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Community, Wealth, and Equality

Richard A. Posner

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I. INTRODUCTION

There is increasing but perhaps misplaced concern about the possible political consequences of the increasing inequality of incomes in the United States and other developed countries. In this paper I shall use the concept of "political community" to describe the kind of stable, democratic, and liberal regime that inequality might be thought to endanger and I shall offer both theoretical reasons and empirical evidence for the view that it is the *level* of income, rather than income *equality*, that is important to the maintenance of political community.

By a "community" I mean a group of people whose relations with one another are essentially cooperative rather than destructively adversary. They may compete with each other; there is competition even within many close-knit, affectionate families. But, if so, their competition will be sufficiently constrained, whether by fellow feeling, or other forms of altruism, or a sense of duty, or habit, or an aversion to conflict, to make it a positive-sum game rather than a zero-sum or negative-sum game—to make it, in other words, the kind of competition that Adam Smith had in mind when he spoke of the "invisible hand," the kind of competition that characterizes, more or less (I'll return to the less), the free-market sector of wealthy nations.

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A nation such as the United States, in which democratic governance and the rule of law are unchallenged save by a relatively harmless though sometimes violent lunatic fringe, is a (political, not familial or ethnic) community, because the relations among its people are predominantly cooperative. Western Europe is a nascent community, perhaps North America as well. But the so-called "world community" is not an existent community in the sense in which I am using the word, as opposed to a sense honorific or aspirational; the nations of the world cannot be depended upon to respect the limits of competition that I have just indicated.

Community is a matter of more or less rather than yes or no. There are nations that are no longer communities, such as Rwanda and Afghanistan, and nations in which the ties of community are frayed, such as Russia, or in which they are beginning to fray, as may be the case in France.

Although I mentioned the family, the sense of community that is germane to my analysis is a thin one. No emotional bond is presupposed. The disposition to cooperate rather than to fight may be habitual, ethical, or pragmatic. All that is important is that the disposition be voluntary, as the term "cooperate" may imply. Coerced uniformity of behavior would not be community. Hence the idea of political community is not exhausted by, although it includes, political stability, as measured by absence of civil wars, of coups (successful or attempted), of frequent constitutional changes (for example, a change from dictatorship to democracy), and of domestic political terrorism, corruption, and expropriation.[1] Measures of stability must be supplemented by measures of political liberty (including democratic governance, the rule of law, and personal freedom) in order to measure political community comprehensively. Under contemporary

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[1] See John Londregan and Keith Poole, "The Seizure of Executive Power and Economic Growth: Some Additional Evidence," in *Political Economy, Growth, and Business Cycles* 51 (Alex Cukierman, Zvi Hercowitz, and Leonardo Leiderman eds. 1992), emphasizing coups and constitutional changes. I put "rampant" before domestic political terrorism because occasional political assassinations, and even so dramatic a domestic terrorist episode as the bombing of the U.S. federal building in Oklahoma City in April of 1995, are not destabilizing.

conditions, however, liberty and stability appear to be positively correlated. Even totalitarian or authoritarian countries that have looked very strong, very stable, even unshakable, have had in this century a way of collapsing suddenly. Willing submission to democratic government implies a degree of trust of one's conationals—this mass of strangers of no particular distinction to whom one has entrusted one's fate—that in turn is a plausible precondition of cooperative relations and hence of political stability. In Part VI we shall see that, consistent with this suggestion, measures of political stability tend to be highly positively correlated with measures of political liberty.

An effort to explain why some nations have stable democratic institutions and others do not would require consideration of a large number of factors, including homogeneity (or difference) of language, ethnic origins, and religion; national history; foreign threats; education; and a variety of economic factors, including the level and distribution of income. I shall focus on only one factor, income, without meaning to deny the importance of the others. A further qualification is necessary: For reasons having mainly to do with the inadequacy of money as a proxy for well being, the equality or inequality of measured income across households, individuals, percentiles of the population, social classes, or other standard aggregates used in economic and other social scientific research is a crude measure of real economic inequality.[2] It may have to be supplemented by other measures of well-being, such as statistics on health, political freedom and participation, and education, in order to convey an accurate picture of economic welfare in a society.[3] Attempting to do this in this paper would carry me too far afield,

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[2] See, for example, Hartmut Kaelbe and Mark Thomas, "Introduction," in *Income Distribution in Historical Perspective* 1 (Y. S. Brenner, Hartmut Kaelbe, and Mark Thomas eds. 1991); Richard A. Posner, *Economic Analysis of Law* 455–458 (4th ed. 1992); Amartya Sen, *Inequality Reexamined* 28–30 (1992).

[3] See, for example, *The Quality of Life* (Martha C. Nussbaum and Amartya Sen eds. 1993); *Women, Culture, and Development: A Study of Human Capabilities* (Martha C. Nussbaum and Jonathan Glover eds. 1995), and for a brief summary Martha C. Nussbaum, *Poetic Justice: The Literary Imagination and Public Life* 51 (1995).

however, although in Part VI I do incorporate a measure of gender equality into my analysis. In any event, so long as one is examining *changes* in the degree of equality of income over time, or *differences* in the degree of equality across nations, income equality may be a satisfactory even though not ideal proxy for real economic equality, enabling us to say, not that the United States for example is a nation characterized by "too much" inequality of income, but that there is more economic inequality in the United States today than there was fifteen years ago or that there is more economic inequality in the United States than in Japan or Sweden.

Among the wealthy nations of the world, the United States and Switzerland appear to have the most unequal income distributions, while Sweden, Norway, and Germany have (among those nations) the most equal distributions.[4] It seems that economic inequality in the wealthy nations of the world, after declining pretty steadily after the 1920s and especially after 1945,[5] has risen since 1980.[6] In the developing as distinct from the developed world, consistent with a famous thesis propounded by Simon Kuznets, rising *levels* of income are associated with rising *inequality* of incomes.[7] So, in general,

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[4] John A. Bishop, John P. Formby, and W. James Smith, "International Comparisons of Income Inequality: Tests for Lorenz Dominance across Nine Countries," 58 *Economica* 461 (1991). The other three countries in the study, Australia, Canada, and the United Kingdom, were intermediate between the United States and Switzerland at one end and Sweden, Norway, and Germany at the other. For more recent data, consistent with those of the study just cited except that Australia has become more unequal than Switzerland, see "For Richer, for Poorer," *Economist*, Nov. 5, 1994, p. 19. These rankings are broadly consistent with those that my measure of equality, in Part VI of this paper, yields. See Table A1 in the Statistical Appendix at the end of the paper.

[5] Kaelbe and Thomas, note 2 above, at 55–56.

[6] For the United States, see, for example, Frank Levy and Richard J. Murname, "U.S. Earnings Levels and Earnings Inequality: A Review of Recent Trends and Proposed Explanations," 30 *Journal of Economic Literature* 1333, 1371–1372 (1992); Richard B. Freeman and Lawrence F. Katz, "Rising Wage Inequality: The United States vs. Other Advanced Countries," in *Working under Different Rules* 29 (Richard B. Freeman ed. 1994).

