

## Mapping recent inequality trends in developing countries

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[http://eprints.lse.ac.uk/101863/1/Simson\\_mapping\\_recent\\_inequality\\_trends\\_wp24.pdf](http://eprints.lse.ac.uk/101863/1/Simson_mapping_recent_inequality_trends_wp24.pdf)

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Over the course of the middle half of the 20th century, countries around the world underwent dramatic social transformations as incomes grew, inequality declined and living standards improved. Since roughly 1980, however, income inequality began to grow again in many regions of the world. Scholars have warned that we are entering a new era of high and persistent inequality. But is this story of rising income inequality since 1980 truly universal?

To complicate this picture, we know that in many countries in Latin America, inequality fell over the 2000s. Some available evidence also suggests that inequality has been falling in parts of Africa and the Middle East over the 1990s or 2000s. By taking a more systematic look at inequality trends across these less studied regions of the world, what can we learn about different regional inequality patterns? Drawing on the existing secondary source literature, what factors have been put forward to explain different inequality trajectories across different regions or countries?

Using existing databases of gini indices, an indicator that summarizes inequality into a single value between 0 and 1 based on the distribution of income across households, this paper surveys trends in inequality across countries in Latin America, Asia, Africa and the Middle East. It then provides short case studies focusing on countries where the level of income inequality has fallen in recent decades.

The paper identifies 27 developing countries, roughly half of which are in Latin America, where our measure of inequality, the gini, has fallen by more than three percentage points in the past two decades. Conversely, in only 12 countries has inequality risen by a similar magnitude. In 47 countries we found no major change in inequality, or the data too unreliable to make an informed judgement.

Literature about these countries where inequality had declined highlighted some common drivers across countries and regions. Most of the case study countries had comparatively high levels of income inequality prior to the inequality decline. Latin America is frequently deemed to be the region with the highest levels of inequality in the world, while several other countries featured - notably Thailand, Malaysia and pre-revolution Iran - had unusually high inequality relative to their regional peers. When inequality in these countries rose to unusually high peaks in the 1990s, this appears to have triggered a political backlash that led politicians to introduce new progressive social policies.

In Latin America in particular, the roll-out of basic social safety nets, such as conditional cash transfers and universal pensions, helped to raise incomes of poorer households and thereby lower inequality. Furthermore, falling gaps in earnings between high and low educated workers helped to reduce wage inequality, in part thanks to rapidly rising educational attainment. Fortuitous economic conditions also tended to lend a helping hand. Rising commodity prices and rising government budgets enabled more redistribution in Latin America. In parts of West Africa, rising crop prices also helped to raise incomes of poorer farmers relative to urban regions.

In many countries there has also been an active political discourse around redistribution and policy reforms that explicitly sought to ameliorate or reverse some of the inequality gains in the preceding decades. In Latin America, Tunisia, Iran, Thailand and Malaysia for instance, new political movements actively used a discourse of inequality to galvanize support for reform and politicians justified their actions on inequality reduction grounds. In Africa, recent scholarship has suggested that democracy has discouraged governments from suppressing prices paid to farmers for agricultural commodities.

Among most of the case study countries, however, the policy reforms undertaken did not involve considerable redistribution from rich to poor, through for instance higher taxation or other measures that are likely to have generated a strong political opposition. A remaining question, therefore, is whether these, arguably modest and politically 'easy', reforms have already run their course.

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