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Abstract. This paper presents a panel of internationally comparable Gini coefficients, based on the United Nations University/World Institute for Development Economics Research World Income Inequality Database version 1.0. The 217 data points that match minimum requirements of spatial and temporal homogeneity cover 66 developed and developing countries and span a twenty-six year period, from 1970 to 1996. Density functions for the Gini coefficients are estimated for selected points in time in order to offer a concise description of the evolution of inequality in societies across the world. The distribution of inequality appears to be slightly bimodal at the start of the period: alongside a sizable concentration of countries with low to medium levels of Gini inequality, there is a smaller one of very unequal nations, mainly located in Latin America. In the following two decades inequality levels are more homogeneous, suggesting a convergence of class structure across states. In recent times, there has been a resurgence of bimodality; the rise in the number of highly unequal societies has been driven by transition frictions in the ex-USSR area.

Key word: inequality.

1. Introduction

Income distribution has received high attention in the literature in the last fifty years, with a number of shifts in emphasis. The early works, starting with Kuznets [19] and Kaldor [15], focused on within-country inequality and its links to growth, either describing how disparities influence development or explaining the pattern of inequality in any single economy as a consequence of progress. This strand of analysis went through a period of dormancy when the spotlight turned to focus on between-country inequality; the papers by Barro and Sala-i-Martin [6] and Quah [29] are significant examples of what became known as the convergence debate, an effort either to prove or to refute the hypothesis that rich and poor nations were ultimately bound to reach similar levels of per capita income. Second-generation studies of intranational correlations, especially from inequality to growth, were born shortly thereafter, and coexisted for some time with research on movements in international disparities. They reached conflicting conclusions as to whether inequality is good for growth. Aghion et al. [1] and Bertola [8] offer a comprehensive illustration of this literature, whose very purpose has recently been
challenged on the grounds that the mechanism connecting domestic distribution and development may exist, but it seems to be quantitatively irrelevant when compared to the forces that drive growth in highly populated economies, thus inducing the equalization of personal living standards over the world (Quah [30]). Such an objection is in line with the currently predominant issue in inequality research: how is income distributed among all human beings? For example, Bourguignon and Morrisson [9] describe the evolution of income inequality between world citizens from 1820 to 1992, drawing on a variety of historical and contemporary sources; Sala-i-Martin [31] carries out a similar exercise in higher detail for recent decades; Milanovic [25] studies the dynamics of global income disparities between 1988 and 1993 based on household survey data alone.

This paper adopts a middle-of-the-road descriptive approach. Its nature is mainly statistical: it aims to offer a concise overview of how levels of inequality differ across countries and some intuition of the reasons behind their distribution. Several comparative studies, carried out in a spirit similar to ours, already exist for selected areas and selected periods; among others, see Milanovic [23] for transition countries, and Londoño and Székely [22] for Latin America.

Our focus is on domestic measures of inequality only, forgoing the international dimension, since the former alone are useful to the national or supranational policymakers seeking to design growth-promoting strategies. Although it is not clear yet if inequality is beneficial or detrimental to development and how important the connection is, there is a widespread consensus about the fact that income distribution does play a role in the process of growth. An interesting, innovative strand of the literature (Banerjee and Duflo [5]; Keefer and Knack [16]; Alesina and Perotti [2]) suggests that it may be a conductor more than a cause, a collateral variable that has to be kept in mind when devising development plans; different distributitional situations might require different handling of incentives to growth such as the introduction of technological change or new legislation. The goal of this study is pointing out which clusters of countries show similar inequality features, and hence might require similar approaches.

We present a panel of internationally comparable Gini coefficients, evaluated between 1970 and 1996 for 66 countries. Data is drawn from the United Nations University/World Institute for Development Economics Research (UNU/Wider) World Income Inequality Database (WIID), version 1.0. A number of density functions for Gini coefficients are then estimated from the panel; densities for different moments in time are compared to see how the distribution of inequality has evolved in the past thirty years. A tentative interpretation of the results is then given, based mainly on country history and on the structure of property rights, with special attention paid to the differences that seem to emerge between the developed and the developing world insofar as inequality is concerned.

The paper is organized as follows. Section 2 introduces the panel of internationally comparable inequality measures, Section 3 discusses the estimation methodology, Section 4 presents the results, Section 5 debates their stability, and Section 6