Table 1. Basic sample information

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Number of countries, 2000s | % of total population# | Number of countries, 1990s | % of total population# |
| EMDEs | 141 | 95 | 99 | 89 |
| - Latin America | 20 | 99 | 19 | 97 |
| - Eastern Europe and Central Asia | 28 | 88 | 22 | 84 |
| - Middle East and North Africa | 14 | 82 | 9 | 71 |
| - South and East Asia | 21 | 97 | 16 | 96 |
| - Sub-Saharan Africa | 42 | 96 | 27 | 65 |
| - Other\* | 16 | 61 | 6 | 22 |
| AEs | 24 | 100 | 24 | 100 |

*Notes*: \*includes Anglophone Caribbean countries, plus Oceania. #All population figures refer to 2015. For a full list of countries, see Appendix Table A1.

Table 2. Trends in inequality, 1990s and 2000s (numbers of countries)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Rise | Fall | Large rise\* | Large fall\* |
| *A. Disposable income, 2000s* |
| EMDEs | 54 | 87 | 11 | 43 |
| - Latin America | 3 | 17 | 0 | 17 |
| - Eastern Europe and Central Asia | 14 | 14 | 3 | 8 |
| - Middle East and North Africa | 5 | 9 | 1 | 5 |
| - South and East Asia | 11 | 10 | 3 | 3 |
| - Sub-Saharan Africa | 14 | 28 | 4 | 10 |
| - Other | 7 | 9 | 0 | 0 |
| AEs | 14 | 10 | 5 | 2 |
| *B. Market income, 2000s* |
| EMDEs | 54 | 87 | 17 | 40 |
| - Latin America | 3 | 17 | 1 | 14 |
| - Eastern Europe and Central Asia | 13 | 15 | 6 | 9 |
| - Middle East and North Africa | 6 | 8 | 2 | 6 |
| - South and East Asia | 11 | 10 | 3 | 3 |
| - Sub-Saharan Africa | 16 | 26 | 4 | 9 |
| - Other | 5 | 11 | 1 | 0 |
| AEs | 17 | 7 | 11 | 1 |
| *C. Disposable income, 1990s* |
| EMDEs | 61 | 38 | 37 | 9 |
| - Latin America | 13 | 6 | 8 | 2 |
| - Eastern Europe and Central Asia | 20 | 2 | 18 | 1 |
| - Middle East and North Africa | 4 | 5 | 1 | 1 |
| - South and East Asia | 12 | 4 | 7 | 0 |
| - Sub-Saharan Africa | 9 | 18 | 4 | 5 |
| - Other | 3 | 3 | 0 | 0 |
| AEs | 18 | 6 | 11 | 2 |
| *D. Market income, 1990s* |
| EMDEs | 65 | 34 | 34 | 10 |
| - Latin America | 12 | 7 | 6 | 2 |
| - Eastern Europe and Central Asia | 22 | 0 | 17 | 0 |
| - Middle East and North Africa | 5 | 4 | 1 | 2 |
| - South and East Asia | 12 | 4 | 8 | 0 |
| - Sub-Saharan Africa | 12 | 15 | 3 | 6 |
| - Other | 2 | 4 | 0 | 0 |
| AEs | 19 | 5 | 15 | 0 |

*Notes*: \*Defined as an overall trend rise (fall) in the Gini coefficient of at least two percentage points (see footnote 5). *Source*: Author’s calculations using SWIID v8.2.