[7] Kaelbe and Thomas, note 2 above, at 9–10 42–47. Contrary evidence is presented in Jae Won Lee and Suk Mo Koo, "Trade-Off between Economic Growth and Economic Equality: A Re-Evaluation," in *The Theory of Income*

economic inequality seems to be rising in all but poor, stagnant nations.[8]

I emphasize that my analysis is positive rather than normative. I do not consider whether economic equality is a good thing in its own right, but only whether it is an effective instrument for promoting political community.

II. POLITICAL AND ECONOMIC DETERMINANTS OF THE INCOME DISTRIBUTION

The question of the effect of income and the income distribution on the political system is complicated by the two-way character of the causal path that connects incomes with politics. If, for example, there is great inequality of income in a democracy, the median voter will have an increased incentive to support heavily progressive taxes, since the opportunities for redistribution from the wealthy to the nonwealthy will be great. The more equal the distribution of income, the less the median voter will have to gain from such taxes because the less income the wealthy will have to be taxed away. We might therefore expect, and there is some evidence, that incomes are more equal in democratic than in nondemocratic nations (where "democracy" is defined not just formally, but in terms of actual behavior such as voter turnout[9]), as a result of the political system.[10]

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and Wealth Distribution 155 (Y. S. Brenner, J. P. G. Reijnders, and A. H. G. M. Spithoven eds. 1988).

[8] An issue that I do not discuss directly, is whether, why, and with what effects inequality in income is growing *between*, as distinct from *within*, nations. See, for example, Steve Dowrick and Duc-Tho Nguyen, "OECD Comparative Economic Growth 1950–85: Catch-Up and Convergence," 79 *American Economic Review* 1010 (1989).

[9] An ambiguous indicator, however, since repressive governments may compel citizens to vote—one way. Kenneth A. Bollen, "Political Democracy: Conceptual and Measurement Traps," 25 *Studies in Comparative International Development* 7, 8 (1990).

[10] Alberto Alesina and Dani Rodrik, "Distribution, Political Conflict, and Economic Growth: A Simple Theory and Some Empirical Evidence," in *Political Economy, Growth, and Business Cycles* 23 (Alex Cukierman, Zvi Hercowitz, and Leonardo Leiderman eds. 1992). See also Edward N. Muller, "Democracy, Economic Development, and Income Inequality," 53 *American Sociological Review* 50, 65 (1988); Gerald W. Scully, *Constitutional*

But a median-voter model of democratic politics is a terrible oversimplification.[11] It ignores (1) the role of interest groups in the political process and (2) important institutional limitations on the operation of the democratic principle.

(1) As a result of the efforts of interest groups, many public expenditures, for example on elite educational institutions such as the University of California at Berkeley, benefit high-income persons disproportionately. As a result, although it is frequently asserted that post-tax incomes are more equally distributed than pretax incomes,[12] the pretax income distribution may be the wrong baseline. Incomes might be more equally distributed if taxes were lower and government smaller.

(2) Modern democracies are almost always liberal states, and the core of liberalism—the liberal principles expounded by John Stuart Mill—insists on limiting the power of the democratic majority. There are no purely Millian polities. But even the modern welfare state typically allows considerable occupational freedom and almost complete personal freedom, as well as a reasonably broad scope for private enterprise, implying recognition and protection of property rights, though less than laissez-faire liberals would like. The net effect of these liberties on the income distribution cannot be predicted. But they certainly complicate democratic efforts to bring about equality of incomes through taxation and other coercive measures.

Environments and Economic Growth, ch. 8 (1992); Steven Stack, "The Political Economy of Income Inequality: A Comparative Analysis," 13 *Canadian Journal of Political Science/Revue canadienne de science politique* 273 (1980). Notice that redistributive taxation will reduce pretax as well as post-tax income inequality, as high-income people reallocate their energies and investments to endeavors that escape tax. For example, tax-free municipal bonds are more attractive to high-income earners the higher the marginal income tax rate, but the yield on such bonds is lower than the yield on taxable bonds as a consequence of the demand by investors in high tax brackets for tax-free income.

[11] See Kenneth A. Bollen and Robert W. Jackman, "Political Democracy and the Size Distribution of Income," 50 *American Sociological Review* 438, 450–452 (1985), for an interesting discussion of the limitations of the model.

[12] See, for example, "For Richer, for Poorer," note 4 above.

These points help explain how the income distribution within a liberal democratic regime may, in particular historical circumstances, such as those of the wealthy democratic countries today, tend toward inequality. The computer having finally come into its own, the demand for highly skilled labor to operate computers and related products of advanced technology has increased. At the same time, the demand for low-skilled and for unskilled labor, especially in manufacturing, where computers, robots, and other forms of capital have proved effective substitutes, has fallen, in part as a result of increasingly intense international competition in manufactured goods. The resulting shift from manufacturing to services in the developed countries is a shift to forms of work in which the low-skilled or unskilled tend to receive low wages and the highly educated often very high wages. And deregulation in a variety of industries has placed downward pressure on wages. The combined effect of these developments has been to exert upward pressure on income at the upper end of the income distribution and downward pressure elsewhere.[13]

Moreover, when mental ability rather than physical strength, courage, and stamina becomes the decisive element in productivity, income may tend to become more highly correlated with IQ, and the distribution of IQs is, of course, highly unequal.[14] Any such

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13 See, for example, Gordon W. Green, Jr., John Coder, and Paul Ryscavage, "International Comparisons of Earnings Inequality for Men in the 1980's," in *Aspects of Distribution of Wealth and Income* 57, 71 (Dimitri B. Papadimitriou ed. 1994); Kevin M. Murphy and Finis Welch, "The Structure of Wages," 107 *Quarterly Journal of Economics* 284 (1992); Lawrence F. Katz and Kevin M. Murphy, "Changes in Relative Wages, 1963–1987: Supply and Demand Factors," in id., pp. 35. 65, 76. The shift from high-paying manufacturing to low-paying service jobs is in part illusory, however. Some of the high pay in manufacturing was and is merely compensation for the physical danger and other disamenities of such work, rather than a pure return to productivity. That was why I said that if a clerk and a coal miner are paid the same wage, the former is actually receiving a higher income. It is another example of the pitfalls of using income inequality to measure real economic inequality.

