33
United States	36.56	1.99	37
Uruguay	41.71	2.53	24
Venezuela	44.38	2.63	32
Yugoslavia	42.07	2.20	5
Zambia	47.19	1.57	18
Zimbabwe	45.27	1.71	36

Appendix B: The Relationship between Regime Change and Economic Inequality in Selected Countries, 1960–1999

Country	Year	A to ID	ID to CD	CD to A	CD to ID	ID to A	Inequality at t	Inequality at $t + 5$
Albania	1990	X					30.69	51.23
Albania	1996					X	46.75	47.58
Albania	1997	X					44.77	47.58
Argentina	1973	X						
Argentina	1976					X		
Argentina	1983	X					41.13	44.35
Armenia	1996					X	47.77	
Armenia	1998	X					47.26	54.19
Azerbaijan	1992	X					40.88	
Azerbaijan	1993					X		
Bangladesh	1974					X	40.3	41.23
Bangladesh	1991	X					48.22	
Benin	1963					X		49.71
Benin	1991	X						
Bolivia	1982	X					46.31	48.78
Brazil	1964					X		
Brazil	1985	X						
Bulgaria	1990	X					27.34	39.49
Burkina Faso	1977	X					43.54	43.6
Burkina Faso	1980					X	42.78	43.59
Central African Republic	1993	X					51.98	
Chile	1973					X	39.71	44.01
Chile	1989	X					46.86	45.68
Republic of Congo	1963					X		51.89
Republic of Congo	1992	X					52.38	
Republic of Congo	1997					X		
Croatia	1999	X						36.41

Cyprus	1963			X	47.04	44.43
Cyprus	1968	X			44.43	41.96
Cyprus	1974		X		44.67	40.85
Czech Republic	1990	X			20.58	22.22
Dominican Republic	1962	X				48.08
Dominican Republic	1963			X	43.78	47.58
Dominican Republic	1978	X			47.14	47.37
Ecuador	1961			X		47.1
Ecuador	1968	X			45.45	43.34
Ecuador	1970			X	45.47	41.38
Ecuador	1979	X			42.18	44.43
El Salvador	1982	X			42.49	44.78
Equatorial Guinea	1969			X		
Ethiopia	1993	X			43.3	44.88
Fiji	1987			X	46	47.13
Fiji	1990	X			47.43	48.03
France	1969		X			33.36
Gambia	1994			X		
Ghana	1970	X			51.51	
Ghana	1972			X	53.07	50.88
Ghana	1979	X			51.18	47.74
Ghana	1981			X	50.49	55.16
Ghana	1996	X				53.17
Greece	1967			X	42.15	40.8
Greece	1974	X			40.94	41.44
Greece	1975		X		40.92	41.62
Guatemala	1966	X				47.08
Guatemala	1974			X	47.02	46.26
Guatemala	1986	X			49.01	56.46
Haiti	1990	X			45.58	
Haiti	1991			X		
Haiti	1994	X				
Honduras	1980	X			44.64	46.15
Hungary	1989	X			31.05	38.13
Hungary	1990		X		31.57	39.07
Indonesia	1999	X			45.87	
Iran	1997	X				
Kenya	1966			X	51.41	50.19
Republic of Korea	1961			X		43
Republic of Korea	1963	X			42.9	43.21
Republic of Korea	1972			X	43.99	39.99
Republic of Korea	1987	X			36.55	36.71

(Continued)

Country	Year	A to ID	ID to CD	CD to A	CD to ID	ID to A	Inequality at t	Inequality at $t + 5$
Lesotho	1970					X		
Lesotho	1993	X					51.57	51.89
Lesotho	1998					X		
Lesotho	1999	X						
Madagascar	1991	X						
Malawi	1994	X					51.58	53.74
Malaysia	1969				X		45.44	42.09
Mexico	1994	X					45.33	45.2
Mongolia	1990	X					52.97	62.99
Mongolia	1996		X				54.01	
Mozambique	1994	X					53.42	59
Myanmar	1962					X		
Nepal	1990	X					48.53	44.26
Nicaragua	1990	X					41.61	
Nigeria	1966					X		46.26
Nigeria	1979	X					45.75	
Nigeria	1984					X	42.02	43.57
Nigeria	1999	X						47.93
Pakistan	1962	X						42.94
Pakistan	1970					X	42.67	44.43
Pakistan	1972	X					46.79	<i>d</i>
Pakistan	1977					X	45.63	47.2
Pakistan	1988	X					47	48.69
Pakistan	1999					X		
Panama	1968					X	46.18	46.14
Panama	1989	X					47.81	49.06
Paraguay	1989	X						40.11
Peru	1968					X		
Peru	1979	X						47.98
Peru	1992					X		
Peru	1993	X					50.02	
Philippines	1972					X	44.38	47.45
Philippines	1986	X					47.27	48.15
Poland	1989	X					29.24	34.92
Portugal	1975	X					37.37	
Portugal	1982		X				38.18	39.1
Romania	1990	X					24.77	28.98
Sierra Leone	1967					X		
Sierra Leone	1968	X						
Sierra Leone	1971					X		50.48
Sierra Leone	1996	X					57.43	
Sierra Leone	1997					X		
Singapore	1963					X	44.33	45.9
Slovak Republic	1993	X					33.38	36.06
Somalia	1969					X	46.22	45.46
South Africa	1994	X					44.59	45.67