Table 3. Average trends in inequality by country group and decade

|  |  |  |
| --- | --- | --- |
|  | *Disposable income* | *Market income* |
| *Average trends*~ | 1990s  | 2000s | 1990s  | 2000s  |
| EMDEs | 0.176\*\*\* | -0.165\*\*\* | 0.161\*\*\* | -0.141\*\*\* |
| AEs  | 0.128\*\*\* | 0.038 | 0.243\*\*\* | 0.099\*\* |
| Latin America | 0.101\*\* | -0.418\*\*\* | 0.076 | -0.343\*\*\* |
| Eastern Europe and Central Asia | 0.431\*\*\* | -0.115\*\*\* | 0.449\*\*\* | -0.102\*\* |
| Middle East and North Africa | 0.025 | -0.048 | 0.030 | -0.137 |
| South and East Asia | 0.194\*\*\* | 0.033 | 0.165\*\*\* | 0.038 |
| Sub-Saharan Africa | -0.007 | -0.103\* | 0.008 | -0.096\* |
| Other | -0.024 | -0.056 | -0.028 | -0.079 |
| *EMDEs excl. LA*  | 0.198\*\*\* | -0.069\*\* | 0.184\*\*\* | -0.070\*\* |
| *EMDEs excl. LA & EECA*  | 0.071\*\* | -0.039 | 0.066\*\* | -0.051 |
| *Differences in trends, 2000s – 1990s* |  |  |
| EMDEs  | -0.342\*\*\* | -0.302\*\*\* |
| AEs  | -0.090\*\* | -0.144\*\* |
| Latin America | -0.519\*\*\* | -0.418\*\*\* |
| Eastern Europe and Central Asia | -0.546\*\*\* | -0.551\*\*\* |
| Middle East and North Africa | -0.073 | -0.167 |
| South and East Asia | -0.161\* | -0.127# |
| Sub-Saharan Africa | -0.096# | -0.104# |
| Other | -0.032 | -0.052 |
| *EMDEs excl. LA & EECA* | -0.111\*\* | -0.117\*\*\* |
| *Differences in trends with AEs, 2000s*  |
| EMDEs  | -0.203\*\*\* | -0.240\*\*\* |
| Latin America | -0.456\*\*\* | -0.442\*\*\* |
| Eastern Europe and Central Asia | -0.152\*\*\* | -0.202\*\*\* |
| Middle East and North Africa | -0.086 | -0.236\*\* |
| South and East Asia | -0.005 | -0.061 |
| Sub-Saharan Africa | -0.141\*\* | -0.195\*\*\* |
| Other | -0.093 | -0.178 |
| *EMDEs excl. LA*  | -0.107\*\* | -0.169\*\*\* |

*Notes*: ~ Weighted by the precision (inverse standard error) of each estimated trend.

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1; # marginally insignificant (0.1<p<0.15).

Table 4. Summary of dependent and explanatory variables

|  |  |  |
| --- | --- | --- |
| **Variable label** | **Full variable description** | **Source\*** |
| *g\_mkt* | Trend in Gini coefficient of market income, % points per year | SWIID 8.2 |
| *g\_disp* | Trend in Gini coefficient of disposable income % points per year | SWIID 8.2 |
| *sgini\_mkt* | Initial Gini coefficient, market income (0-100 scale) | SWIID 8.2 |
| *sgini\_disp* | Initial Gini coefficient, disposable income (0-100 scale) | SWIID 8.2 |
| *gdp\_d* | Change in expenditure-side real GDP per capita at chained PPPs (US$ million 2011 prices), log points per year | PWT 9.1 |
| *gdp\_i* | Interaction between *gdp\_d* and the sum of the start and end values of expenditure-side real GDP per capita at chained PPPs (US$ million 2011 prices) | PWT 9.1 |
| *agr\_d* | Change in the share of agriculture in total employment, % points per year | WDI |
| *agr\_i* | Interaction between *agr\_d* and the sum of the starting and end values of the agricultural employment share (%) | WDI |
| *ser\_d* | Change in the share of services in total employment, % points per year | WDI |
| *rpa\_d* | Change in relative agricultural productivity#, % points per year | WDI |
| *cpi\_d* | Change in the fixed weight commodity price index (% of GDP), log points per year \* 100 | Gruss and Kebhaj (2019) |
| *rem\_d* | Change in inward remittances as a share of GDP, % points per year | WDI |
| *sch\_d* | Change in the average number of years of schooling in the adult population aged 25 and over | PWT 9.1 |
| *corrupt\_d* | Change in the Bayesian corruption index (0-100 scale; higher values indicate higher levels of corruption), % points per year  | Standaert (2015) |
| *tax\_d* | Change in tax revenues as a share of GDP, % points per year§ | WDI |
| *gsoc\_d* | Change in government social expenditure as a share of GDP,% points per year§  | IMF-GFS |
| *tradelib* | Reduction in the (unweighted) average tariff rate, % points per year | WDI, EFW |
| *caplib* | Change in the normalised Chinn-Ito index of capital market openness (0-1 scale) | Chinn and Ito (2006) |

*Notes*: \*PWT = Penn World Tables; WDI = World Bank World Development Indicators; EFW = Fraser Institute Economic Freedom of the World database; IMF-GFS = International Monetary Fund, Government Financial Statistics. # Relative agricultural productivity is measured by dividing the share of agriculture value added in GDP by its share of total employment and multiplying by 100. § Due to the irregular spacing of tax and spending data for many countries, we estimate these changes using linear regression model with a single time trend for each decade, requiring that we have data spanning at least five years in each case.

