

Development Economics

Slides 2

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Looking Within Countries

■ Inter-country inequality compounded within countries:

■ 0–10,000 PPP (2023):

Country	GDP pc PPP (c. 2023)	Share bot. 40%	Share top 20%
Somalia	1,557	10	62
Malawi	1,830	10	62
Afghanistan	2,202	14	54
Ethiopia	3,061	12	59
Sierra Leone	3,371	11	60
Nepal	5,395	13	55
Pakistan	6,037	14	56
Nigeria	6,207	11	57
Bangladesh	9,148	13	56
Morocco	9,843	10	62

Looking Within Countries

■ Inter-country inequality compounded within countries:

■ 10,000–25,000 PPP (2023):

Country	GDP pc PPP (c. 2023)	Share bot. 40%	Share top 20%
India	10,323	11	67
Philippines	10,986	10	60
Sri Lanka	14,456	11	62
South Africa	15,194	4	79
Peru	17,011	5	71
Egypt	18,525	13	61
Colombia	20,944	3	76
Brazil	21,176	5	73
Thailand	23,519	7	67
Mexico	24,855	4	74

Looking Within Countries

■ Inter-country inequality compounded within countries:

■ 25,000–50,000 PPP (2023):

Country	GDP pc PPP (c. 2023)	Share bot. 40%	Share top 20%
China	25,179	8	58
Costa Rica	28,075	4	67
Argentina	30,082	10	58
Chile	32,801	5	71
Uruguay	34,471	10	61
Malaysia	36,417	13	54
Turkey	42,326	10	67
Croatia	45,596	13	49
Portugal	47,426	13	51
Japan	49,897	11	54

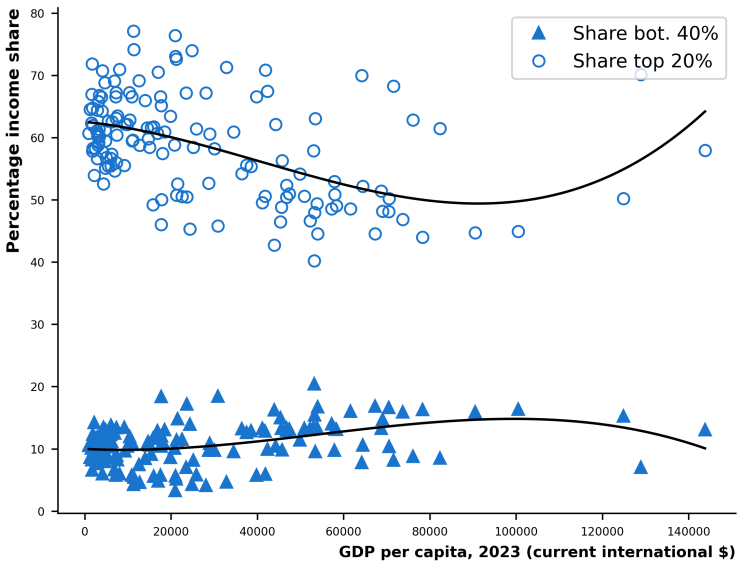
Looking Within Countries

■ Inter-country inequality compounded within countries:

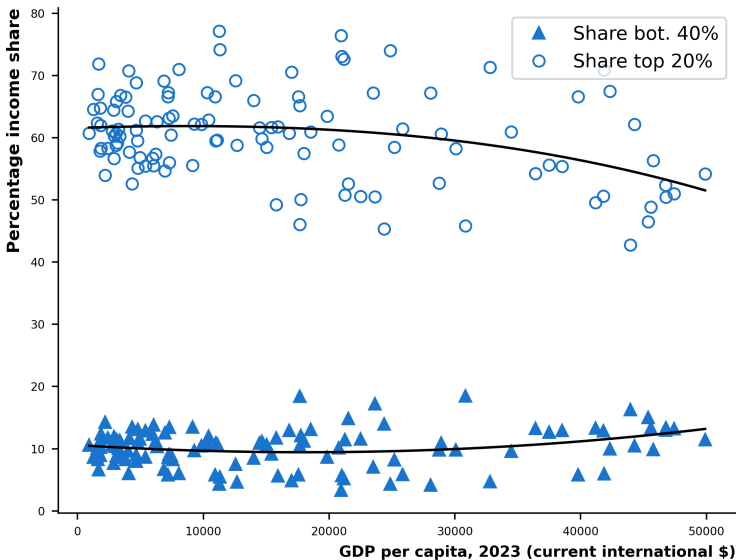
■ 50,000+ PPP (2023):