Spain	1976	X			40.34	
Spain	1982		X		37.38	38.94
Sudan	1965	X				
Sudan	1970			X	46.67	
Sudan	1986	X				
Sudan	1989			X		
Taiwan	1992	X			32	31.59
Thailand	1969	X			49.72	50.46
Thailand	1971			X	52.57	50.63
Thailand	1974	X			50.46	49.55
Thailand	1976			X	50.63	48.23
Thailand	1978	X				
Thailand	1991			X	46.83	
Thailand	1992	X				45.52
Turkey	1971			X	42.61	41.33
Turkey	1973	X			41.51	43.22
Turkey	1980			X	44.48	42.44
Turkey	1983	X			42.48	43.17
Uganda	1966			X	47.8	49.26
Uganda	1980	X				57.5
Uganda	1985			X	57.5	52.58
Uruguay	1972			X		38.09
Uruguay	1985	X			41.65	40.8
Uruguay	1989		X		39.81	43.52
Zambia	1968			X	46.25	45.46
Zambia	1991	X			50.04	49.42
Zimbabwe	1987			X	43.57	52.44

Notes: A = Autocracy.

CD = Consistent Democracy.

ID = Inconsistent Democracy.

Selection based on sample of 147 countries for which we have high quality inequality data.

Sources: Regime changes calculated from Polity2 combined regime score, POLITY IV dataset (Marshall and Jaggers, 2002). Inequality data from the EHII dataset (Galbraith and Kum, 2005).

Notes

1 Introduction: developing countries and odious inequality

1. Hereafter, 'developing countries'. See 'A Note on Data Sources and Country Groupings' below for detail on the classification of developing countries.
2. The distribution of income and wealth between individuals/households is sometimes referred to as *vertical* inequality, which can be distinguished from *horizontal* economic inequalities between social groups (gender, ethnic), and between spatial units (regional disparities, urban–rural divide). Frances Stewart justifiably calls horizontal inequality 'a neglected dimension of development' and stresses the importance of group membership as a determinant of well-being (Stewart, 2005). However, there is no need to *contrast* the two types of inequalities. Instead, one should think of inter-group dynamics and spatial differentiation as two of the many factors that determine the relative income and wealth shares accruing to individuals and their households. In this book we focus on the latter, being the 'end-state' of a variety of causal processes, including those related to group dynamics.
3. Money, being the instrument of an important public and private purpose, is rightly regarded as wealth; but everything else which serves any human purpose, and which nature does not afford gratuitously, is wealth also. To be wealthy is to have a large stock of useful articles, or the means of purchasing them. Everything forms therefore a part of wealth, which has a power of purchasing; for which anything useful or agreeable would be given in exchange. Things for which nothing could be obtained in exchange, however useful or necessary they may be, are not wealth in the sense in which the term is used in Political Economy.

(Mill, 1848/1909: Preliminary remarks, paragraph 14)

See Schneider (2004) for a discussion of the concept and metrics of the distribution of wealth.

4. Amartya Sen persuasively argues against reducing economic inequality to income inequality, which he believes is more appropriately and comprehensively captured by the notion of a disproportion in the distribution of human capabilities to do the things that people would want to pursue. However, he grants that income (and wealth) is a 'crucially important means... [that] helps the person to do things that she values doing and to achieve states of being that she has reasons to desire'(1997: 385).