Table 5 . Descriptive statistics

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Variable label** | **Mean** | **Std. Dev.** | **P10** | **P90** | **N** |
| Trend in Gini coefficient of market income *(g\_mkt)* | -0.060 | 0.230 | -0.404 | 0.184 | 165 |
| Trend in Gini coefficient of disposable income *(g\_disp)* | -0.080 | 0.235 | -0.420 | 0.149 | 165 |
| Initial Gini, market income *(sgini\_mkt)* | 46.4 | 6.4 | 39.0 | 54.0 | 165 |
| Initial Gini, disposable income *(sgini\_disp)* | 39.0 | 8.0 | 28.0 | 49.7 | 165 |
| GDP growth *(gdp\_d)* | 0.052 | 0.033 | 0.020 | 0.085 | 154 |
| GDP growth interaction (*gdp\_i)* | 0.922 | 0.591 | 0.399 | 1.498 | 154 |
| Change in agricultural employment share (*agr\_d)* | -0.383 | 0.431 | -1.017 | -0.025 | 152 |
| Agricultural employment share interaction (*agr\_i)* | -27.98 | 44.67 | -87.80 | -0.117 | 152 |
| Change in services employment share (*ser\_d)* | 0.435 | 0.404 | 0.043 | 0.944 | 154 |
| Change in relative agricultural productivity (*rpa\_d)* | 0.175 | 1.474 | -1.195 | 1.537 | 148 |
| Change in commodity price index (*cpi\_d)* | 0.272 | 0.266 | 0.045 | 0.600 | 145 |
| Change in inward remittances *(rem\_d)* | 0.077 | 0.377 | -0.137 | 0.299 | 144 |
| Change in years of schooling *(sch\_d)* | 0.096 | 0.058 | 0.035 | 0.167 | 132 |
| Change in corruption index *(corrupt\_d)* | -0.069 | 0.333 | -0.501 | 0.299 | 162 |
| Change in tax revenues *(tax\_d)* | 0.059 | 0.497 | -0.374 | 0.484 | 117 |
| Change in government social spending *(gsoc\_d)* | 0.150 | 0.303 | -0.139 | 0.434 | 110 |
| Reduction in average tariffs *(tradelib)* | 0.227 | 0.495 | -0.011 | 0.651 | 129 |
| Change in capital market openness *(caplib)* | 0.002 | 0.020 | -0.018 | 0.022 | 152 |

*Notes*: Full variable descriptions, units and sources are contained in Table 4.

