Economic Growth and Income Inequality in India

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Abstract:

The Indian economy continues to grow as a global economic powerhouse. India's development is particularly impressive given the considerable obstacles in fostering economic growth. These obstacles are truly epic with widespread poverty, limited natural resources, and one of the largest populations. While this growth is impressive, India continues to have hundreds of millions in abject poverty and much of the economic prosperity has been fairly localized to specific regions and sectors. The booming software and technology sector receives daily world attention, however those languishing in poverty remain largely ignored. Thus, it is important to understand whether the nascent economic prosperity has also caused an increase in income inequality. Economic theories vary on both the causes and implications of income equality, however empirical evidence indicates that India has been able to maintain low income inequality during periods of significant economic growth. It is important to not, that India's economic miracle is a recent phenomenon and that future prospects are far from certain. How well the Indian people and government will be able to channel current growth into long-term prosperity remains to be seen.

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Introduction:

India has made significant economic progress over the last ten years and is rapidly emerging as a major economic force. Overall economic growth has continued at an impressive rate while specific sectors, most notably software and related services, are recording exponential rates of growth. This growth is all the more impressive, even if the significant obstacles inherent in the Indian economy remain to be overcome. These obstacles include: a high rate of poverty (primarily in absolute but also in relative terms); the lack of significant natural resources, administrative hassles, low rate of educational progress, income inequality and a very large population of 1.2 billion people, second only to China. However, it is suspected that because of the specific localization of the nascent economic growth, the benefits have been realized by a relative minority, while hundreds of millions continue to live in abject poverty. This could result in significant increases in income equality; a situation that may have significant repercussions.

Economists and social scientists have dedicated significant effort to the study of income equality. The topic has waxed and waned in importance over the years, with many academics and policy experts choosing to focus more on absolute poverty than overall income distribution. However, income equality is important because of the implications for social and political development. It is widely understood that income equality can provide stability for a nation, which can only help in fostering long-term economic growth. More directly, income equality enables many more individuals to participate more fully in the economy. This is due to income equality providing

opportunities for employment, product consumption, access to borrowing, and the ability to invest and save.

Therefore, it is necessary to understand the income distribution effects in India, with a primary emphasis on the last fifteen years when India began significant market reforms. India has had a relatively short history as an independent nation and during that time, has embarked on a variety of economic development strategies. Moreover, India is an incredibly diverse nation with widely varying cultural, economic, political, and religious norms. Thus, the implications for income equality are indeed significant in maintaining stability in such a large and diverse nation.

By comparing India's economic growth and income equality, one can determine whether the recent economic prosperity has been realized by many or relatively few individuals. This will aid in understanding the implications for other dimensions of development, including those pertaining to social and political aspects. The paper first documents the historical context of India's development over the last several decades. Second, an examination of the existing theories concerning economic growth and income equality is provided. Third, the empirical evidence for India is provided and the existing theories tested. Finally, conclusions from the results of the empirical test, as well as future implications are discussed.

It is important to note that India's economic growth is a relatively recent phenomenon and the current global economic environment is increasingly more complex. The dynamic nature of global economic integration has rendered many traditional economic theories irrelevant in several situations. While the paper will attempt to

understand future implications for economic growth in India, it is primarily a historical review of standing information.

The Road to Development

India gained its independence from British colonial rule in 1947. The two years following independence witnessed significant bloodshed and the partitioning of the nation. Fortunately, partitioning was largely reconciled soon thereafter and India was able to return to the task of building a new state. Early in 1950, India successfully passed a constitution into law and became a secular democratic republic. Two years later, the new government began to implement significant reforms to improve the lives of its people and to foster development.

India's first Prime Minister, Jawaharlal Nehru, led many of the reforms in the republic's early history. Nehru was a staunch socialist who distained capitalism and profit[1]. Nehru and his economic advisors sought to improve India through state-sponsored industrialization and by keeping the economy largely closed off from global trade. While the Nehru administration was responsible for implementing many pro-poor and pro-worker reforms including: the elimination of taxation for Indian farmers; minimum wage and benefits for blue-collar workers; and the nationalization of heavy industries, it was also committed to improving health and welfare by overseeing the construction of several hospitals, social service centers, atomic center, steel mills, and schools including the famous Indian Institutes of Technology (IITs). Nonetheless there was one apparent drawback in this overly nationalistic approach. When the rest of the world was seemed to be of little consequence to India planners, the role of international

[1] Greenspan, Anna, *India and the IT Revolution*, 2004, 22-3.

trade was totally ignored in the progress of Indian economy. "Swadeshi" (self reliance) was overemphasized and the economy was allowed to be essentially one of autarky. The bureaucratic machinery increased, and with it, they were set into motion the administrative limitations that the world has rarely seen. While politicians saw economic rents in keeping up with the large public sector labor force, the academicians who proposed changes were completely ignored or maligned.