5. See also Atkinson (1999, 2004).
6. For a discussion of the variance in welfare spending among developing countries, and the determinants of that variance, see Rudra and Haggard (2005).
7. Data on income distribution per decile from the World Bank's *World Development Indicators* CD-ROM 2006.
8. The Pearson two-tailed correlation r between the income ratio and the headcount poverty measures mentioned in the text is .45, at a significance level of 10 per cent. Data for the income ratio and poverty headcounts are from the World Bank's 2006 *World Development Indicators* CD-ROM.
9. See Somini Sengupta's article 'On India's Farms, A Plague of Suicide', *New York Times*, 19 September 2006.
10. The classic statement is in Rawls (1971: 60–65), but see also Rawls (1982). See Arneson (1990) for a critique.
11. See Smith (1776/1976: 351–352), and Phillips (1999: 79–830).
12. See McGillivray and Shorrocks (2005) and Barry (2005).
13. See Lindert (2004) for the most comprehensive treatment of the emergence and positive effects of social spending in high-income countries.
14. This brief summary of examples of successful redistribution in developing countries is based on Bowles (2006) and World Bank (2006). See also Bourguignon (2000) and Dagdeviren *et al.* (2004).
15. See Robert Wade (2007) and James Galbraith (2002) for summary discussions of the ideological apparatus that underlies the articles of the neo-liberal faith.
16. See the volume edited by Cornia (2004).
17. Young (1990, 2006). See also Forst (2007).
18. On approaches to studying inequality, see Sen (1992, 1997); Champernowne and Cowell (1998); Ray (1998); Fields (2001), and the volume edited by Atkinson and Bourguignon (2000). Significant new data sources are reported and explored in Deininger and Squire (1996, 1998), Cornia (2004), Atkinson and Piketty (2006), Bourguignon and Morrisson (2002), Milanovic (2005), and Galbraith and Kum (2005).
19. The volume by De Ferranti *et al.* (2004) is an important exception, but focuses only on Latin America.
20. See, in particular, Fields (2001), Birdsall and Londono (1997), Birdsall (2001), Ray (1998), Kanbur (2000), and World Bank (2006).
21. Boix (2003) and Acemoglu and Robinson (2006) represent useful recent attempts to explore, from an explicit *political economy* perspective, at least some of the political dimensions of income distribution, both in developing and in high-income countries. However, the narrow methodological individualism and national focus that underlie both these books are not conducive to appreciating the determining role of global social structures and dynamics.
22. The World Bank classification of country groups used here is based on 1994 Gross National Income (GNI) data, using the Atlas conversion method. This conversion method relies on the average of a country's exchange rate in a particular year and the two preceding years, and

- adjusts this for the difference between that country's inflation rate and the inflation rate of a basket of benchmark countries.
23. Important to note is that the Republic of Korea, Taiwan, and Singapore in the 1990s were classified as high-income countries, and our analysis for that period treats them as such. However, for analyses of earlier periods they are included in the group of developing countries. There are also other countries in our sample that could, for different purposes, be regarded as developing or transition states, but whose mean income places them in the high-income group. They are Bahamas, Bahrain, Cyprus, Hong Kong, Kuwait, Macao, Malta, Puerto Rico, Qatar, Saudi-Arabia, Slovenia, and the United Arab Emirates. Mexico and Turkey are members of the OECD, but their mean income levels put them in the category of developing countries as defined here.
 24. While this convention has served generations of students of inequality well, recent attempts to generate data on and better understandings of the distribution of wealth are to be welcomed. In this regard, see Schneider (2004), and the recently launched 'Personal Assets from a Global Perspective' project of the United Nations University World Institute of Development Economics Research (UNU-WIDER), available at <http://www.wider.unu.edu/research/2006-2007/2006-2007-1/2006-2007-1.htm>
 25. The Deininger and Squire (World Bank) dataset in particular introduced quality criteria and other innovations that contributed much to the upsurge in income inequality research during recent years (Deininger and Squire, 1996, 1998). This dataset, with all its good points but also with all its faults (see below), forms the basis of the refined dataset used by Dollar and Kraay (2002a,b), and the 'UNU/WIDER World Income Inequality Database' (Version 2.0b, May 2007, is available at <http://www.wider.unu.edu/wiid/wiid-introduction-2005-1.htm>). Data collected by the World Bank on income distribution is also used in the PovCalNet interactive income distribution dataset, available at <http://iresearch.worldbank.org/PovcalNet/jsp/index.jsp>
 26. See Atkinson and Brandolini (2001), Knowles (2005), and Galbraith and Kum (2005).
 27. The dataset containing these observations is available at http://utip.gov.utexas.edu/data/UTIP_UNIDO2001rv3.xls
 28. Galbraith and Kum use a series of multiple regression estimations to determine the relevance of items of information to include in the eventual estimation of the EHII data. Dummy variables are used to control for the distinctions between income and expenditure measures, between measures of gross and net income/expenditure, and between measures of household and individual income/expenditure (Galbraith and Kum, 2005: 126–133).
 29. The most important shortcoming is that due to the methodology used in its construction, it cannot report information about the income shares of different percentiles of the population. This, however, is a small price to pay to enjoy the wide coverage and consistent features of the dataset.

