

Inequality and development: a global view at the broad picture

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Long Abstract:

In the last years, there has been an increased interest in the role of inequality in development, especially as inequality has been on the rise within many countries worldwide. In this paper, we reassess the inequality-development relationship paying special attention at i) different measures of development, ii) different dimensions of income inequality, iii) exploring the mediator factor of urbanisation, and iv) exploring the potential mechanism for inequality to have an impact on development. To do so, we i) rely on a large global panel of countries over the last decades including information on economic, social, human and sustainable development, as well as information on the distribution of income within countries, benefiting from recent and detailed data produced by WIID (UNU-WIDER), and ii) complementing our analysis looking at different measures of urbanisation.

We relate to previous studies analysing the complexity of the relationship between inequality and development. First, we relate to papers studying the impact of inequality on economic development (Alesina and Rodrik, 1994; Persson and Tabellini, 1994; Partridge, 1997; Barro, 2000; Forbes (2000); Chen, 2003; Easterly, 2007; Herzer and Vollmer, 2012; Oechslin and Zweimüller, 2014; Ostry et al., 2014; among others). Second, we relate to recent studies pointing to the need to consider the impact of inequality on different dimensions of development beyond income (including Easterly, 2007; Pickett and Wilkinson, 2015; Chetty et al., 2016; Castells-Quintana et al. 2019). Finally, we also relate to papers exploring the different transmission channels for inequality to have an impact on development, and how this impact may therefore depend on the type of inequality (see for instance, World Bank, 2005; Easterly, 2007; Marrero and Rodriguez, 2013; and Castells-Quintana and Royuela, 2017). An overall reading from all this literature is that the inequality-development is complex, and that the impact of inequality is likely to be different depending on different aspects of the distribution of income. Our paper aims to connect these different strands in the literature and contribute to it by exploring in depth i) different dimensions of development, ii) the impact of complementary measures of inequality, capturing diverse aspects of the distribution of income, iii) the role of agglomeration economies, and iii) different mechanisms in the inequality-development relationship.

Keywords: inequality, development, urbanisation

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