These policies continued after Nehru's death in 1964 and saw periods of considerable fluctuation in economic growth. The state-run economic policies were successful in some ways, but ultimately produced an unsustainable situation. By the late 1980's, stagnation had set in and India was in serious peril after depleting nearly all of its foreign exchange reserves. This was largely due to fiscal profligacy by the government, requiring substantial reductions in spending.[2] The ensuing balance-of-payments crisis in 1991 was the final catalyst pushing India to begin modest reforms in trade and finance. During the 1991, the then Finance Minister Manmohan Singh was able to usher in major reforms with the help of Prime Minister Narasimha Rao. The result was annual growth of between 4% and 8%, equating to an average growth rate around 6%. Moreover, expectations are that the current growth will continue through the end of the decade[3]. Because of the reforms of the 1990's, India now enjoys solid growth and a prominent position in the global economy.

[2] Ahluwalia, Montek S., "Economic Reforms in India since 1991: Has Gradualism Worked?", *The Journal of Economic Perspectives*, Vol. 16, No.3, Summer, 2002.
[3] The Economist, "Democracy's Drawbacks", October 27, 2005.

Economic Growth and Income Equality

Economic growth is defined as "the steady process by which the productive capacity of the economy is increased over time to bring about rising levels of national output and income".[4] Economic growth is generally gauged by a variety of Gross Domestic Product (GDP) measures, where GDP represents the total output or production of an economy. GDP, while strictly a measure of output, is also understood to be total income as well. There are a variety of limitations to using GDP as a measure of output or income. Most notably, differences in inflation, population size, and purchasing power can cause significant variances when comparing GDP. However, overall GDP given in 2000 US dollars (i.e. inflation adjusted) is a relatively robust figure for measuring growth, especially in relation to income equality.

Income equality is the distribution of total income amongst the representative population. In a nation with perfect income equality, each and every individual has an equal share of the total income. This is contrasted with perfect income *in*equality, where one individual has all of the total income. Of course, neither of these extreme situations exists in any national economy. In practice, nations maintain income distributions somewhere between the two extremes. Income equality can be compared internally for a given nation, as well as externally between multiple nations.

The variation in income distribution is represented diagrammatically by the *Lorenz curve*. The diagram charts the relationship between the percentage of individuals, or households, and the percentage of total income. In a nation with perfect income distribution, the relationship is perfectly linear with a slope equal to one. As noted in the

[4] Todaro, Michael P. & Smith, Stephen C., Economic Development, Eighth Edition, Pub. Addison Wesley 2003.

preceding, this condition does not exist in any national economy. Therefore, the relationship is normally bowed outward in a curvilinear form as depicted in *Figure 1*. The figure illustrates that a large number of individuals has a relatively small proportion of total income, while a small number of individuals has a relatively large proportion of total income. Thus, the more bowed away from the line of equality a nation's Lorenz curve is, the more unequal the income is distributed.

The Lorenz curve provides an easy way to represent income equality in terms of graphs, however, it does not work easily in comparative analysis. Comparative analyses, over time or between nations, require a discrete value for computation. The common value for representing income equality is the *Gini coefficient*. It is derived from the Lorenz curve and is represented as a ratio, where the region between the line of equality and the Lorenz Curve is the numerator and the total region below the line of equality is the denominator. Therefore, perfect income equality is equal to zero, perfect income inequality is equal to one, and all other values are somewhere between.

The most immediate limitation of the Gini coefficient is that it does not sufficiently explain the overall variation in income distribution. It is possible that two nations could have equal Gini coefficients, but vary significantly in the allocation of income between specific groups. This usually occurs between nations where the income distribution varies between the poor and middle income groups, however other scenarios are also possible. For example, one nation may have fewer individuals in poverty, but have fewer middle income individuals; effectively "squeezing the middle class". Conversely, a nation may have relatively more individuals in poverty, but have more

middle income individuals. In both cases the Gini Coefficient would be the same, but the two situations are quite distinct.