2 Explaining odious inequality

1. The concept of economic vulnerability has been given prominence by United Nations Conference on Trade and Development (UNCTAD), which when applied to less developed countries (LDCs) refers to (a) the instability of agricultural production; (b) the instability of exports of goods and services; (c) the economic importance of non-traditional activities (share of manufacturing and modern services in GDP); (d) merchandise export concentration; and (e) the handicap of economic smallness. See the UNCTAD website dedicated to LDCs, available at <http://r0.unctad.org/lDCs/index.html>.
2. For discussions of these historical processes, see Engerman and Sokoloff (1997, 2002, 2005); Acemoglu, and Robinson (2006); and De Ferranti *et al.* (2004).
3. As we shall see in Chapter 3, a process of reversed modernization called 'deindustrialization' can also increase inequality. Deindustrialization creates unemployment, driving down the wages of lower skilled labourers and thus widening the income differentials in a society.
4. Kuznets based his notion of the inverted U-curve on a set of cross-sectional data, comparing different countries at different levels of economic development, and not on within-country data. Much of the subsequent empirical research has focused on replicating the cross-sectional effect that Kuznets detected (see Ray, 1998: 199–207). However, the real test of the inverted U-shape hypothesis lies in exploring the history of inequality within countries, and not in comparing the income levels of different countries with one another. Of course, Kuznets had no other choice than to focus on the cross-sectional record, given the absence of reliable intra-country data when he wrote his ground-breaking papers. Recent studies, using more readily available country-specific studies, show that the inverted U-curve is present in the history of some countries – Japan being a prime example – but by no means in all countries (see Tachibanaki, 2005: 71). Also take note of Anand and Kanbur's (1993) suggestion that the validity of Kuznets' proposition concerning the inverted U depends on the nature of the regression specification that he and his followers used. There is also the possibility that the detection of the inverted U in cross-sectional studies is a statistical artefact, driven by the fact that the group of very high inequality countries tends to be dominated by countries from Latin America – countries which as a rule have progressed some way along the path of modernization.
5. See the volume edited by Cornia (2004).
6. In Chapter 4, we shall have the opportunity to discuss the question concerning the connection between the dynamic process of democratization and economic equity in detail.
7. Useful discussions concerning the biased and complex nature of the term 'political instability' can be found in Przeworski *et al.* (2000: Chapter 4), and Sanders (1981).

8. The inequality measure used here and in the rest of the book is the Estimated Household Income Inequality Gini index score (0–100) as explained in Chapter 1. The scaled additive Polity2 regime measure developed in the POLITY IV dataset (Marshall and Jaggers, 2002) runs from –10 for ‘consistent’ autocracies to +10 for ‘consistent’ democracies.
9. The Polity2 regime measure provides us with the means to operationalize the distinctions between consistent and inconsistent regime types. It is of course problematic to use what is intended as a continuous scale of regime scores to arrive at a categorical distinction between types of regimes. Nevertheless, the POLITY IV dataset has so many advantages in terms of clarity of conceptualization and operationalization that researchers interested in the categorization of types of democracy prefer to use it instead of less transparent categorizations such as Reich (2002). The important question is where exactly to draw the line on this continuous scale between a consistent and an inconsistent democracy. The opinions differ: Epstein *et al.* (2006) arbitrarily count only polities that score +8 and higher as consistent democracies, while Lee (2005) bases his decision to count only polities that score +9 and +10 as ‘full’ democracies on sensitivity analysis of various options, but what this sensitivity analysis entails is left unspecified. To avoid the element of arbitrariness, I treat only polities with a Polity2 score of +10 as consistent democracies, that is, regimes that have all the attributes of democracy as specified in Marshall and Jaggers (2002) and Diamond (1999). I discuss these attributes in more detail in Chapter 4.
10. The POLITY IV regime durability measure simply counts the years that a regime has been in place.
11. The Pearson two-tailed correlation between the indicator of an inconsistent regime and the POLITY IV regime durability measure is –0.36 (significant at the 1 per cent level), while the same correlation between our income inequality measure and regime durability is –0.35 (again significant at the 1 per cent level). $N = 2721$.
12. See Chapter 5 for discussion of concepts, data, and methodology used to determine this likelihood.
13. Ordinary least squares regression with robust standard errors. Data on violent civil conflict are derived from the Uppsala/PRIO dataset on the *onset of domestic armed conflict*, defined as a contested incompatibility involving armed force and concerning regime and/or territory between at least two parties, of which one is the occupier of the state apparatus and which leads to the loss of at least 25 lives in the current year of conflict (Gleditsch *et al.*, 2002). The onset of at least one incidence of domestic armed conflict per year or the absence of such an onset is recorded as a dichotomous variable. The Uppsala/PRIO dataset focuses only on politically motivated armed conflict, and also records a new onset only after two years of ‘inactivity’ have passed. To control for the potential effect of regime type, we use the 21 value Polity2 combined regime indicator from the POLITY IV dataset (Marshall and Jaggers, 2002). The unit of analysis is the country-year