14 Linda S. Gottfredson, "What Do We Know about Intelligence?" *American Scholar*, Winter 1996, p. 15.

tendency is likely to be enhanced by the breakdown of traditional caste or caste-like barriers to occupational mobility, barriers that drive a wedge between intelligence and reward. (Critics of affirmative action describe it as an effort to recreate caste barriers to full competition in labor markets.) And with the decline of arranged marriage and of taboos against interracial or interethnic marriage, prospective marriage partners can be expected to be sorted more perfectly by "real" similarities, including intelligence.[15]

High IQ is likely to have a bigger effect on an individual's productivity than great stamina. The latter just increases the individual's own productivity, while the former may enable increases in the productivity of others (for example, the high-IQ-individual's employees or clients), for which the high-IQ individual will earn a large premium.[16] Stated differently, the rate of return to intelligence is probably higher than the rate of return to unusual physical strength or dexterity.[17] These examples, although speculative, show that it is possible for public or private measures that promote equality of opportunity actually to reduce equality of results, and specifically equality of incomes.

In principle, society can intervene to alter the distribution of income by its tax and fiscal policies. But the heavy political as well as economic costs of these policies are increasingly recognized—the debate over affirmative action is an illustration—and those who would be harmed directly by them (the wealthy) are adept at orchestrating an effective political opposition. Mill was probably

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[15] On the tendency to "assortative" mating, i.e., likes mating with likes, see, for example, Gary S. Becker, *A Treatise on the Family*, ch. 4 (enlarged ed. 1991). IQ has a large heritable component, so the implication of more perfect assortative mating is that the IQ distribution, and possibly therefore incomes as well, will widen in future generations.

[16] I am indebted to William Landes for this point.

[17] The high incomes of professional athletes are only an apparent counterexample. These athletes earn large returns because television enables them in effect to "resell" their output to millions of customers, achieving a multiplier effect comparable to that of the high-IQ individual who multiplies his productivity by leading others. See Sherwin Rosen, "The Economics of Superstars," 71 *American Economic Review* 845 (1981).

mistaken in claiming that while government could do little to increase the aggregate wealth of society, it had a free hand in deciding upon the distribution of that wealth across the population.[18]

The process by which income equality may decrease in non-wealthy but developing economies seems to be different from the process described above by which it may decrease in wealthy democratic countries. According to Kuznets's thesis, economic development involves a shift of labor from a traditional agricultural sector to a modern industrial sector. Productivity is greater in the modern sector, enabling employers in that sector to attract workers from the traditional sector by offering higher wages. The result, at first, is a less equal distribution of income. Eventually, with the shrinkage of the low-wage traditional sector and the emergence of democratic institutions, which enable redistribution of income from rich to poor, inequality declines. In time (maybe a long time, as the experience of Brazil and India suggests), the developing country becomes a developed country and its future path is as described above.

III. INCOME, INEQUALITY, POVERTY, AND STABILITY

Should we fear that the increasing inequality in incomes will create a restive, potentially destabilizing underclass, who though democratically impotent because too alienated to participate in voting and other civic activities are potential recruits for violent protest movements.[19] Riots in slum neighborhoods in U.S. cities and in French suburbs (black in the United States, North African immigrant in France) confirm the existence among the permanently poor

[18] Mill, *Principles of Political Economy* 200 (W. J. Ashley ed. 1926). In fairness to Mill, his conception of government was remote from that of late-twentieth-century democratic government.

[19] See, for example, Rebecca M. Blank, "Changes in Inequality and Unemployment over the 1980s," 8 *Journal of Population Economics* 1, 14 (1995). For a helpful sociological analysis of the mainly black U.S. urban underclass, see Douglas S. Massey and Nancy A. Denton, *American Apartheid: Segregation and the Making of the Underclass* (1993); William Julius Wilson, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (1987).

or near-poor of smoldering resentments exacerbated by social neglect. But these groups do not threaten political stability seriously. In countries in which the vast majority of the population is reasonably well off, and able and willing to finance a formidably large and powerful apparatus for the maintenance of public order, an underclass has no significant political leverage or opportunities. There is always the danger that the apparatus will become so powerful as to get out of hand, oppress law-abiding citizens, by doing so undermine the regime's legitimacy, and so eventually destabilize the regime. One theory of revolutionary action is that such action will provoke the government into adopting radically unpopular, though effective, methods of suppression, such as torture and collective punishment. But wealthy countries can afford costly methods of law enforcement (thus eschewing, for example, torture and collective punishment, which are relatively cheap because they economize on the costs of investigation, and the censorship of dissident views) that preserve civil liberties.

The ability of a wealthy country to support a repressive apparatus (a criminal-justice and internal-security system) that is at once effective and civilized—strong but not provocative—is one reason for the second half of my thesis: that the income *level*, a society's average or median income, does affect political community, even though the income *distribution* may not. Another reason to expect this is that if the mass of the people is very poor, there will be few defenders of the existing regime against a *Putsch*. Being badly off, the people are likely to feel (though often wrongly) that they have nothing to lose from a change in the system of government.

> Almost any reasonable theory of freedom would predict a positive correlation between freedom and real income. On the demand side, freedom must be considered a luxury good so that the resources devoted to the attainment of individual freedom are likely to be greater when per capita income is high. On the supply side, it is undoubtedly more

> costly to repress a wealthy person than a poor person and the need to do so is probably less acute.[20]

The point about "resources devoted to the attainment of individual freedom" parallels my first point, about the resources necessary for a system of internal controls that does not incite revolutionary action. The point that the need to repress a wealthy person is less acute is parallel to my second point, about the greater stake of a well-off person in the preservation of the existing system of government.

The implication of this analysis is that unless the distribution of income is skewed in a particular way—a tiny upper tail and a huge lower tail—a high average income, even though it is unequally distributed and there is a sizable permanent underclass, will assure democratic stability. Put differently, his argument implies that a high median income is a better predictor of political community than a high average income.

There is little evidence that the size or emotions of the underclass have much if anything to do with the changes in the distribution of income that we have seen recently, or are likely to see in the foreseeable future, in the wealthy countries. If average income is rising, the incomes of the poor may be rising even if the income distribution is becoming more unequal. (That is, they will be rising more slowly than the incomes of the nonpoor.) In that event a poor person will be better off than he used to be even though the gap between him and the wealthy is widening. If people use as their benchmark for measuring how they are doing their own experience rather than that of people who live in circumstances remote from theirs, the widening of the income distribution is unlikely to exacerbate whatever resentments the people in the lowest decile feel toward those above them in the income distribution. In an age of global television, however, people make comparisons between their

[20] John F. O. Bilson, "Civil Liberty—An Econometric Investigation," 35 *Kyklos* 94, 103 (1982). Bilson finds just such a positive correlation between income and political freedom. Id. at 107. For additional empirical support see Part VI and Robert J. Barro, "Determinants of Democracy" (unpublished, Harvard University Dept. of Economics, Nov. 1995).

own situation and that of others, even foreigners; this was a factor in the rapid collapse of the communist states of Central and Eastern Europe.