Table 6. Main regression results, market income inequality

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1 | 2 | 3 | 4 | 5 |
| Initial Gini | -0.014\*\*\* | -0.014\*\*\* | -0.014\*\*\* | -0.012\*\*\* | -0.014\*\*\* |
|  *(sgini\_mkt)* | (0.004) | (0.004) | (0.004) | (0.004) | (0.004) |
| GDP growth | -6.12 | -6.96 | -5.69 | -10.6 | -6.87 |
|  *(gdp\_d)* | (4.37) | (4.51) | (4.37) | (7.44) | (5.19) |
| GDP growth interaction  | 0.297 | 0.353 | 0.263 | 0.508 | 0.292 |
|  *(gdp\_i)* | (0.244) | (0.253) | (0.247) | (0.371) | (0.263) |
| Change in agr. empl.  | 0.425\*\*\* | 0.420\*\*\* | 0.433\*\*\* | 0.398\*\* | 0.365\*\*\* |
|  share *(agr\_d)* | (0.116) | (0.116) | (0.118) | (0.165) | (0.130) |
| Agr. empl. share  | -0.00317\*\*\* | -0.00319\*\*\* | -0.00321\*\*\* | -0.00340 | -0.00293\*\*\* |
|  interaction *(agr\_i)* | (0.00104) | (0.00105) | (0.00103) | (0.00234) | (0.00112) |
| Change in services empl.  | 0.305\*\*\* | 0.297\*\*\* | 0.312\*\*\* | 0.241\* | 0.276\*\* |
|  share *(ser\_d)* | (0.108) | (0.109) | (0.113) | (0.132) | (0.109) |
| Change in relative agr.  | -0.046\*\* | -0.049\*\*\* | -0.044\*\* | -0.058\*\*\* | -0.049\*\*\* |
|  productivity *(rpa\_d)* | (0.018) | (0.019) | (0.018) | (0.022) | (0.019) |
| Change in commodity  | -0.357\*\*\* | -0.353\*\*\* | -0.368\*\*\* | -0.316\*\* | -0.334\*\*\* |
|  price index *(cpi\_d)* | (0.105) | (0.105) | (0.104) | (0.123) | (0.125) |
| Change in inward  | -0.108\*\* | -0.110\*\* | -0.108\* | -0.200 | -0.163\*\* |
| remittances *(rem\_d)* | (0.057) | (0.055) | (0.058) | (0.185) | (0.064) |
| Change in years of  |  | -0.357 |  |  |  |
|  schooling *(sch\_d)* |  | (0.408) |  |  |  |
| Change in corruption  |  |  | -0.052 |  |  |
|  index *(corrup\_d)* |  |  | (0.057) |  |  |
| Change in tax revenues |  |  |  | -0.035 |  |
|  *(tax\_d)* |  |  |  | (0.080) |  |
| Change in govt. social  |  |  |  | -0.0002 |  |
| spending *(gsoc\_d)* |  |  |  | (0.081) |  |
| Reduction in average  |  |  |  |  | 0.036 |
|  tariffs *(tradelib)* |  |  |  |  | (0.051) |
| Change in capital market  |  |  |  |  | -0.417 |
|  openness *(caplib)* |  |  |  |  | (1.376) |
| Constant | 0.662\*\*\* | 0.710\*\*\* | 0.656\*\*\* | 0.612\*\*\* | 0.684\*\*\* |
|  | (0.199) | (0.211) | (0.197) | (0.21) | (0.209) |
| GDP growth *(gdp\_d) #* | -0.607 | -0.416 | -0.731 | -1.004 | -1.597 |
|  | (1.151) | (1.091) | (1.167) | (1.667) | (1.275) |
| Change in agr. empl.  | 0.162\* | 0.159\* | 0.161\* | 0.212\* | 0.118 |
|  share (*agr\_d) #* | (0.095) | (0.093) | (0.097) | (0.125) | (0.104) |
| Observations | 113 | 106 | 113 | 81 | 102 |
| R-squared | 0.392 | 0.435 | 0.397 | 0.438 | 0.393 |
| Threshold~, agr (%) | 67.0 | 65.8 | 67.4 | 58.5 | 62.3 |

*Notes*: The dependent variable in each case is the estimated trend in Gini coefficient of market income in % points per year (*g\_mkt*); full variable descriptions are in Table 4. Estimation is by WLS, using the inverse standard error as the weights. Robust standard errors in parentheses below each coefficient. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1 *#* These rows show the results for *gdp\_d* and *agr\_d* when the interaction terms (*gdp\_i* and *agr\_i*) are excluded from the regression; the remaining coefficients are qualitatively unchanged in this case. ~ The thresholds are the estimated levels of the agricultural employment share at which the relationship with inequality turns from positive to negative. They are given by –b/2c, where *b* is the coefficient on *agr\_d* and *c* is the coefficient on *agr\_i*.