- ($N = 2876$). Coefficient for violent civil conflict is statistically significant at the 1 per cent level.
14. Ordinary least squares regression with robust standard errors. Not restricted by the availability of income inequality data, this result is based on country-year data that we have for 187 countries, covering the period 1950–2000. I use five-year averages of the Penn World Tables measure of growth in per capita GDP, weighted for purchasing power, as calculated by Urdal (2006) from Heston, Summers and Aten (2003). Coefficient for violent civil conflict is statistically significant at the 1 per cent level.
 15. The Pearson two-tailed correlation between a measure estimating public sector effectiveness and the indicator of an inconsistent regime is -0.56 , and between the same measure of public sector effectiveness and our income inequality measure is -0.62 . The estimates of government effectiveness are from Kaufmann *et al.* (2004), but are only available for a limited period of time, beginning in the 1990s. $N = 120$.
 16. Data on estimates of state capacity to control corruption during the 1980s from Easterly and Levine (1997), and for 1990s from Kaufmann *et al.* (2004). The relevant Pearson two-tailed correlations are -0.44 in the case of the Easterly and Levine data ($N=931$), and -0.6 in the case of the 1990s data from Kaufmann *et al.* ($N = 241$). Both correlations are highly significant at the 1 per cent level.
 17. Pearson two-tailed correlation between inconsistent regime type and revenue generated (as per cent of GDP) is -0.4 , significant at the 1 per cent level ($N = 2349$). Revenue data from *World Development Indicators*, 2006 CD-ROM.
 18. Figures on central government expenditure as percentage of GDP from *World Development Indicators*, 2006 CD-ROM. Estimations, from 1970 onwards, on the size of government consumption for selected states are available in the Fraser Institute publication, *Economic Freedom in the World*, 2004 (Gwartney and Lawson, 2004).

3 The evolution of economic inequality in the periphery, 1500–1999

1. See Engerman and Sokoloff (1997, 2000, 2002, 2005) and De Ferranti *et al.* (2004).
2. See Williamson, 2006: Chapter 5 for a discussion also of the ‘supply-side’ domestic problems associated with this process of deindustrialization in India.
3. See Chapter 1 for a discussion of the features and relative merits of this dataset.
4. Composition of the regions is listed in Table 3.4; p. 79.
5. Note that the group of countries classified as Latin America in Table 3.1 does not include the Caribbean countries, which are included here as part of the LAC region. Caribbean countries tend to have lower inequality levels than the Latin American countries and their inclusion in the LAC

region thus lowers the mean inequality figure for this group. Taken on their own, without the Caribbean included, the Latin American countries have the highest mean inequality of all regions over the period under review, though.

6. SEASIA's share of mean 'world' inequality (that is, the mean for our 147 sample states) continued to decline in the 1980s and 1990s. The moderate increase in the second half of the 1990s probably does not fully capture the worsening of inequality experienced by SEASIA developing countries subsequent to the financial crisis of 1997, though. There are only a few countries in the Oceania region for which we have data, and generalizations concerning this region should be approached with care.
7. For a careful and comprehensive review of the available evidence concerning the effects of economic openness on poverty and inequality in developing countries, see Goldberg and Pavenik (2007).
8. As we shall see in Chapter 4, the targeting of education spending in particular is a crucial factor in explaining why educational opportunities remain concentrated in many developing societies even though they have undergone democratic transitions, which are supposed to make government more receptive to the needs of the general population.
9. These experiments in democratization were often accompanied by high levels of political instability and civil conflict. In some cases, the instability produced by the regime changes spilled over into the eruption of violent civil conflict (Schatzman, 2005). The most immediate effect of these forms of political instability was to worsen the economic vulnerability of the poorer sectors of the population and their earning potential, with the rural areas in Africa particularly hit hard (Mkandawire, 2002).