Postponing the question of envy, this analysis suggests that the problem of poverty is distinct from that of the growing inequality of incomes. And if measures (such as progressive taxation) that reduce the inequality of income also reduce economic growth—for example by deflecting socially valuable resources into sterile activities like tax avoidance, or by discouraging economic risk-taking—and thus slow down the growth in the average income of the population, poverty and inequality may actually be negatively correlated. There may be fewer poor people in a society that does *not* attempt to make the distribution of income more equal than in one that does. This possibility is masked by the fact that the United States has at once a very high mean income, many poor people, and a distribution of income that is more unequal than that of most other developed nations. Yet one of the reasons for the unusual inequality of incomes in the United States—the large number of recent immigrants—may illustrate a *negative* correlation between poverty and inequality rather than count as evidence that the correlation is positive. Immigrants accept temporary poverty in exchange for economic opportunities for which economic inequality may be a price. If I am correct that a high average income is more likely in a nation that is tolerant of income inequalities, an immigrant may sense greater economic opportunity in the United States than in his country of origin even though the transition to his new life will be a painful one. The unique attractiveness of the United States to immigrants may thus be related, paradoxically, to the absence of any guarantees that new immigrants will be well treated. The more that careers are open to talents regardless of national origin, the more attractive a nation will be to immigrants, while that very openness may result in a highly unequal distribution of income as people are sorted into the different income classes in accordance with attributes of intelligence and character that vary widely among persons, and as first-generation immigrants work for low wages to make up for their lack of the language and other skills that are highly valued in the workplace.

Moreover, nations strongly committed to equality are bound to limit immigration lest they be flooded with poor people looking for an immediate improvement in their economic status.

The other side of this coin is that a polity that in quest of equality depresses average earnings will drive many of its most productive citizens to emigrate to areas of better economic opportunity. This apparently has been a consequence of the egalitarian policies of the widely admired, highly progressive government of the Indian state of Kerala.[21]

IV. ARE THE BONDS OF POLITICAL COMMUNITY FRAYING?

Even if the issue of inequality is decoupled from that of poverty—even if efforts to ameliorate inequality are likely to increase poverty—it is still possible to be concerned that a gradual drift toward an ever more unequal distribution of income will fray the bonds of political community.[22] We are to imagine a situation in which the distance between the lower middle class and the upper class keeps growing, in which at one end of the income distribution a relative handful of highly intelligent men and women, made healthy and beautiful by fitness programs, cosmetic surgery, genetic engineering, and preventive health care, pull down huge salaries enabling them to live in luxurious sequestered communities and pass down their advantages to their descendants by direct bequests, by genetic bequests through assortative mating, and by gifts of expensive schooling, while just above the poverty line labor millions of modestly endowed individuals at modest wages in jobs that confer no prestige or security and yield few intrinsic satisfactions, living restricted and relatively unhealthful lives among their own kind. The inhabitants of the two classes may become so different in values, outlook, intelligence, interests, aspirations, education, style of living,

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[21] See Jean Drèze and Amartya Sen, *India Economic Development and Social Opportunity* 198 (1995).

[22] As argued for example in Michael Lind, *The Next American Nation: The New Nationalism and the Fourth American Revolution* (1995).

and even physical appearance (height, figure, apparent age), and so segregated except in the most superficial workplace encounters, that they will not be able to understand or empathize with one another. We will have become a thoroughly class-based society, like nineteenth-century England—even if poverty has been conquered.

This sketch is overdrawn even if one ignores intermediate income groups. (Each income group will touch another at either end, so that even if the highest group has very little in common with the lowest—which is true today—a line of indirect communication will be established via the intermediate groups.) For it overlooks the rise in the average income. Twenty years from now, when the mean income of the American people may well have risen by fifty percent (in real terms), the people in the bottom decile will be much better off than they are today. They will be healthier, live longer, travel more, know more things, have broader horizons. Even if people who today make $1 million a year will twenty years from now earn $3 million, they will not be three times as fit, healthy, educated, and so on as they now are. There is diminishing marginal utility of money.

Indeed, though these are glorious days for wealthy people, the gap between the wealthiest people and the people just above the poverty line is smaller than it was in eighteenth-century England, when the rich lived in magnificent mansions attended by armies of servants and the average ordinary man was a farm laborer. The English example suggests, by the way, that there does not appear to be a threshold of economic inequality above which a society breaks apart. I said that some fellow feeling is a precondition of willingness to accept the outcomes of democratic choice, but it may be so little as to be unaffected by even huge differences in incomes. New York City is remarkable among other things for the immense inequality of incomes of its residents, residents who include at one end some of the wealthiest people in the world, people who literally are billionaires, and at the other end desperately poor people who beg for a living and sleep on sidewalks, though recently and somewhat mysteriously the number of these people has declined dramatically. The billionaires and the other wealthy people are served by a huge army of lower middle class taxi drivers, kitchen employees, servants, clerks, newsvendors, and policemen, who commute long distances from the outer boroughs of the city. There is an upper middle class of lawyers and stockbrokers, a bohemian class, a multitude of immigrants legal and illegal, students, criminals, an underclass, and a vast mosaic of ethnic and religious groups. Yet with all this incredible heterogeneity, so effectively parodied by Tom Wolfe in his novel *The Bonfire of the Vanities*, New York City is a viable, stable, democratic community. Of course it is stabilized in part by being included within larger polities, the State of New York and more important the United States. Yet it illustrates the possibility of cooperative if not quite harmonious and certainly not placid coexistence among people scattered across an enormous spectrum of incomes.

Another point—the one that famously attracted the scorn of Anatole France—is that a democratic society recognizes the political equality of its citizens by granting them extensive rights: the right to vote, the right to stand for election, the right to speak freely, to be free from certain kinds of discrimination, and so on. Even if the economic value of these rights is proportional to pecuniary income or wealth, to the extent that they have value even to people of modest incomes they increase the self-respect and self-esteem (the sense of personal "worth") of all citizens and so make the absence of income equality less stigmatizing, less degrading. At the same time, however, an ideology of political equality may promote an "every man a king" attitude that leads people to question the legitimacy of differences in income: if I'm as good as the next guy, why does he have forty times my annual income?

V. ENVY AND EQUITY

I have spoken all this time about economic inequality without mentioning either envy or equity. The two concepts may not be quite so different as they seem. Envy is negative altruism:[23] if I am

[23] At least when "altruism" is defined as an emotion or inclination, rather than in terms of actions.

envious of a wealthier person, the implication is that my happiness would increase if the person lost his wealth, because then my envy, a source of disutility, would be abated. People who would like to see greater equality of incomes do not justify their preference in terms of envy. They say that a more equal distribution of incomes would be more just. But if there were no envy, and if I am right that efforts to equalize the distribution of incomes (which should not be confused with efforts to reduce poverty) would reduce average incomes, then only the envious would be better off. In any event, the envy factor is automatically taken into account in a democratic society. It is here that the tendency to equality in such a society bites. If the distribution of income gets too far out of line with the preferences of a large bloc of voters, the politicians will respond and laws will be passed that reduce, or at least mask, the inequality.