Table 7. Main regression results, disposable income inequality

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1 | 2 | 3 | 4 | 5 |
| Initial Gini | -0.014\*\*\* | -0.014\*\*\* | -0.014\*\*\* | -0.013\*\*\* | -0.015\*\*\* |
|  *(sgini\_disp)* | (0.003) | (0.003) | (0.003) | (0.003) | (0.003) |
| GDP growth | 1.86 | 1.37 | 1.97 | 2.66 | 1.76 |
|  *(gdp\_d)* | (4.37) | (4.44) | (4.28) | (8.12) | (4.39) |
| GDP growth interaction  | -0.088 | -0.045 | -0.100 | -0.130 | -0.166 |
|  *(gdp\_i)* | (0.238) | (0.246) | (0.233) | (0.411) | (0.246) |
| Change in agr. empl.  | 0.234\* | 0.233\* | 0.240\* | 0.113 | 0.099 |
|  share *(agr\_d)* | (0.122) | (0.120) | (0.126) | (0.172) | (0.132) |
| Agr. empl. share  | -0.00243\*\* | -0.00240\*\* | -0.00246\*\* | -0.00105 | -0.00171 |
|  interaction *(agr\_i)* | (0.00098) | (0.00100) | (0.00100) | (0.00231) | (0.00111) |
| Change in services empl.  | 0.081 | 0.092 | 0.087 | 0.023 | 0.069 |
|  share *(ser\_d)* | (0.118) | (0.126) | (0.122) | (0.147) | (0.111) |
| Change in relative agr.  | -0.035\*\* | -0.036\*\* | -0.033\*\* | -0.048\*\*\* | -0.040\*\*\* |
|  productivity *(rpa\_d)* | (0.014) | (0.015) | (0.014) | (0.018) | (0.014) |
| Change in commodity  | -0.276\*\*\* | -0.284\*\*\* | -0.283\*\*\* | -0.286\*\* | -0.209\* |
|  price index *(cpi\_d)* | (0.092) | (0.094) | (0.091) | (0.111) | (0.111) |
| Change in inward  | -0.093 | -0.093 | -0.092 | -0.201 | -0.188\*\*\* |
| remittances *(rem\_d)* | (0.063) | (0.057) | (0.063) | (0.204) | (0.058) |
| Change in years of  |  | -0.444 |  |  |  |
|  schooling *(sch\_d)* |  | (0.442) |  |  |  |
| Change in corruption  |  |  | -0.028 |  |  |
|  index *(corrup\_d)* |  |  | (0.062) |  |  |
| Change in tax revenues |  |  |  | -0.036 |  |
|  *(tax\_d)* |  |  |  | (0.094) |  |
| Change in govt. social  |  |  |  | -0.00448 |  |
| spending *(gsoc\_d)* |  |  |  | (0.084) |  |
| Reduction in average  |  |  |  |  | 0.108\*\* |
|  tariffs *(tradelib)* |  |  |  |  | (0.053) |
| Change in capital market  |  |  |  |  | 1.102 |
|  openness *(caplib)* |  |  |  |  | (1.335) |
| Constant | 0.482 | 0.494 | 0.477 | 0.498 | 0.522 |
|  | (0.110) | (0.112) | (0.113) | (0.127) | (0.113) |
| GDP growth *(gdp\_d) #* | 0.531 | 0.873 | 0.508 | 0.321 | -0.950 |
|  | (1.223) | (1.201) | (1.232) | (1.582) | (1.373) |
| Change in agr. empl.  | -0.012 | -0.003 | -0.012 | 0.012 | -0.080 |
|  share (*agr\_d) #* | (0.106) | (0.105) | (0.107) | (0.141) | (0.106) |
| Observations | 113 | 106 | 113 | 81 | 102 |
| R-squared | 0.389 | 0.422 | 0.391 | 0.43 | 0.442 |

*Notes*: The dependent variable in each case is the estimated trend in Gini coefficient of disposable income in % points per year (*g\_disp*); estimation is by WLS, using the inverse standard error as the weights. Robust standard errors in parentheses below each coefficient; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1. *#* These rows show the results for *gdp\_d* and *agr\_d* when the interaction terms (*gdp\_i* and *agr\_i*) are excluded from the regression; the remaining coefficients are qualitatively unchanged in this case.

