

Paukert F. Income distribution at different levels of development: a survey of evidence.
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Examination of changes in income distribution in the course of economic development was undertaken by a survey of changes over time in a number of countries and by cross-country comparisons of data for 56 countries. This study confirmed Kuznets's hypothesis about inequality increasing and then decreasing in economic development. [The SSCJ® indicates that this paper has been cited in over 160 publications.]

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At the beginning of the 1970s the International Labour Organisation (ILO) a specialised UN agency in Geneva) started a very large undertaking: the World Employment Programme. One of its major components was the Income Distribution and Employment Programme, which I was appointed to direct in 1972. This programme was a broadly conceived project that, by its termination in 1981, yielded over 20 books, about 40 journal articles, and over 100 working papers. Almost 100 scholars from all over the world collaborated on it.

This paper was a result of the first study to be completed, which I undertook myself. Its purpose was to find out how size distribution of income changes during economic development. The classical studies by Nobel Prize winner Simon Kuznets established that income distribution was more equal in industrialised than in developing countries and that, in the course of development, income distribution becomes first more unequal, but later there is a tendency for income to become less unequally distributed with increasing per capita income—the Kuznets inverted U-curve hypothesis. Unfortunately, Kuznets's studies were based on a small sample of countries: a 1955 study¹ on 6 countries and a 1963 study² on 18 countries.

In 1981, in order to verify Kuznets's hypothesis, I assembled (in many cases by correction or recalculation)³ reasonably comparable

data (incomes of households before tax) for 56 countries, of which over 40 were developing countries. My analysis showed that the degree of inequality, as measured by the Gini ratio, is linked to the level of the Gross Domestic Product (GDP) per head (expressed in 1965 US dollars). There is a sharp increase in inequality as one moves upwards from the group of countries with per capita GDP of under \$100 to the \$101-\$200 group of countries. Inequality increases further, though less sharply, in the \$201-\$300 group of countries. The countries in that group and in the next one (\$301-\$500) are those in which the differences in income are the most pronounced. Further up the income scale, and especially in the group of countries with per capita GDP above \$2,000, there is a clear reduction of inequality. These findings confirmed Kuznets's original hypothesis.

My confirmation of the Kuznets inverted U-curve hypothesis started a lively discussion that continues today. The great majority of discussants backed Kuznets's hypothesis, but a minority opposed it. One reason for the opposition was ideological: some groups of Marxist economists are keen to prove that a situation is always deteriorating, and for them a demonstration that income-distribution deterioration is, after a certain point, usually followed by improvement is a real anathema. This was obvious even before the publication of the paper when a senior Soviet official of the ILO tried to prevent its publication, arguing (ironically, in view of its later success) that the study contained nothing new. Next to the ideological opposition was criticism on the basis of quality of data. Quite different sets of data used by M.S. Ahluwalia^{4,5} and me pointed, however, to similar conclusions and so does the latest comprehensive study by three collaborators and me using an entirely new and more comparable set of data.⁶

The presentation for the first time of a reasonably comparable set of data in my 1973 article was clearly one of the main reasons for the study's success together with the growing interest at that time in distributional questions. So far, the study has been published in six different languages.

1. Kuznets S. Economic growth and income inequality. *Amer. Econ. Rev.* 45:1-28, 1955. (Cited 210 times since 1966.)
2. ———. Quantitative aspects of the economic growth of nations: VIII. Distribution of income by size. *Econ. Develop. Cult. Change* 11:1-80, 1963. (Cited 95 times since 1966.)
3. Paukert F, Skolka J & Maton J. *Income distribution, structure of economy and employment*. London: Croom Helm. 1981. 169 p.
4. Ahluwalia M S. Income distribution and development: some stylized facts. *Amer. Econ. Rev.* 66:128-35, 1976. (Cited 30 times.)
5. ———. Inequality, poverty and development. *J. Develop. Econ.* 3:307-42, 1976. (Cited 90 times.)
6. Lecaillon J, Paukert F, Morrisson C & Germidis D. *Income distribution and economic development: an analytical survey*. Geneva: International Labour Office. 1984. 212 p.