I differ from Rawls in not thinking envy entirely a bad thing.[24] It is, in a curious way, a form of social cement, enabling us to identify empathetically with others who are unlike us, to feel their joys—albeit as our pains—and their pains, albeit as our joys. The opposite of envy is altruism, but the mean between envy and altruism is indifference to others. In any event, in a society in which the system of property and contract rights is sufficiently robust to make it difficult to alleviate one's envy by making the better off worse off, envy is a goad to effort and success—effort to rise above others, but not to push the others down.[25]

If envy depends on empathy, this implies that it may be more acute when differences in income are small than when they are

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24 John Rawls, *A Theory of Justice* 530–541 (1971).

25 Rawls recognizes the existence of "benign envy," which he calls "emulation," id. at 533, but does not consider the possibility that a society which protects people against assaultive, defamatory, or otherwise aggressive acts by the envious will channel bad envy into good. He does not consider this possibility because envy and emulation are different feelings, rather than the same feeling differently acted upon. He is right; envy is tinctured with hostility, and emulation with admiration. But he ignores the possibility that the envious will be stimulated by their envy to constructive effort, just like the emulators, if the constructive path is made easier than the destructive by the political and economic arrangements of the society.

large, because it is easier to empathize, whether positively or negatively, with people who are like one. Certainly the behavior of academics suggests that envy is not a function of large differences in incomes. Tocqueville famously suggested that "greater equality tends to produce envious comparisons: as they become more equal individuals find their inequality harder and harder to bear."[26] To the extent that the goad of envy fails to bring about equality, and the political fabric is too weak to contain securely the destructive impulses of envy, inequality may be destabilizing. But if Tocqueville is right, more inequality may be *less* destabilizing than less inequality.

The broader point is that it is not the degree to which income is unequally distributed across the population, but the ethical or emotional response to that degree of inequality,[27] that determines the political consequences of inequality. A strong social commitment to equality of opportunity, as in the United States, may dampen feelings of envy (without dampening efforts to get ahead) by making wealth seem more a consequence of personal desert, or luck, or other virtuous or innocent conditions and less a ratification and reward of injustice. If so, then maximizing equality of opportunity may alleviate the pressures for redistribution at the same time that, for the reasons I explained earlier, it makes the distribution of income more unequal. Contrariwise, however, equality of opportunity may exacerbate envy precisely by making outcomes seem the result of luck rather than of desert (especially if, as in Rawls, even genetic endowments are seen as a product of luck), and therefore arbitrary, or by underscoring differences in ability and thereby humiliating the losers in the competition to demonstrate superiority. It is an empirical question, therefore, how equality affects envy and self-esteem and hence political community or stability. Evidence presented by Sam Peltzman that equality precedes and facilitates the redistributive state suggests that envy does not drive egalitarian policies.[28]

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[26] Raymond Boudon, "The Logic of Relative Frustration," in *Rationality and Revolution* 245 (Michael Taylor ed. 1988).

[27] On the difference, see Peter van Wijck, "Equity and Equality in East and West," 47 *Kyklos* 531, 543 (1994) (tab. 4).

[28] Peltzman, "The Growth of Government," 23 *Journal of Law and*

This discussion has implications for the question how far the law should go in protecting property rights. On the one hand, a robust protection of those rights will make an economic system operate more efficiently, resulting in higher average incomes and greater economic opportunities. On the other hand, if that protection is pushed to the point at which redistributive measures such as progressive taxation are deemed unconstitutional or otherwise forbidden because they impinge on property rights, inequality of incomes may grow to the point at which envy demands redress, but the safety valve that is the democratic process will be closed and political stability may therefore be endangered. We want a political process supple enough to respond to demands for equality when those demands, whether rooted in envy or in some other emotion or principle, become exigent. The advantage of democracy as a political system is its ability to mediate between equality and stability.

VI. AN EMPIRICAL STUDY OF THE EFFECT OF EQUALITY ON COMMUNITY

For the reasons explained in the preceding parts of the paper, I hypothesize a positive correlation between political community and average incomes,[29] but no correlation between political community and equality of incomes. Table 1 tests this hypothesis. Measures of political stability, such as the risk of expropriation, the "coup count," and the frequency of extraconstitutional changes of regime, and of democratic liberty (commitment to the rule of law and a "freedom rating" based on civil liberties and political rights) are regressed on a measure of income equality (the ratio of the income of the poorest 20 percent of households to the income of the richest 20 percent[30]),

Economics 209, 263 (1980).

[29] I would prefer median to average incomes, but do not have the data.

[30] This is not a sophisticated measure of income inequality, but there are insufficient data to construct sophisticated measures, such as the Gini coefficient, for enough of the years and countries in the sample. An alternative to the ratio of richest to poorest quintiles would be separate variables for the poorest and for the richest, but the alternative procedure would be more cumbersome, less intuitive, and yield similar results.

on the average income in the society, and on changes in that income (which might be thought destabilizing). Because the countries aggregated in the table differ from each other in many respects other than income that are potentially relevant to political community or stability, I also include regional dummy variables.[31] The dependent variable in the last regression is a measure of gender equality,[32] viewed as a nonpolitical dimension of community—a dimension that joins citizens across the gender line.[33]

In only one of the regressions—the last, the regression on gender equality—is the sign of the coefficient of the income-equality variable statistically significant at the conventional 5 percent level (indicated by a t statistic with an absolute value greater than 1.96). And, surprisingly, it is negative, implying that, other things being equal, increased economic equality reduces gender equality. To test my earlier conjecture that extreme inequalities in income might be politically destabilizing, I replaced (in an unpublished set of regressions) the equality variable in Table 1 with the square of that variable, the effect being to increase the spread between the most and the least equal distributions of income. But this adjusted equality variable, like the unadjusted variable, failed to attain statistical significance.

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[31] For a fuller discussion of the data and methodology used in Tables 1 and 2, see the Statistical Appendix to this paper.

[32] The construction of this variable is explained in the Statistical Appendix. The African regional dummy variable is excluded in the regression of this variable because the data source has only two observations for Africa. An alternative specification of the gender-equality variable would be to substitute it for the equality variable in the independent variables in the regression equations, on the theory that it is a more meaningful measure of economic equality than a ratio of the incomes of the poorest households to those of the richest. I have done this in a series of unpublished regressions. The gender-equality variable did not attain statistical significance.

[33] Such measures of welfare as infant mortality, life expectancy, and female secondary education might also be thought good proxies of a nonpolitical sense of community. However, when they are substituted as dependent variables for the dependent variables in Table 1, the equality variable again fails to achieve statistical significance, while the income-level variable continues to be significant, and in the predicted direction.