Country	GDP pc PPP (c. 2023)	Share bot. 40%	Share top 20%
Korea	52,203	13	47
Spain	53,230	15	48
United Kingdom	57,915	13	51
France	58,318	13	49
Sweden	67,259	17	45
Germany	68,693	13	51
Australia	70,513	10	50
United States	82,305	9	62
Norway	100,437	16	45
Singapore	143,786	13	58

■ Inequality and per-capita income: the whole range



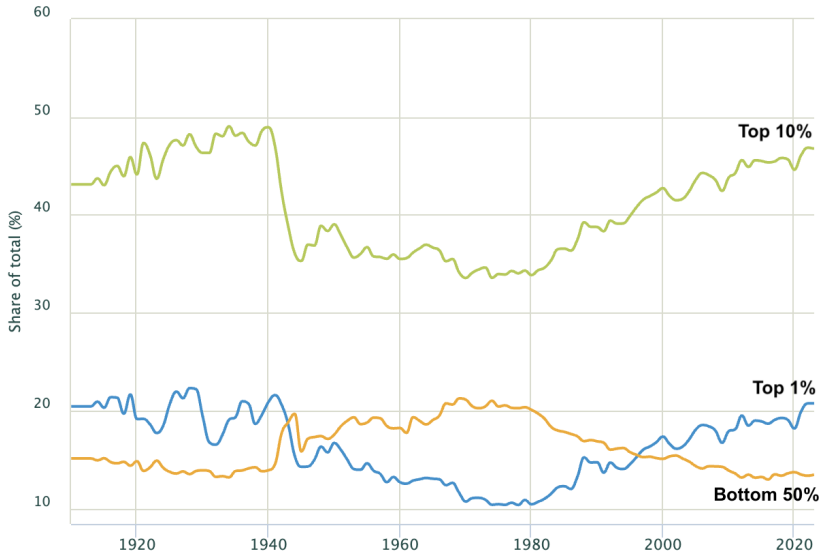
■ Inequality and per-capita income: up to \$50,000, an inverted-U?



Uneven and Compensating Changes

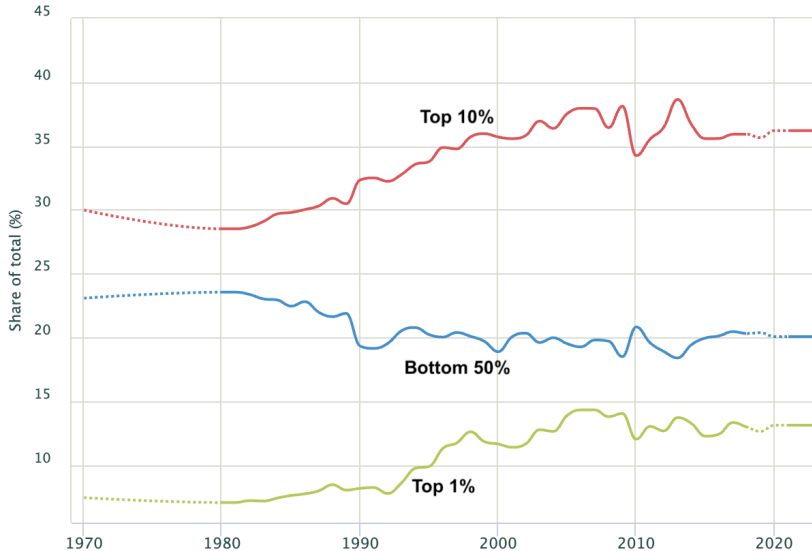
- Uneven growth, perhaps from a few sectors
- Then other sectors catch up, or people migrate
- Tends to generate an inverted-U, but no inevitability to it.
- Note: our diagram was on the cross-section.
- In fact, we can argue that we have rising inequality in many countries.

