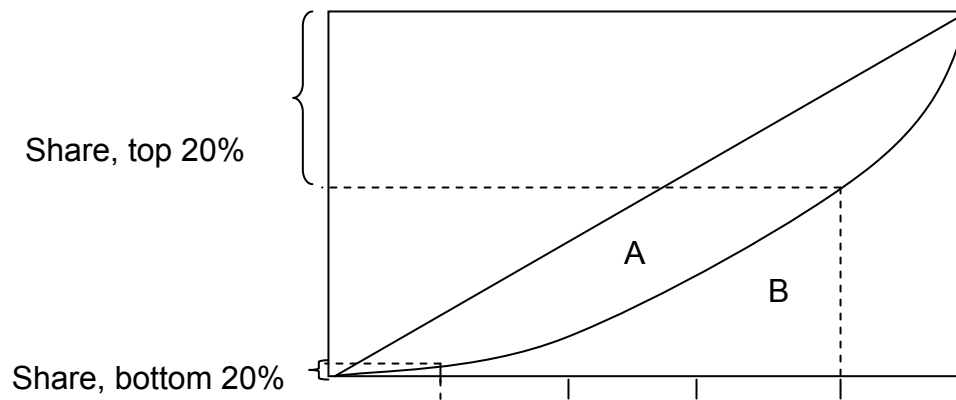


# Cross-country development patterns

Econ 404W

January 19, 2006

# Summarizing Income Distributions



Gini coefficient:  $A/(A+B)$

# Income distribution and development

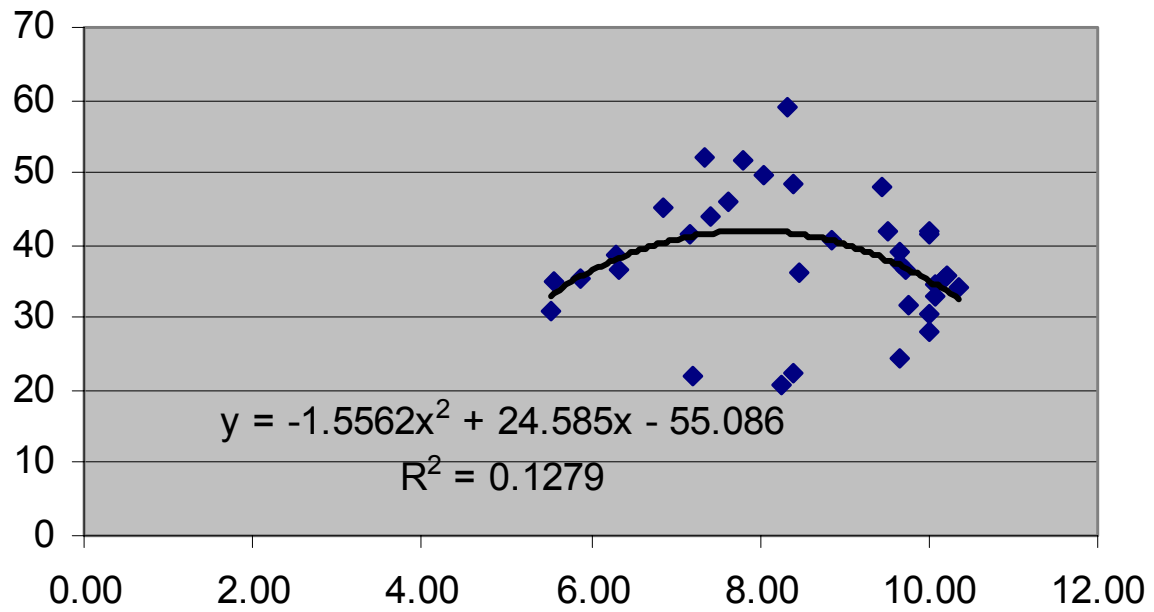
	constant	Ln(Y)	Ln(Y) <sup>2</sup>	Share ag.	socialist
top 20%	-8.71 (0.26)	46.92 (2.24)	-7.97 (2.10)	-0.26 (2.15)	-9.44 (3.27)
middle 40%	34.27 (1.57)	-5.81 (0.40)	0.98 (0.39)	0.23 (2.86)	0.75 (0.40)
lowest 40%	74.5 (4.01)	-43.8 (3.54)	7.00 (3.30)	0.03 (0.48)	8.70 (5.40)

Source: Alhuwalia (1976)

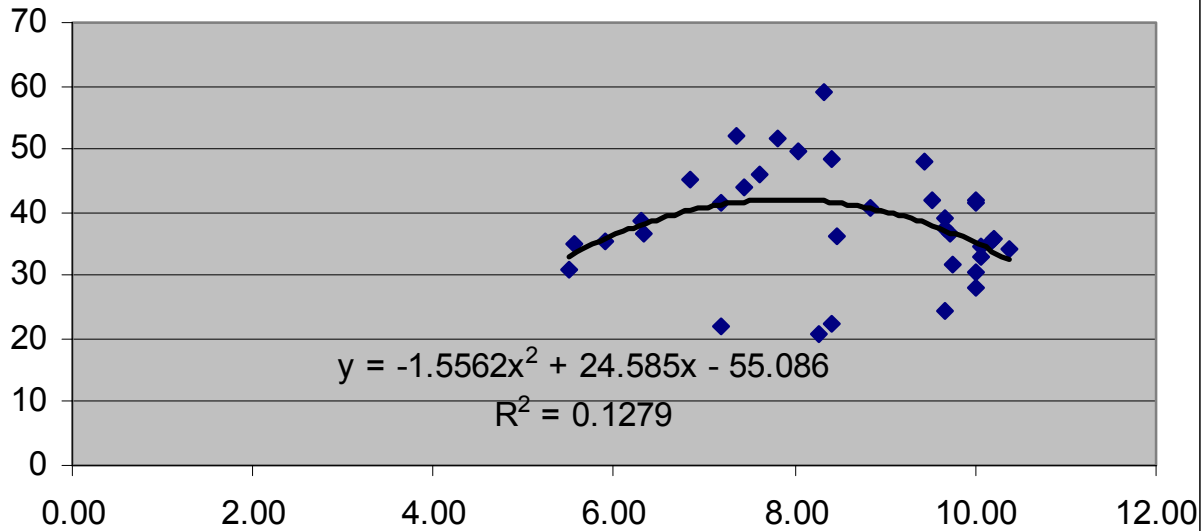
Let  $Y_i$  be per capita income in country  $i$ , and let  $S_i$  be the share of a particular income class—say the top 20 percent in this country. Then the regression model is:

$$S_i = \beta_0 + \beta_1 \ln Y_i + \beta_2 (\ln Y_i)^2 + \dots$$

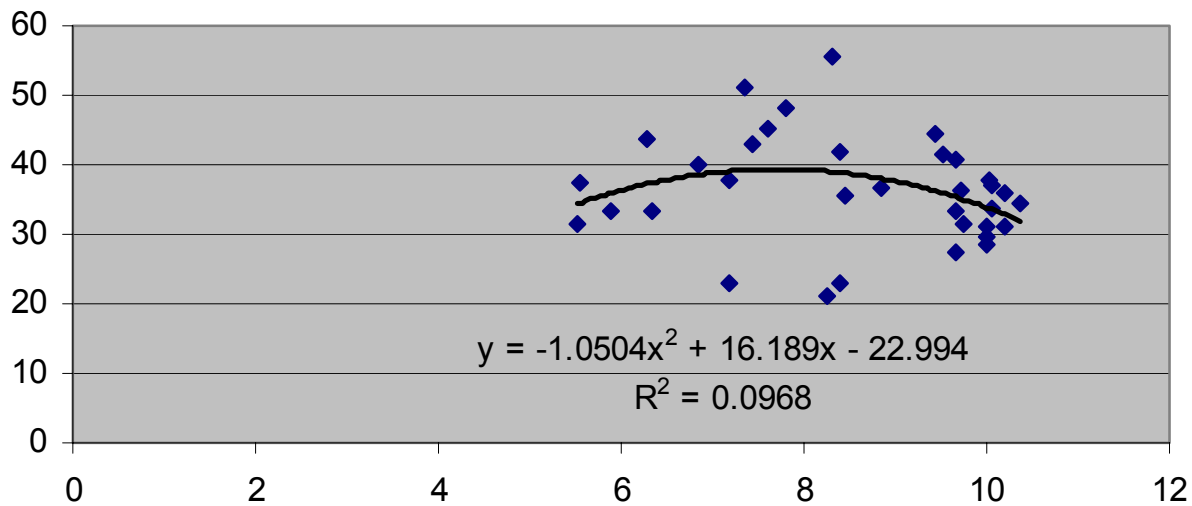
### Per Capita Income and Gini Coefficient, 1970s



### Per Capita Income and Gini Coefficient, 1970s



### Per Capita Income and Gini Coefficient, 1980s



# Income distribution and development

	Cross-Country	Within Estimation
$\beta_1$	0.030 (2.31)	-0.050 (3.33)
$\beta_2$	-0.011 (2.20)	-0.010 (2.50)

Source: Fields and Jacobson (1992)

$$G_{it} = \beta_{0i} + \beta_1 \ln Y_{it} + \beta_2 (\ln Y_{it})^2$$

## Sources of Output Growth in Developing Countries

	<i>•Period</i>	<i>•Growth of output</i>	<i>Total factor productivity growth</i>	<i>Growth Y/L</i>	<i>Growth K/L</i>
•Argentina	1960-74	4.10	1.05	1.9	1.6
•Brazil	1960-74	7.30	1.60	4	4.2
•Chile	1960-74	4.40	1.20	2.5	2.3
•Colombia	1960-74	5.60	2.10	2.8	1.1
•Ecuador	1950-62	4.72	2.18	1.31	-0.59
•Honduras	1930-62	4.52	1.40	1.59	0.72
<b>•Hong Kong</b>	<b>1960-70</b>	<b>9.10</b>	<b>4.28</b>	<b>6.13</b>	<b>4.63</b>
<b>•South Korea</b>	<b>1960-73</b>	<b>9.70</b>	<b>4.10</b>	<b>4.7</b>	<b>1.6</b>
•Mexico	1960-74	5.60	2.10	2.8	1.1
•Peru	1960-70	5.30	1.50	2.6	1.7
•Philippines	1947-65	5.75	2.50	--	--
<b>•Singapore</b>	<b>1972-80</b>	<b>8.00</b>	<b>-0.00</b>	<b>2.48</b>	<b>3.96</b>
<b>•Taiwan</b>	<b>1955-60</b>	<b>5.24</b>	<b>3.12</b>	<b>3.49</b>	<b>0.93</b>
•Turkey	1963-75	6.40	2.23	5.38	5.8
•Venezuela	1960-74	5.10	0.60	1.8	1.2
<b>•Average</b>		<b>6.30</b>	<b>2.00</b>	<b>3</b>	<b>2.2</b>

*Source:* various studies summarized in Chenery, Hollis, Sherman Robinson and Moshe Syrquin, 1986, *Industrialization and Growth: A Comparative Study*. Oxford U. Press for the World Bank.