4 Democratization to the rescue?

1. See, amongst others, Acemoglu and Robinson (2006: 63–65), Lindert (2004: *passim*), Boix (2003: 171–203), and Ziblatt (2006: 311–338).
2. See Doorenspleet (2000) for an analysis of this phase of global democratization.
3. One exception is the quasi-experimental study by Chan (1997). Chan looks at the effect of democratization in Taiwan, South Korea, and Singapore on public policies that have redistributive effects. His results for Taiwan and South Korea indicate that public spending on education and social security did increase after the introduction of democracy. However, apart from being limited to three case studies, Chan's study also has two other shortcomings: first, it focuses on public expenditure *per se* and not on the distributive effects that public spending has on various income groups. Second, his study is not based on an explicit theory that sets out the causal mechanism through which democratization can lead to redistribution.
4. This chapter thus can also be seen as a study of the conditions under which democratization can enable the 'rabble to redistribute', to paraphrase

- Putterman (1997). Some of the arguments used here are also developed in Nel (2005a and 2007).
5. See Reich (2002), Lee (2005), Merkel (2005), Epstein *et al.* (2006), and Gates *et al.* (2006). See also the discussion in Chapter 2.
 6. See Marshall and Jagers (2002), O'Donnell (1996, 1999), and Diamond (1999).
 7. Based on Diamond (1999) and Marshall and Jagers (2002).
 8. As explained in Chapter 2, this inconsistency can be operationalized as any score between +1 and +9 inclusive on the Polity2 combined regime score (Marshall and Jagers, 2002).
 9. This heading is a play on the title of Putterman's well-known chapter (1997).
 10. For students of comparative politics, the MVH also explains why it is not easy to democratize a highly unequal society in which wealth is not mobile. Regime choice and redistributive struggles go together, as Boix (2003) reminds us. See also Burkhart (1997: 148).
 11. For contemporary discussions, applications, and tests of the MVH see Alesina and Rodrik (1994), Alesina and Perotti (1996), Persson and Tabellini (1994), Evans (2004), Mueller (2003), Congleton (2002), Borck (2003), Milanovic (2000), and De Mello and Tiongson (2003).
 12. The discussion here is based on the very useful summary of the MVH that can be found in an unpublished paper by John Roemer (2001).
 13. See Chapter 2.
 14. See Lipset (1959) for an initial statement of the association between democracy and education. Acemoglu *et al.* (2005) have challenged the view that higher average levels of education lead to democracy. However, there is general agreement that within democracies, the more educated a citizen the more he/she is likely to become involved in electoral politics.
 15. It was pointed out in Chapter 1 that the differences between income and expenditure measures of household income can be a confounding factor. Not in this case, though, as we are not comparing countries, but are rather looking at what happens within countries over time. The important thing is to make sure that all the data for a specific country comes from surveys that use the same measure and same methodology. The 'Global Poverty Monitoring Database' has been incorporated into the World Bank POVCAL Network, available at <http://iresearch.worldbank.org/PovcalNet/jsp/index.jsp>. For more information on the methodology used by the GPM, see Chen and Ravallion (2000).
 16. The countries are Algeria, Bangladesh, Brazil, Chile, PRC, Colombia, Costa Rica, Cote d'Ivoire, Dominican Republic, Ecuador, Egypt, El Salvador, Ethiopia, Ghana, Guatemala, Honduras, India, Indonesia, Jamaica, Jordan, Lesotho, Madagascar, Mauritania, Mexico, Morocco, Nepal, Pakistan, Paraguay, Peru, Philippines, Sri Lanka, Thailand, Tunisia, Turkey, Uganda, and Zambia.
 17. For extensive and very useful overviews of the reasons why the median voter may not necessarily prefer a tax rate of unity, or may not be able to