Income Inequality, United States, 1910-2023



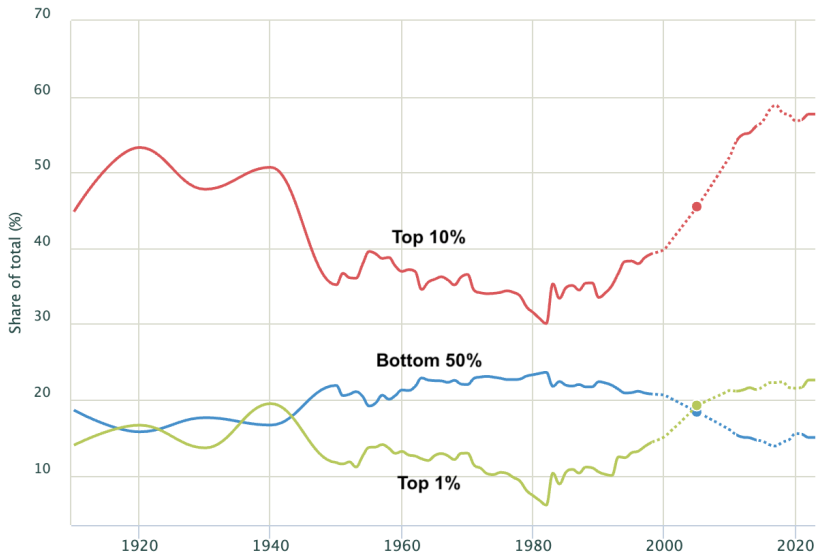
Source: World Inequality Database

Income Inequality, United Kingdom, 1970-2023



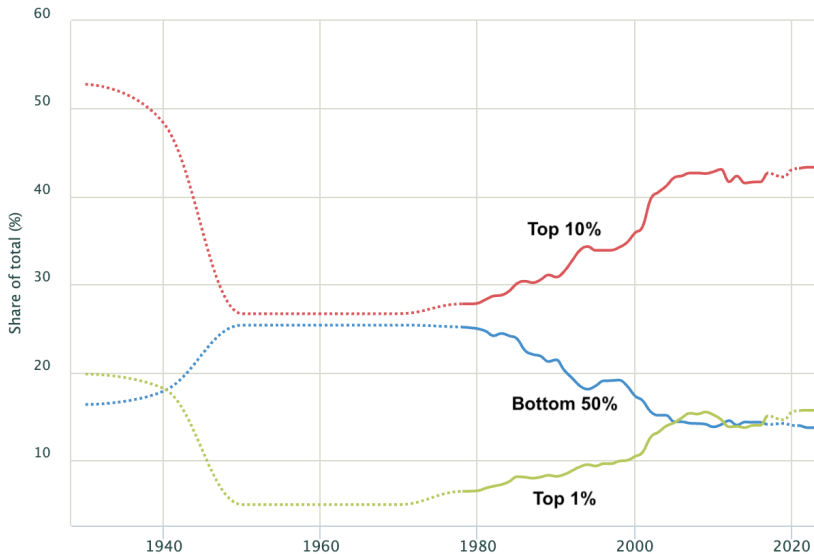
Source: World Inequality Database

Income Inequality, India, 1910-2023



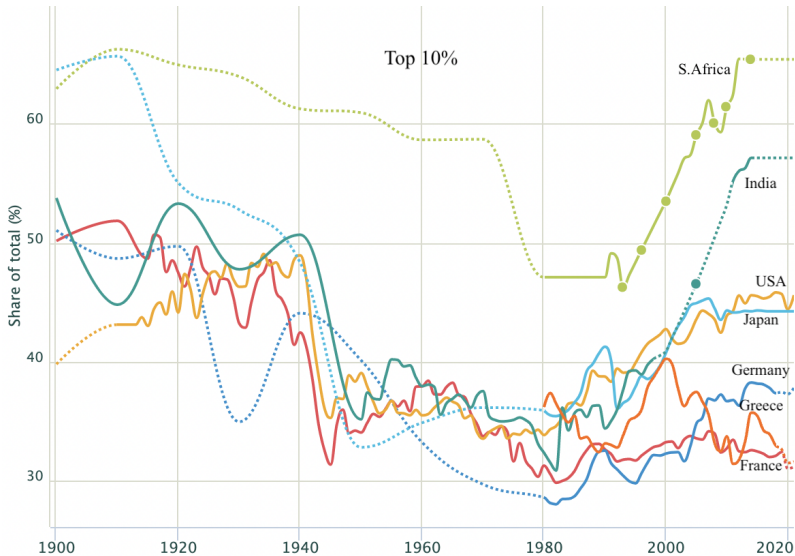
Source: World Inequality Database

Income Inequality, China, 1929-2023



Source: World Inequality Database

Top 10% Share in Selected Countries



Source: World Inequality Database

Human Development

- Excessive reliance on GNI per capita can be dangerous.