TABLE 1

REGRESSIONS OF POLITICAL STABILITY ON REAL AVERAGE INCOME, GROWTH IN REAL AVERAGE INCOME, INCOME EQUALITY, AND REGION (T STATISTIC IN PARENTHESES)

DEPENDENT VARIABLES (N=NUMBER OF OBSERVATIONS)	INDEPENDENT VARIABLES								
	Share of income held by poorest 20% of households/ Share of income held by richest 20% of households (Lagged by Five Years)	Real GDP/capita in constant $ (Chain Index) (1985 IP) (log) (Lagged by Five Years)	Ten-year Growth in GDP/ capita	Africa	North America, Europe, and Austral-asia	Asia	Latin America	Constant	R-squared
Expropriation Risk (log)(N=100)	-.2067 (-0.469)	-.1617 (-3.576)	.0182 (0.167)	-.0388 (-0.281)	-.0841 (-0.716)	-.0697 (-0.625)	.1359 (1.229)	-.6075 (-1.525)	.49
Corruption in Govt. (N=100)	-.5730 (-0.301)	-1.2603 (-6.452)	.0314 (0.067)	-.6494 (-1.089)	-.2865 (-0.565)	.0922 (0.191)	.7281 (1.524)	6.7155 (3.904)	.69
Rule of Law (N=100)	2.498 (1.458)	1.2469 (7.096)	1.0369 (2.449)	1.7599 (3.281)	1.3012 (2.852)	.4438 (1.023)	.2984 (0.694)	-7.9087 (-5.111)	.78
Protest Demonstrations per Capita (N=102)	.0048 (1.817)	.0001 (0.331)	.0004 (0.814)	-.0012 (-2.308)	-.0012 (-2.487)	-.0015 (-3.207)	-.0010 (-2.253)	.0003 (0.175)	.17

Deaths from Political Violence per Capita(N=102)	.3351 (1.575)	-.0225 (-1.317)	-.0373 (-1.080)	-.0165 (-0.381)	.0119 (0.316)	.0384 (0.994)	.0097 (0.269)	.1620 (1.123)	.11
Irregular Executive Transfers (N=102)	.2506 (0.971)	-.0542 (-2.613)	-.0073 (-0.175)	-.0501 (-0.956)	.0312 (0.685)	-.0176 (-0.375)	.0889 (2.025)	.4298 (2.453)	.15
Coup d'états (N=123)	-.1967 (-0.889)	-.0434 (-2.323)	-.0706 (-1.833)	-.1010 (-1.944)	.0084 (0.186)	-.0158 (-0.360)	.0168 (0.392)	.4446 (2.762)	.14
Freedom Rating (log)(N=136)	-.8902 (-0.621)	.9154 (6.411)	-.2207 (-0.800)	.6628 (1.657)	.9511 (2.807)	.4974 (1.559)	.3573 (1.147)	-9.7890 (-7.897)	.63
Gender Equality (N=16)	-.5525 (-2.172)	.0115 (0.214)	-.0312 (-0.419)	___	.1583 (1.678)	.0795 (1.642)	.0319 (0.563)	.6686 (1.543)	.77

TABLE 2
CORRELATIONS OF PROXIES FOR POLITICAL COMMUNITY
(SIGNIFICANCE LEVEL IN PARENTHESES, WITH NUMBER OF OBSERVATIONS BELOW)

	Expropri- ation Risk	Corruption in Govt.	Rule of Law	Protest Demonstrations per Capita	Deaths from Political Violence per Capita	Irregular Executive Transfers	Coup d'états	Freedom Rating	Gender Equity
Expropriation Risk	*	0.6926 (0.000) 371	–0.8167 (0.000) 371	-0.0368 (0.718) 99	0.0476 (0.640) 99	0.2543 (0.009) 105	0.2451 (0.000) 227	–0.5687 (0.000) 362	-0.4189 (0.007) 40
Corruption in Govt.	0.6926 (0.000) 371	*	–0.7726 (0.000) 371	-0.1203 (0.236) 99	0.0738 (0.468) 99	0.2592 (0.008) 105	0.2248 (0.001) 227	–0.5408 (0.000) 362	-0.4585 (0.003) 40
Rule of Law	–0.8167 (0.000) 371	–0.7726 (0.000) 371	*	-0.0808 (0.426) 99	-0.0959 (0.345) 99	-0.2001 (0.041) 105	–0.2666 (0.000) 227	0.5748 (0.000) 362	-0.4923 (0.001) 40
Protest Demon- strations per Capita	-0.0368 (0.718) 99	-0.1203 (0.236) 99	-0.0808 (0.426) 99	*	0.0072 (0.868) 539	0.0710 (0.099) 539	0.0206 (0.642) 511	0.2070 (0.002) 222	----
Deaths from Political Violence per Capita	0.0476 (0.640) 99	0.0738 (0.468) 99	-0.0959 (0.345) 99	0.0072 (0.868) 539	*	0.0758 (0.079) 539	0.1650 (0.000) 511	-0.1508 (0.025) 222	----

Irregular Executive Transfers	0.2543 (0.009) 105	0.2592 (0.008) 105	-0.2001 (0.041) 105	0.0710 (0.099) 539	0.0758 (0.079) 539	*	0.6071 (0.000) 560	-0.1715 (0.008) 236	----
Coup d'états	0.2451 (0.000) 227	0.2248 (0.001) 227	–0.2666 (0.000) 227	0.0206 (0.642) 511	0.1650 (0.000) 511	0.6071 (0.000) 560	*	–0.1086 (0.040) 359	----
Freedom Rating	–0.5687 (0.000) 362	–0.5408 (0.000) 362	0.5748 (0.000) 362	0.2070 (0.002) 222	-0.1508 (0.025) 222	-0.1715 (0.008) 236	–0.1086 (0.040) 359	*	.6654 (0.000) 39
Gender Equity	–0.4189 (0.007) 40	–0.4585 (0.003) 40	-0.4923 (0.001) 40	----	----	----	----	0.6654 (0.000) 39	*

In only one of the regressions is the sign of the coefficient of the change-in-income variable statistically significant: the rule of law is more secure the more average income has grown in the preceding decade. This finding is in tension with the literature that finds a negative correlation between number of lawyers and economic growth;[34] but of course the correlation between the rule of law and the number of lawyers may be very weak. It is also in tension with the idea that rising expectations may be destabilizing.

As predicted, the *level* of income has a highly statistically significant effect in six of the equations. And in all but one of the nine equations, including all six in which the sign of the coefficient is statistically significant, the sign is as predicted: political community is enhanced by high average income. The exception—the positive, but not significant, sign of the protest-demonstrations variable—is only apparent. Stable democratic societies are able to tolerate such demonstrations, which are likely to be viewed as destabilizing, and therefore severely repressed, in unstable or undemocratic societies.

I do not wish to overstate the significance of these results, which is limited.[35] International economic data, especially for the poorer nations, tend to be unreliable; political data are often both unreliable and subjective. But the results of my study do cast at least some doubt on the proposition that income equality is a key to the values associated with political community, while at the same providing at least suggestive support for the proposition that high average incomes promote political community. The qualification implicit in my use of the word "suggestive" deserves emphasis, and not only because of problems with the quality of the data. Using

[34] See, for example, Kevin M. Murphy, Andrei Shleifer, and Robert W. Vishny, "The Allocation of Talent: Implications for Growth," 106 *Q.J. Econ.* 503 (1991); and for criticism, Richard A. Posner, *Overcoming Law* 89–90 (1995).

