

Economics

Query paper:

Title: Income distribution, political instability, and investment

Abstract: This paper successfully tests on a sample of 71 countries for the period 1960–85 the following hypotheses. Income inequality, by fuelling social discontent, increases sociopolitical instability. The latter, by creating uncertainty in the politico-economic environment, reduces investment. As a consequence, income inequality and investment are inversely related. Since investment is a primary engine of growth, this paper identifies a channel for an inverse relationship between income inequality and growth.

Candidate papers:

1. **Title:** Distributive politics and economic growth

Abstract: We study the relationship between politics and economic growth in a simple model of endogenous growth with distributive conflict among agents endowed with varying capital/labor shares. We establish several results regarding the factor ownership of the median individual and the level of taxation, redistribution, and growth. Policies that maximize growth are optimal only for a government that cares solely about pure “capitalists.” The greater the inequality of wealth and income, the higher the rate of taxation, and the lower growth. We present empirical results that show that inequality in land and income ownership is negatively correlated with subsequent economic growth.

2. **Title:** Political instability and economic growth

Abstract: This paper investigates the relationship between political instability and per capita GDP growth in a sample of 113 countries for the period 1950 through 1982. We define political instability as the propensity of a government collapse, and we estimate a model in which such a measure of political instability and economic growth are jointly determined. The main result of this paper is that in countries and time periods with a high propensity of government collapse, growth is significantly lower than otherwise. We also discuss the effects of different types of government changes on growth.

3. **Title:** Economic growth in a cross section of countries

Abstract: For 98 countries in the period 1960–1985, the growth rate of real per capita GDP is positively related to initial human capital (proxied by 1960 school-enrollment rates) and negatively related to the initial (1960) level of real per capita GDP. Countries with higher human capital also have lower fertility rates and higher ratios of physical investment to GDP. Growth is inversely related to the share of government consumption in GDP, but insignificantly related to the share of public investment. Growth rates are positively related to measures of political stability and inversely related to a proxy for market distortions.

4. **Title:** International comparisons of educational attainment

Abstract: Many theories of economic growth stress the role of human capital in the form of education, but empirical studies have been hampered by inadequate data. We describe a data set on educational attainment for 129 countries over five-year periods from 1960 to 1985. Census/survey figures fill over 40% of the cells, and the remainder are estimated from school-enrollment data by a perpetualinventory method. The data refer to male and female attainment

of the adult population at four levels: no schooling, primary, secondary, and higher. We also provide a rough breakdown into incomplete and complete attainment at the three levels of schooling.

5. **Title:** Size distribution of income : a compilation of data

Abstract: The majority of income distribution surveys are scattered throughout a variety of sources and rarely present their data in a comparable manner. This report represents a combing of this literature and a setting of the data on 81 countries into a format that allows direct comparisons among the results of all surveys. A uniform group of inequality indexes accompanies each data set; an introductory essay discusses measurement concepts and guidelines; an index of coverage permits easy comparison of the type and date of each survey for a given country; and a comprehensive bibliography cites all of the data sources. This unique compilation is part of an ongoing effort by the Development Research Center of the World Bank to provide a factual and analytical research base in the important areas of poverty and income distribution.

6. **Title:** Seigniorage and Political Instability

Abstract: The importance of seigniorage relative to other sources of government revenue differs markedly across countries. This paper tries to explain this regularity by studying a political model of tax reform. The model implies that countries with a more unstable and polarized political system will have more inefficient tax structures and, thus, will rely more heavily on seigniorage. This prediction of the model is tested on cross-sectional data for 79 countries. We find that, after controlling for other variables, political instability is positively associated with seigniorage.

Exemplary analysis:

1. **Relevance:** This paper explores the relationship between distributive politics, economic growth, and how inequality affects growth through political mechanisms. It directly relates to the query paper's hypothesis that income inequality fuels social discontent, leading to political instability and, consequently, affecting investment and growth negatively.

Reason for Citation: The query paper likely cites this study to support its argument about the negative impact of income inequality on growth. It provides a theoretical framework and empirical evidence that complements the query paper's findings on the inverse relationship between income inequality and investment, and thus growth.

2. **Relevance:** This study investigates the direct relationship between political instability and economic growth, defining political instability in terms of government collapse propensity. It provides empirical evidence that political instability is detrimental to economic growth.

Reason for Citation: The query paper examines political instability as a mediating factor between income inequality and investment. Citing this paper strengthens the argument that political instability, fueled by income inequality, is a significant barrier to investment and, by extension, economic growth.

3. **Relevance:** This research looks at various factors influencing economic growth across countries, including political stability and human capital. It provides a broad empirical analysis relevant to understanding the multifaceted influences on economic growth.

Reason for Citation: The query paper might cite this study to contextualize its findings within

the broader literature on economic growth determinants. Specifically, it could be used to highlight the importance of political stability as a factor for economic growth, reinforcing the paper's argument about the negative impact of sociopolitical instability on investment.

4. **Relevance:** This paper provides a comprehensive dataset on educational attainment, which is a key component of human capital. It addresses the methodological challenge of measuring human capital and its role in economic growth.

Reason for Citation: While not directly related to the main hypothesis of the query paper, this citation could serve multiple purposes. It might be used to underline the importance of human capital as a factor in economic growth, which complements the discussion on investment. Alternatively, it could be cited to demonstrate the methodological rigor in measuring complex variables like human capital, which could parallel the query paper's approach to measuring income inequality, political instability, or investment.

5. **Relevance:** This citation provides the empirical foundation for discussing income inequality.

Reason for Citation: The comprehensive data on income distribution across countries would be crucial for the query paper's analysis of the relationship between income inequality, political instability, and investment. It likely serves as a key source for the empirical evidence of income inequality that the query paper discusses.

6. **Relevance:** This paper's focus on the relationship between political instability and reliance on seigniorage (revenue from money creation) supports the query paper's broader theme of how political instability can lead to inefficient economic policies, which in turn can affect investment.

Reason for Citation: The citation might be used to illustrate another dimension of how political instability, fueled by income inequality, can have detrimental effects on a country's economic health.

Exemplary ranking: Ranked order: paper 2, paper 1, paper 5, paper 3, paper 6, paper 4

1. **Explanation:** Given its exploration of how distributive politics and inequality affect growth, this paper is crucial for framing the discussion around the socio-political implications of income distribution. It provides a theoretical backbone that complements empirical findings.
2. **Explanation:** This paper is central to understanding the direct impact of political instability on economic growth, which is a core theme of the query paper. A follow-up study would likely delve deeper into this relationship, making this citation highly relevant.
3. **Explanation:** This paper's broad analysis of factors affecting economic growth, including political stability, would be essential for situating the follow-up research within a larger context of growth determinants. It helps in understanding the multifaceted influences on economic growth.
4. **Explanation:** Although this paper provides valuable data on human capital, which is a significant factor in economic growth, its direct relevance to the query paper's core themes of income distribution, political instability, and investment is more tangential. It would be cited for its methodological contributions or for a more nuanced discussion on growth determinants beyond the query paper's primary focus.
5. **Explanation:** For any empirical analysis on income distribution and its effects, having a robust dataset on income distribution is indispensable. This paper would be cited for its data and as a foundation for discussing income inequality's impact on political stability and investment.

6. **Explanation:** While more specific in its focus on seigniorage, this paper would be relevant for discussing the broader economic implications of political instability. It would be particularly useful for a follow-up study interested in the economic policy aspects of political instability.