Sri Lanka	1990	2000	2007	Guatemala	1990	2000	2007
(11, 59) in 1990; (9, 63) in 2024				(5, 70) in 1990; (6, 67) in 2024			
Per capita GNI (PPP)	1450	2670	4210	Per capita GNI (PPP)	2360	3470	4490
< 5 Mortality (/1000)	29	21	21	< 5 Mortality (/1000)	77	47	39
Adult Literacy %	87	91	91	Adult Literacy %	46	69	73
Life Expectancy (yrs)	69	71	74	Life Expectancy (yrs)	62	70	70

Pakistan	1990	2000	2007
(11, 58) in 1990; (12, 57) in 2024			
Per capita GNI (PPP)	1260	1690	2540
< 5 Mortality (/1000)	130	108	90
Adult Literacy %	26	43	54
Life Expectancy (yrs)	61	64	66

(x, y): income shares of bottom 40% and top 20%; WID pre-tax estimates.

Human Development Index

- From the **Human Development Report**, since 1990.
- **Three components** to the index:
 - Life expectancy at birth.
 - Education, combine mean/expected years of schooling.
 - Logarithm of **GNI per capita**.
- Create dimension indices for each:

$$I_{\text{dim}} = \frac{x - \text{minimum}}{\text{maximum} - \text{minimum}}$$

- e.g., max life expectancy is 85 and minimum is 20.

Human Development Index

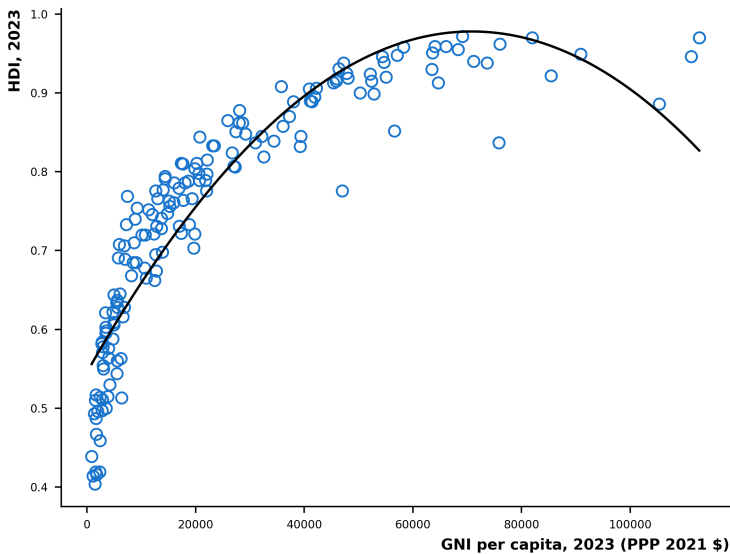
■ HDI, contd.

- HDI a geometric mean of the three:

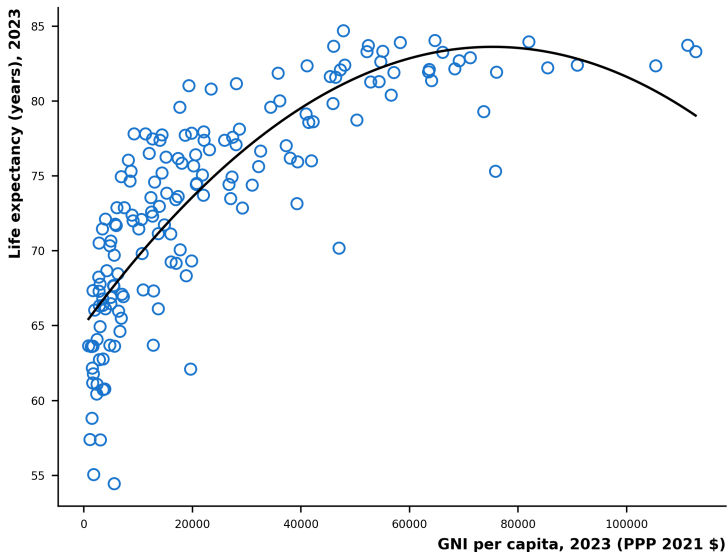
$$\text{HDI} = I_{\text{Life}}^{1/3} I_{\text{Educ}}^{1/3} I_{\text{Income}}^{1/3}.$$

- Variations allowing for measured inequality in each dimension.
- No getting away from an implicit weighting scheme.
- One way (of many) to combine development indicators.
- 2023: Sri Lanka rank differential +22 (HDI vs GNI).
- 2023: Pakistan -19, Guatemala -25.