[35] A regression analysis using different independent variables from my own found a significant positive relation between income inequality and political violence. Edward N. Muller and Mitchell A. Seligson, "Inequality and Insurgency," 81 *American Political Science Review* 425 (1987).

two-staged least-squares analysis to test for the direction of causality between my dependent and my independent variables, I was unable to reject the hypothesis that it is political community that promotes high average incomes rather than vice versa. In fact the causal process probably *is* two-way, since a stable, rights-enforcing political environment encourages investment in both physical and human capital.[36]

I mentioned in Part I that the various measures of political stability, democracy, and community tend to be positively correlated. Table 2 tests this suggestion by calculating correlation coefficients for the dependent variables in the previous tables.[37] As expected, the variables are for the most part strongly correlated, and with the predicted sign. Thus, expropriation risk is strongly positively correlated with corruption in government and strongly negatively correlated with the rule of law and freedom variables; corruption is strongly negatively correlated with the rule of law; coup d'états are negatively correlated with the rule of law and strongly positively correlated with irregular executive transfers; and so on.

Statistical Appendix

This appendix describes the data used in Tables 1 and 2 and adds another table containing some of the descriptive statistics underlying

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[36] This is suggested by an economic literature that finds a positive correlation between political stability and economic growth. See, for example, Robert J. Barro, "Economic Growth in a Cross Section of Countries," 101 *Quarterly Journal of Economics* 407, 437 (1991). See also Roger C. Kormendi and Philip G. Meguire, "Macroeconomic Determinants of Growth: Cross-Country Evidence," 16 *Journal of Monetary Economics* 141, 156 (1985); Kevin B. Grier and Gordon Tullock, "An Empirical Analysis of Cross National Economic Growth, 1951–80," 24 *Journal of Monetary Economics* 259, 271–73 (1989). Rights are not costless, however, and their overprotection can reduce national wealth, especially in a poor country. Richard A. Posner, "The Costs of Enforcing Legal Rights," *Eastern European Constitutional Review*, Summer 1995, p. 71.

[37] The numbers in parentheses indicate the probability that the correlation coefficient is actually zero, that is, that the variables are not correlated with each other. I have excluded the gender-equality variable, as it is not political in character.

the data in Table 1. The data on which these tables are based include observations on 131 countries over a span of 36 years (1960 to 1995), although because of missing data the number of observations in the individual regressions ranges from 100 to 136 (except for the regression of gender equality, where there are only 16 observations). Because the data for each country are averaged over five years, there is a maximum of seven observations for each country (the early 1960s [1960 through 1964], the late 1960s, the early 1970s, the late 1970s, the early 1980s, the late 1980s, and the early 1990s). So were it not for the missing data I would have 917 observations for use in my regressions.

Although the data cover different years, even different decades, they are treated in the regressions as cross-sectional rather than time-series data. This is proper because for each country-period (for example, France from 1960 through 1974), all the data for the dependent and independent variables are for that period.

Data for the expropriation, corruption, and rule of law variables were obtained from the Center for Institutional Reform and the Informal Sector (IRIS) of the University of Maryland. I thank Professor Stephen Knack of the Center for making these data available to me with the permission of Business Environmental Risk Intelligence S.A. These data cover the years 1982–1995. Higher scores on each of the BERI variables (two of which I rescored to make their interpretation more intuitive) indicate more of the variable—that is, greater risk of expropriation, or more corruption, or more adherence to the rule of law.

The variables for number of nonviolent protest demonstrations (per capita), deaths from domestic political violence (per capita), and frequency of changes in the national leadership outside the conventional legal or customary procedures for transferring power are from Charles Lewis Taylor (Principal Investigator), *World Handbook of Political and Social Indicators III, 1948–1982, Part 3: Annual Political Events Data* (Inter-University Consortium for Political and Social Research [ICPSR] No. 7761, 2d ed. Spring 1985), covering the years 1960–1982. The publishers of the *World Handbook* have asked users of their data to state that the data were made available in part by the ICPSR and that neither Charles Lewis Taylor, who collected the original, nor the ICPSR, assume any responsibility for the analysis or interpretation of the data by users.

The number of coup d'états is estimated from data in Henry Bienen and Nicolas Van De Walle, *Of Time and Power: Leadership Duration in the Modern World* (1991), covering the years 1960–1987. The freedom rating is from Freedom House Survey Team, *Freedom in the World: Annual Survey of Political Rights and Civil Liberties* (various years). This variable, which covers the years 1977 to 1994, I derived by combining the ratings for "political rights" and "civil liberties." Higher levels (again, I have rescored this variable to make its interpretation more intuitive) of this variable indicate more freedom.

The gender-equality variable is the ratio of the Human Development Index for females to the HDI for males, for 1993. See United Nations Development Programme (UNDP), *Human Development Report 1993* 100–101 and Technical Note Tab. 1.1 (1993). The HDI combines longevity, income, and knowledge to arrive at a measure of well being. Id. at 100.

The data for the income-equality variable are from World Bank, *World*Data* (computer laser optical disc, 1994), for various years. Data on real gross domestic product per capita are from the National Bureau of Economic Research, *Penn World Tables, Mark 5.6* (http://nber.harvard.edu/pwt56.html), also for various years. The ten-year growth in GDP per capita is the simple percentage change between the first and the tenth year, rather than a summing of the annual percentage changes. The Chain Index, which I use in calculating GDP per capita in the tables, is a method of adjusting for changes in consumption bundles over time.

The first two independent variables—the equality variable and average income—are lagged five years, partly because political conditions are unlikely to respond instantaneously to broad income aggregates, and partly to reduce the likelihood that the independent variables are effects, rather than causes, of the dependent variables. The third independent variable is the percentage change in real GDP per capita in the decade preceding each of the observations that make up each of the dependent variables. The remaining variables are the regional dummies. For statistical reasons, it is necessary to omit one of the regional dummies in each of the regressions. Table 1 omits the Middle East, but the results of the regressions are not altered materially when any of the other regional dummies is omitted instead.

Table A1 lists the values of the first three independent variables for the most recent five-year period for which these values are available. The countries are listed in the order of increasing equality. Countries with missing variables are not included in the regressions.