- secure it even if she prefers it, see Shapiro (2003: Chapter 5), Putterman (1997), Borck (2003), Lee (2003), and Roemer (1998).
18. In many developing countries, this ideological hegemony was institutionalized in the 1980s and 1990s in the form of structural adjustment programmes promoted by the international financial institutions. Although these programmes did not reduce government spending *in toto*, certain sectors with distributive potential did suffer significantly: Education, infrastructure and agriculture in Africa; agriculture and health in Asia; education and infrastructure in Latin America (Fan and Rao, 2003).
 19. See Weyland (1996) for a detailed analysis of the institutional supply-side problems that prevented Brazil to marry democratization and redistribution in the post-authoritarian era to 1994.
 20. RPC is calculated using this regression equation: $\text{Tax/GDP} = \beta_0 + \beta_1(\text{time}) + \beta_2(\text{Mining/GDP}) + \beta_3(\text{Agriculture/GDP}) + \beta_4(\text{Exports/GDP}) + \text{error term}$ (Feng, Kugler, and Zak, 2000).
 21. Stasavage (2005) relates how African states increased education spending in the 1990s, while De Ferranti *et al.*, present evidence that social spending on average increased by almost 50 per cent between 1990 and 1991 and 1998 and 1999 in 17 Latin American countries (2004: 259).
 22. As discussed earlier in this chapter, the 'relative political capacity' measure of the ratio between revenue raised and potential revenue can also be used to capture elements of state capacity (Feng, Kugler, and Zak, 2000), but as the relevant data are relatively scarce, the introduction of this measure would reduce the sample size drastically. Data on revenue raised by states are from the World Bank's *World Development Indicators* 2006 CD-ROM. Although there is a positive correlation between level of GDP per capita and the relative size of the revenue that a state can generate, the latter depends on institutional features that are not fully captured by the former alone.

5 The consequences of inequality

1. It is striking how close Hobbes' description of the state of nature reflects the breakdown of commerce, politics, and culture in many high-inequality societies of our day:

Whatsoever therefore is consequent to a time of Warre, where every man is Enemy to every man; the same is consequent to the time, wherein men live without other security, than what their own strength, and their own invention shall furnish them with all. In such condition, there is no place for Industry; because the fruit thereof is uncertain; and consequently no Culture of the Earth; no Navigation, nor use of the commodities that may be imported by Sea; no commodious Building; no Instruments of moving, and removing such things as require much force; no Knowledge of the face of the Earth; no account

of Time; no Arts; no Letters; no Society; and which is worst of all, continuall feare, and danger of violent death; And the life of man, solitary, poore, nasty, brutish, and short. (Hobbes, 1651/2003: 102)

2. Bueno De Mesquita *et al.* (2003) develop a Hobbes index composed of similar dimensions of human-development focused upon in this chapter, but they conceptualize and measure the dimension differently.
3. See the special edition of the journal *Review of Income and Wealth*, Series 51, No. 2, 2005, devoted to the question of measuring well-being. See also Alkire (2002) and Dasgupta (2001).
4. Bourdieu and Wacquant, 1986: 119, cited in Sabatini, 2005: 159–160.
5. See the UK Department for International Development policy paper *Reducing Poverty by Tackling Social Exclusion* (DFID, 2005), and Chapter 2 of the 2006 World Bank *World Development Report* (World Bank, 2005).
6. See Nissanke and Thorbecke (2006: 1342–1344).
7. Cited in Narayan *et al.* (2000: 58).
8. These and comparable findings for other parts of the developing world are reported in World Bank's *Equity and Development: World Development Report* (2005: 89–91).
9. The dependent variable is the Gini coefficient of educational opportunities, as in Figure 5.1. The regression coefficient for income inequality is positive and has statistical significance at the 1 per cent level. Education spending as percentage of GDP is from the World Bank (2006) *World Development Indicators* (CD-ROM). Data on political discrimination is the 'Poldis' measure from the 'Minorities at Risk' dataset, available at <http://www.cidcm.umd.edu/mar/data.asp>. The 'quality of institutions' measure is the ratio of non-currency money to the total money supply, or $(M_2 - C)/M_2$. M_2 is a broad measure of money supply and C is currency held outside banks. See Clague *et al.* (1999) for a justification of using this 'contract-intensive-money' measure as an indicator of the trust that people have in the institutions upheld by state power.
10. See Gradstein and Justman (2002).
11. Panel data random-effects regression model as above (Endnote 9), except that education spending is replaced by mean school years achieved by cohort 15 years and older, from Barro and Lee (2000). Voter participation rates and potential voter data (= voting age population) from the International Institute for Democracy and Electoral Assistance (IDEA), available at <http://www.idea.int/vt/index.cfm>.
12. See Tilly (2002) for a discussion of the various forms that violent behaviour in 'contentious politics' can take.
13. See Collier *et al.* (2002).
14. Sample consisted of 45 states for intentional homicides, and 34 states for other violent crime.
15. This discussion of violent civil conflict summarizes insights that are developed in Nel and Righarts (2008) and Nel (2006a).