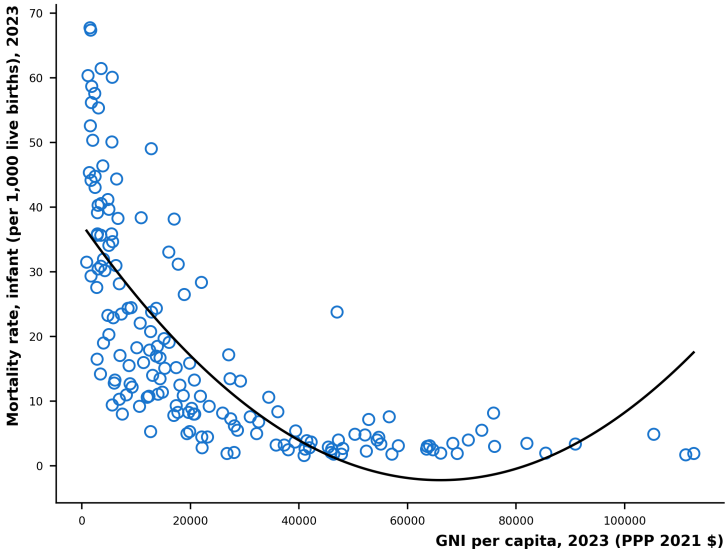
■ Still, a high correlation between HDI and GNI per capita:



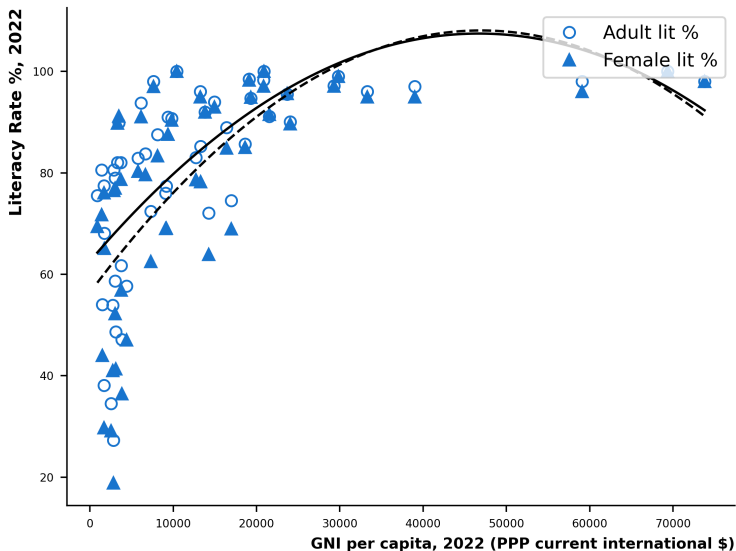
■ And the same is true of individual indicators:



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Aspirations and Uneven Growth

- The lives of others on display (and on an accelerating treadmill):
 - Aspirations and frustrations are socially generated.
 - Unclear if this exposure leads to betterment or to despair.

The Indian General Elections of 2014

“[The previous term is one] in which growth accelerated, Indians started saving and investing more, foreign investment came rushing in, [and] poverty declined sharply ... [But] growth can also unleash powerful aspirations as well as frustrations, and political parties who can tap into these emotions reap the benefits.”

Ghatak-Ghosh-Kotwal, Economic and Political Weekly, April 19, 2014.

“[P]eople with dramatically raised but mostly unfulfillable aspirations have become vulnerable to demagogues promising national regeneration. It is this tiger of unfocused fury ... that Modi has sought to ride from Gujarat to New Delhi.

Mishra, The Guardian, May 16, 2014.

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■ “The French found their position all the more intolerable as it became better.”

de Tocqueville, 1856

Hirschman's Tunnel



Hirschman's Tunnel