TABLE A1

DESCRIPTIVE STATISTICS

Rank	Country	Time Period	Real GDP per Capita	Ten-Year Growth in GDP per Capita	Share of Income of Poorest 20% of Households/ Share of Richest 20%
1	Brazil	Late 1980s	4,221.40	10.45%	0.0311
2	Guatemala	Late 1980s	2,098.60	–14.74%	0.0333
3	Panama	Late 1980s	3,233.00	10.74%	0.0334
4	Guinea–Bissau	Early 1990s	638.67	9.74%	0.0357
5	Tanzania	Early 1990s	521.25	13.71%	0.0383
6	Honduras	Late 1980s	1,403.40	–2.38%	0.0425
7	Gabon	Late 1960s	2,993.60	39.69%	0.0474
8	S. Africa	Early 1990s	3,167.33	–10.14%	0.0521
9	Chile	Early 1990s	4,566.33	26.53%	0.0546
10	Kenya	Early 1990s	909.00	5.45%	0.0550
11	Senegal	Early 1990s	1,132.50	–2.22%	0.0597
12	Botswana	Late 1980s	2,362.80	56.33%	0.0611
13	Zimbabwe	Early 1990s	1,197.33	–6.31%	0.0642
14	Colombia	Early 1990s	3,325.67	12.96%	0.0645
15	Iran	Early 1970s	5,295.20	79.80%	0.0661
16	Bahamas	Early 1970s	—	—	0.0672
17	Costa Rica	Late 1980s	3,317.60	–7.57%	0.0693
18	Lebanon	Early 1970s	—	—	0.0727
19	Liberia	Early 1970s	1,016.80	33.79%	0.0730
20	Mexico	Early 1980s	5,877.60	33.61%	0.0733
21	Domin. Repub.	Late 1980s	2,247.80	9.01%	0.0755
22	Nicaragua	Early 1990s	1,294.00	–31.09%	0.0759
23	Ecuador	Early 1990s	2,806.67	–9.18%	0.0800
24	Sudan	Late 1960s	—	—	0.0808
25	Trinidad	Late 1970s	9,440.60	44.21%	0.0840
26	USSR	Early 1990s	7,372.40	13.07%	0.0875
27	Malaysia	Late 1980s	4,169.00	36.30%	0.0877
28	Argentina	Early 1990s	4,706.00	–19.95%	0.0904
29	Venezuela	Late 1980s	6,354.60	–20.01%	0.0949
30	Peru	Late 1980s	2,681.80	–10.05%	0.0953
31	Guyana	Early 1990s	1,094.00	–31.85%	0.1020
32	UK	Late 1980s	12,291.20	24.91%	0.1038

Rank	Country	Time Period	Real GDP per Capita	Ten-Year Growth in GDP per Capita	Share of Income of Poorest 20% of Households/ Share of Richest 20%
33	Nigeria	Early 1990s	1,004.33	–25.04%	0.1041
34	Turkey	Late 1980s	3,329.40	11.25%	0.1042
35	Singapore	Early 1980s	7,964.40	95.09%	0.1043
36	El Salvador	Late 1970s	2,194.00	20.72%	0.1070
37	Ivory Coast	Late 1980s	1,475.60	–28.45%	0.1081
38	US	Late 1980s	17,281.80	16.99%	0.1122
39	Zambia	Early 1990s	694.00	–24.60%	0.1127
40	Sierra Leone	Late 1970s	1,147.60	4.69%	0.1132
41	New Zealand	Early 1980s	10,904.60	7.24%	0.1141
42	Hong Kong	Early 1980s	9,623.60	85.17%	0.1149
43	Bolivia	Early 1990s	1,691.67	–10.60%	0.1162
44	Switzerland	Early 1980s	14,287.60	5.25%	0.1166
45	Uruguay	Late 1980s	4,483.00	0.15%	0.1172
46	Thailand	Late 1980s	2,778.20	45.44%	0.1203
47	Egypt	Early 1970s	1,186.00	34.44%	0.1206
48	Jamaica	Early 1990s	2,492.50	5.03%	0.1240
49	Philippines	Late 1980s	1,618.20	–6.71%	0.1253
50	Tunisia	Early 1990s	2,972.67	13.30%	0.1274
51	Paraguay	Early 1990s	2,150.67	–8.77%	0.1280
52	Portugal	Early 1970s	4,028.80	94.14%	0.1297
53	France	Late 1980s	12,871.60	16.80%	0.1337
54	Jordan	Early 1990s	2,919.00	–72.55%	0.1363
55	Denmark	Early 1980s	11,653.60	14.44%	0.1399
56	Canada	Late 1980s	16,600.40	25.48%	0.1418
57	Morocco	Early 1990s	2,188.33	14.76%	0.1425
58	Algeria	Late 1980s	2,896.60	13.90%	0.1484
59	Israel	Late 1970s	7,371.60	50.51%	0.1508
60	Ghana	Late 1980s	807.80	–13.62%	0.1522
61	China	Early 1990s	1,398.33	38.01%	0.1531
62	Italy	Late 1980s	11,508.60	27.25%	0.1659
63	Finland	Early 1980s	11,241.00	27.75%	0.1676
64	Norway	Late 1970s	10,770.60	44.17%	0.1689
65	Yugoslavia	Late 1970s	4,898.40	81.38%	0.1705
66	Australia	Late 1980s	14,170.20	19.48%	0.1705
67	Germany	Late 1980s	13,136.80	19.21%	0.1737
68	S. Korea	Late 1980s	5,123.80	82.15%	0.1754
69	Vietnam	Early 1990s	—	—	0.1773
70	Ireland	Early 1970s	5,368.40	48.29%	0.1827
71	Cyprus	Late 1960s	3,189.20	38.37%	0.2005
72	Uganda	Early 1990s	554.67	–31.94%	0.2029
73	Malawi	Late 1960s	444.80	15.11%	0.2055
74	Indonesia	Early 1990s	2,040.00	37.32%	0.2057

Rank	Country	Time Period	Real GDP per Capita	Ten-Year Growth in GDP per Capita	Share of Income of Poorest 20% of Households/ Share of Richest 20%
75	Ethiopia	Early 1980s	323.20	7.02%	0.2082
76	Pakistan	Early 1990s	1,406.67	23.07%	0.2116
77	India	Early 1990s	1,265.67	34.07%	0.2131
78	Bulgaria	Early 1990s	5,555.00	29.10%	0.2137
79	Sweden	Early 1980s	12,636.20	13.73%	0.2168
80	Belgium	Late 1970s	10,227.40	42.04%	0.2194
81	Netherlands	Late 1980s	11,974.40	10.36%	0.2222
82	Sri Lanka	Early 1990s	2,165.67	21.80%	0.2265
83	Spain	Late 1980s	8,329.00	13.08%	0.2268
84	Japan	Late 1970s	9,030.20	63.70%	0.2320
85	Bangladesh	Late 1980s	1,280.20	28.15%	0.2461
86	Poland	Late 1980s	4,390.80	–10.22%	0.2780
87	Luxembourg	Late 1980s	14,442.00	29.22%	0.3000
88	Hungary	Late 1980s	5,499.40	14.82%	0.3251
89	Slovakia	Early 1990s	—	—	0.7768

NOTES—(1) The real GDP per capita for Tanzania and for the USSR are Late 1980s figures. (2) The ten-year growth in GDP per capita for Gabon, Cyprus, and Malawi all use Early 1960s as the base period.

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