Table 8. Interaction terms, Latin America vs. other EMDEs

|  |  |  |
| --- | --- | --- |
|  | Market income inequality | Disposable income inequality |
|  | (1) | (2) | (3) | (4) |
| *Explanatory variable:* | Individual component | Interactionterm | Individual component | Interaction term |
| Change in relative agr.  | -0.055\*\*\* | -0.019 | -0.035\*\* | -0.026 |
|  productivity *(rpa\_d)* | (0.018) | (0.064) | (0.016) | (0.069) |
| Change in commodity  | -0.303\*\*\* | -0.178 | -0.188\* | -0.303 |
|  price index *(cpi\_d)* | (0.095) | (0.262) | (0.103) | (0.253) |
| Change in inward  | -0.102\* | -0.052 | -0.081 | -0.013 |
| remittances *(rem\_d)* | (0.060) | (0.413) | (0.062) | (0.431) |
| Change in years of  | -0.091 | -1.235\*\*\* | -0.058 | -1.590\*\*\* |
|  schooling *(sch\_d)* | (0.420) | (0.466) | (0.441) | (0.535) |
| Change in corruption  | -0.123\* | 0.060 | -0.122 | 0.248 |
|  index *(corrup\_d)* | (0.065) | (0.262) | (0.077) | (0.257) |
| Change in tax revenues | 0.034 | -0.451\*\*\* | 0.035 | -0.520\*\*\* |
|  *(tax\_d)* | (0.070) | (0.134) | (0.071) | (0.170) |
| Change in govt. social  | 0.009 | -0.404\*\* | 0.028 | -0.417\*\* |
| spending *(gsoc\_d)* | (0.088) | (0.186) | (0.096) | (0.193) |
| Reduction in average  | 0.067 | -0.523\*\*\* | 0.124\*\*\* | -0.406\*\*\* |
|  tariffs *(tradelib)* | (0.046) | (0.137) | (0.047) | (0.128) |
| Change in capital market  | -1.672 | 4.977 | -0.376 | 4.889 |
|  openness *(caplib)* | (1.238) | (3.421) | (1.309) | (3.867) |

*Notes*: The dependent variable is the estimated trend in the Gini coefficient of market income (*g\_mkt*) in columns (1-2) and in the Gini coefficient of disposable income (*g\_disp*) in columns (3-4), in % points per year in each case. The coefficients are obtained from regressions which are otherwise identical to columns (1)-(5) in Tables 6 and 7, except for the inclusion of the interaction term(s) on the variables listed above. Note that the regressions also control for interaction terms with a dummy for the advanced economies in the sample, so the base category for comparison is all EMDEs except Latin America.

Table 9. Robustness tests, market income inequality

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1 | 2 | 3 | 4 | 5 |
|  | OLS | Weights = precision sq. | >= 10-year trends | No IV | EMDEs, 2000s |
| Initial Gini | -0.011\*\*\* | -0.017\*\*\* | -0.014\*\*\* | -0.011\*\*\* | -0.010\*\*\* |
|  *(sgini\_mkt)* | (0.004) | (0.004) | (0.004) | (0.004) | (0.004) |
| GDP growth | -5.63 | -9.11\* | -4.37 | -4.15 | 2.49 |
|  *(gdp\_d)* | (4.23) | (5.12) | (4.68) | (4.24) | (5.17) |
| GDP growth interaction  | 0.268 | 0.425 | 0.253 | 0.183 | -0.140 |
|  *(gdp\_i)* | (0.237) | (0.275) | (0.261) | (0.241) | (0.311) |
| Change in agr. empl.  | 0.289\*\* | 0.539\*\*\* | 0.467\*\*\* | 0.406\*\*\* | 0.230 |
|  share *(agr\_d)* | (0.122) | (0.117) | (0.116) | (0.120) | (0.149) |
| Agr. empl. share  | -0.00230\*\* | -0.00435\*\*\* | -0.00310\*\*\* | -0.00295\*\*\* | -0.00138 |
|  interaction *(agr\_i)* | (0.00095) | (0.00120) | (0.00110) | (0.00106) | (0.00116) |
| Change in services empl.  | 0.225\* | 0.335\*\*\* | 0.361\*\*\* | 0.296\*\*\* | 0.270\*\* |
|  share *(ser\_d)* | (0.123) | (0.104) | (0.106) | (0.103) | (0.133) |
| Change in relative agr.  | -0.043\*\*\* | -0.045\*\* | -0.045\*\* | -0.042\*\* | -0.046\*\*\* |
|  productivity *(rpa\_d)* | (0.015) | (0.021) | (0.021) | (0.017) | (0.015) |
| Change in commodity  | -0.333\*\*\* | -0.312\*\* | -0.410\*\*\* | -0.362\*\*\* | -0.313\*\*\* |
|  price index *(cpi\_d)* | (0.085) | (0.144) | (0.120) | (0.107 | (0.119) |
| Change in inward  | -0.072 | -0.134\*\* | -0.116\* | -0.116\*\* | -0.126\*\* |
|  remittances *(rem\_d)* | (0.054) | (0.057) | (0.061) | (0.055) | (0.060) |
| Constant | 0.518\*\*\* | 0.810\*\*\* | 0.628\*\*\* | 0.561\*\*\* | 0.419\*\* |
|  | (0.201) | (0.197) | (0.198) | (0.191) | (0.207) |
| Observations | 113 | 113 | 104 | 123 | 100 |
| R-squared | 0.280 | 0.499 | 0.417 | 0.379 | 0.28 |
| Threshold, agr (%) | 62.8 | 62.0 | 75.3 | 68.8 | 83.3 |
| *Interaction terms with Latin America dummy:#* |
| Change in years of  | -1.695\*\*\* | -0.747 | -1.189\*\* | -1.420\*\*\* | -1.534\*\*\* |
|  schooling *(sch\_d)* | (0.482) | (0.477) | (0.472) | (0.469) | (0.452) |
| Change in tax revenues | -0.462\*\*\* | -0.461\*\*\* | -0.442\*\*\* | -0.467\*\*\* | -0.402\*\* |
|  *(tax\_d)* | (0.124) | (0.158) | (0.136) | (0.145) | (0.172) |
| Change in govt. social  | -0.464\*\* | -0.273 | -0.386\*\* | -0.435\*\* | -0.513\*\* |
| spending *(gsoc\_d)* | (0.185) | (0.210) | (0.188) | (0.202) | (0.212) |
| Reduction in average  | -0.630\*\*\* | -0.432\*\*\* | -0.509\*\*\* | -0.563\*\*\* | -0.579\*\*\* |
|  tariffs *(tradelib)* | (0.133) | (0.142) | (0.144) | (0.148) | (0.159) |