16. See also Gurr (1980: 2).
17. PRIO = Peace Research Institute Oslo. For discussions and evaluations of this dataset, see Gleditsch *et al.* (2002), Harbom and Wallensteen (2005), and Urdal (2006).
18. The major shortcoming that the Uppsala/PRIO dataset shares with other cross-country violent civil conflict datasets is the absence of conflict information on the sub-national level, on the date and duration (in days/months) of conflicts, and on the exact number of conflict deaths (Miguel *et al.*, 2004). The Uppsala/PRIO dataset also does not make provision, in the time period that we are looking at, for cross-border contagion of violent civil conflict. These shortcomings set limits to the exactness of the following empirical analyses. Despite these shortcomings, this dataset is preferred because of its clarity of conception and consistency, and because of its lower conflict threshold.
19. See Nel and Righats (2008).
20. I use their Relogit software to generate the corrected estimations. Available at <http://gking.harvard.edu/stats.shtml>.
21. This literature is well-surveyed in Zimmermann (1980), and Lichbach (1989).
22. The concept of 'opportunity' stems from the work of Tilly and others (Gamson, 1975; Oberschall, 1973; Tilly, 1978).
23. For example, it is suggested that resource-rich countries in the developing world tend to have more violent and more protracted extreme political conflicts than do resource-poor countries. See Collier and Hoeffler (2004), but also Fearon (2005) for a critical perspective. Rebels and other political opponents of the reigning elite may resort to extra-constitutional and violent means if (a) other avenues of gaining a stake in the riches of a country are systematically blocked (through a winner-takes-all political regime, for instance), and (b) if the political opponents calculate that their material gain will offset whatever personal or communal sacrifices they have to make in the process. A preponderance of exploitable resources could also affect the actor's strategic calculations of the relative availability of the means to pursue and sustain violent dissent.
24. Hegre *et al.* (2001) and Urdal (2006) assume that the effect of a previous conflict declines geometrically at a rate which halves the risk of conflict every three years. The 'Brevity of Peace' variable has a value of one while a political unit is experiencing a conflict, and a value of close to one immediately after a unit-conflict has ceased. Over time, the value decreases to close to zero, provided there is no onset of a new armed civil conflict.
25. While there continues to be difference of opinion about the factors that determine this stable positive relationship, and about the direction of the causal arrows, the available evidence confirms Seymour Martin Lipset's breakthrough contribution of 1959 that first linked the institutionalization of democracy and economic development statistically. See especially Epstein *et al.* (2006) for a recent confirmation of this 'modernization thesis'.

26. See Przeworski *et al.* (2000: 98) for detail on methodology and data.
27. The World Bank's 'Voices of the Poor' report underlines the multidimensionality of the experiences of ill-being that poor people themselves associate with being poor. See Narayan *et al.* (2000: 21–43).
28. For other praises of the merits of infant (and child) mortality as an indicator of the lack of human development, see Sen (1998), Urdal (2006), and Gerring (2007).
29. Urdal (2006) uses the UN's *World Population Prospects* (1999) and the UN's annual *Demographic Yearbook* to compile infant mortality rate data for the period 1950 to 2000, covering more than 200 states and territories.
30. See Aghion and Garcia-Penalosa (1999), Thorbecke and Charumilind (2002), and Nissanke and Thorbecke (2005) for reviews of this literature.
31. Forbes relies, as do many inequality researchers, on the data compiled from World Bank sources by Deininger and Squire (1996, 1998). As we saw in Chapter 1, there are many remaining problems with these data. More than half of Forbes' *N* consists of observations from OECD countries, and there are no observations from African states at all in her study.
32. This finding is robust also to using the alternative inequality dataset used by Pagano (2004), although the inverted U-curve is less pronounced.
33. See also Nissanke and Thorbecke (2006) for an overview discussion of the various causal mechanisms that link high inequality with lower economic growth.
34. See the collection of papers published in the UNU-WIDER volume edited by Anthony Shorrocks and Rolph van der Hoeven (2004).
35. Which is what economists mean when they speak about the elasticity of infant mortality (here = poverty) with respect to growth. This elasticity is calculated by dividing the percentage rate of change in infant mortality by the percentage rate of economic growth.

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