Notes: The dependent variable in each case is the estimated trend in the Gini coefficient of market income, in % points per year (*g\_mkt*). *#*The results for the interaction terms are obtained from separate regressions which are otherwise identical to columns (2), (4) and (5) in Table 6, except for the inclusion of the interaction terms.

Table 10. Robustness tests, disposable income inequality

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1 | 2 | 3 | 4 | 5 |
|  | OLS | Weights = precision sq. | >= 10-year trends | No IV | EMDEs, 2000s |
| Initial Gini | -0.011\*\*\* | -0.016\*\*\* | -0.015\*\*\* | -0.012\*\*\* | -0.011\*\*\* |
|  *(sgini\_disp)* | (0.003) | (0.003) | (0.003) | (0.003) | (0.003) |
| GDP growth | -0.132 | 0.978 | 4.628 | 2.589 | 3.771 |
|  *(gdp\_d)* | (4.123) | (5.385) | (5.028) | (4.210) | (5.504) |
| GDP growth interaction  | -0.018 | -0.031 | -0.158 | -0.138 | -0.184 |
|  *(gdp\_i)* | (0.233) | (0.275) | (0.272) | (0.234) | (0.324) |
| Change in agr. empl.  | 0.150 | 0.276\*\* | 0.289\*\* | 0.233\* | 0.229 |
|  share *(agr\_d)* | (0.132) | (0.121) | (0.124) | (0.121) | (0.154) |
| Agr. empl. share  | -0.00197\*\* | -0.00297\*\*\* | -0.00229\*\* | -0.00230\*\* | -0.00196 |
|  interaction *(agr\_i)* | (0.00095) | (0.00114) | (0.00105) | (0.00100) | (0.00118) |
| Change in services empl.  | 0.032 | 0.086 | 0.153 | 0.085 | 0.137 |
|  share *(ser\_d)* | (0.130) | (0.119) | (0.118) | (0.112) | (0.147) |
| Change in relative agr.  | -0.035\*\*\* | -0.032\*\* | -0.032\*\* | -0.031\*\* | -0.035\*\* |
|  productivity *(rpa\_d)* | (0.013) | (0.015) | (0.015) | (0.013) | (0.016) |
| Change in commodity  | -0.200\*\* | -0.314\*\*\* | -0.344\*\*\* | -0.290\*\*\* | -0.292\*\*\* |
|  price index *(cpi\_d)* | (0.089) | (0.111) | (0.101) | (0.093) | (0.103) |
| Change in inward  | -0.058 | -0.125\* | -0.095 | -0.098\* | -0.100 |
|  remittances *(rem\_d)* | (0.056) | (0.065) | (0.063) | (0.059) | (0.061) |
| Constant | 0.423\*\*\* | 0.531\*\*\* | 0.453\*\*\* | 0.432\*\*\* | 0.372\*\* |
|  | (0.128) | (0.104) | (0.110) | (0.110) | (0.151) |
| Observations | 113 | 113 | 104 | 123 | 100 |
| R-squared | 0.256 | 0.507 | 0.430 | 0.372 | 0.286 |
| *Interaction terms with Latin America dummy:#* |
| Change in years of  | -2.097\*\*\* | -1.135\*\* | -1.431\*\*\* | -1.887\*\*\* | -2.255\*\*\* |
|  schooling *(sch\_d)* | (0.563) | (0.520) | (0.537) | (0.551) | (0.547) |
| Change in tax revenues | -0.584\*\*\* | -0.471\*\*\* | -0.501\*\*\* | -0.551\*\*\* | -0.552\*\*\* |
|  *(tax\_d)* | (0.173) | (0.176) | (0.169) | (0.187) | (0.201) |
| Change in govt. social  | -0.405\* | -0.422\*\* | -0.388\*\* | -0.446\*\* | -0.508\*\* |
| spending *(gsoc\_d)* | (0.216) | (0.185) | (0.191) | (0.218) | (0.238) |
| Reduction in average  | -0.528\*\*\* | -0.308\*\* | -0.349\*\* | -0.456\*\*\* | -0.494\*\*\* |
|  tariffs *(tradelib)* | (0.124) | (0.137) | (0.139) | (0.132) | (0.142) |

*Notes*: The dependent variable in each case is the estimated trend in the Gini coefficient of disposable income, in % points per year (*g\_disp*). *#*The results for the interaction terms are obtained from separate regressions which are otherwise identical to columns (2), (4) and (5) in Table 7, except for the inclusion of the interaction term(s).

Table 11. Explaining differences in average trends by region: decomposition analysis

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | *2* | *3* | *4* | *5* | *6* |
|  | *EMDEs vs. AEs* | *LA vs. other EMDEs*  | *LA vs. EECA* | *LA vs. SEA* | *LA vs. SSA* |
| *Market income inequality* |
| Initial inequality  | 0.4 | 30.8 | 41.3 | 36.4 | 17.0 |
| Structural change  | 20.0 | 12.5 | 4.3 | 10.4 | 22.8 |
| Relative agricultural prod.  | -4.2 | 2.3 | 3.2 | 1.1 | 6.8 |
| Commodity prices  | 26.6 | 10.8 | 19.8 | 8.1 | 5.5 |
| Remittances  | 5.2 | -1.7 | -4.6 | -0.9 | -1.7 |
| Schooling  | - | 45.7 | 53.6 | 34.3 | 43.6 |
| Tax revenues  | - | 27.8 | 31.4 | 21.0 | 29.0 |
| Social spending  | - | 13.2 | 15.6 | 9.8 | 12.1 |
| Trade liberalisation | - | 45.1 | 48.8 | 34.1 | 42.2 |
| *Disposable income inequality* |
| Initial inequality  | 81.4 | 40.3 | 78.3 | 32.1 | 21.4 |
| Structural change  | 0.3 | 8.2 | -0.6 | 8.9 | 15.9 |
| Relative agricultural prod.  | -4.0 | 1.4 | 2.0 | 0.7 | 4.3 |
| Commodity prices  | 26.0 | 6.8 | 12.4 | 5.4 | 3.6 |
| Remittances  | 5.7 | -1.2 | -3.2 | -0.6 | -1.2 |
| Schooling  | - | 47.7 | 55.5 | 37.8 | 46.8 |
| Tax revenues  | - | 26.3 | 29.7 | 20.9 | 28.0 |
| Social spending  | - | 11.5 | 14.0 | 8.7 | 10.4 |
| Trade liberalisation |  | 29.5 | 28.7 | 23.4 | 28.1 |

*Notes*: The figures in the table show the percentage contribution of different explanatory variables in explaining the difference in average inequality trends between the country groups shown in the column headings. The contributions of the baseline variables are calculated using equation (3) and the regression coefficients from column 1 in Tables 6 and 7; the contributions of schooling, tax revenues, social spending and trade liberalisation are calculated using equation (4) and the coefficients for these variables shown in Table 8. Note that we aggregate the contributions of the explanatory variables *gdp\_d* and *gdp\_i* under the row-heading ‘economic growth’, and the variables *agr\_d*, *agr\_i*, and *ser\_d* under the heading ‘structural change’. The average trends in inequality and the average values of each explanatory variable are reported in Appendix Table A2.