In comparing economic growth with income equality, two aspects are considered. First, the effect of economic growth on income equality is a topic of considerable debate. Simon Kuznets hypothesized that as a nation increases per capita income (growth), income inequality will initially increase but in the long run return to original levels. This phenomenon was termed "The Inverted-U Hypothesis", because of the shape of the relationship, as shown in *Figure 2*. Kuznets' hypothesis is based on empirical research, predominantly in Latin America, and the observation that initial economic growth is localized to specific regions and economic sectors. Thus, while overall per capita GDP increases, the effects are often relegated to a relative minority. However, long term growth causes income inequality to decline, as spillover effects trickle down to more individuals.

The second aspect focuses on the inverse relationship: impact of income equality on economic growth. While Kuznets' hypothesis has received considerable attention, the effects of income equality on growth have not. One study by Persson and Tabillini concluded that income inequality is inversely correlated with economic growth, but that the relationship is only significant in democracies.[5] The study utilized a diverse data set, representing multiple nations of varying economic development over several decades. The authors conclude that income inequality leads to policies that fail to protect property

[5] Persson, Torsten & Tabellini, Guido, "Is Inequality Harmful for Growth", *The American Economic Review*, June 1994.

rights and do not permit private appropriation of returns on investment.[6] These findings support and extend the adverse impacts noted earlier in the introduction.

Applying the Models to the Indian Economy

The preceding models provide a sound basis for explaining the relationship between economic growth and income equality. However, all models have limitations so it is necessary to review the empirical data to determine if these models can be applied to the Indian economy. To test the models, historical data comprising: annual GDP growth; annual Gini coefficient; and annual trade as a percentage of GDP are required. Additionally, comparable data from other developing nations is required to contrast India's performance against similar nations.

With regards to Kuznets' hypothesis, empirical evidence indicates India has not responded as predicted in the Inverted-U hypothesis. *Figure 3* illustrates the relationship using data from the World Bank, World Development Indicators. Several years of data were missing for the Gini Coefficient, however through interpolation we can obtain a fair representation of the trend a 35 year timeframe, from 1966 through 2000. The data indicate India's Gini coefficient has remained relatively the same during that time period, with an average coefficient of 31.3 and standard deviation of 1.0. Given that India had a coefficient of 31.1 in 1966 and 32.5 in 2000, the trend is effectively flat.

However, India's growth rate has increased on average during the same time period. During the pre-reform era of 1966-1991, the economy grew at an average rate of 4.3%, with a standard deviation of 3.4. As noted previously, growth fluctuated dramatically during this time period, but was positive over the long run. From 1991-2000,

[6] Ibid.

the economy grew at an average rate of 5.5%, with a standard deviation of 2.1. Thus, over the 35 year period, India's economy has grown on average by 4.8% *but kept income distribution relatively constant*. Clearly the empirical evidence indicates Kuznets' hypothesis fails to describe the past performance of the Indian economy.

To further support the World Bank Data, an alternative model for determining income distribution is also provided. Gajwani, Kanbur, and Zhang use a disparate approach, whereby regional differences income equality is assessed.[7] The authors utilize a sample set of 16 Indian states, and 32 observations from 1957 to 2003. This approach is contrasted with the World Bank Data, where income distribution does not consider regional differences. As shown in *Figure 4*, the author's results are mixed. In strict nominal terms, income inequality appears to be increasing from 12.1 in 1958 to 19 in 2003. However, in viewed in terms, the average trend is effectively flat (11.7 in 1958 and 11.4 in 2003). While the trend fluctuates significantly more than the trend from the World Bank dataset, it does not appear to be increasing in any way.

Gajwani, Kanbur, and Zhang also utilize another technique to describe Indian income inequality: the measure of decomposable generalized entropy class (GE) of inequality measures.[8] This technique provides an added benefit, in that it is "*additively decomposable*, allowing inequality across groups to be broken down into *within-group inequality* and *between-group* inequality".[9] The trend is represented in Figure 4 and once again supports the earlier conclusion that income distribution is effectively flat in India.

[7] Gajwani, Kiran, Kanbur, Ravi, & Zhang, Xiabo "Patterns of Spatial Convergence and Divergence in India and China", *Paper prepared for the Annual Bank Conference on Development Economics (ABCDE)*, January 18-19 2006.
[8] Ibid.
[9] Ibid.

Regarding the second model where income inequality is negatively correlated with economic growth, India appears to support this hypothesis. India's current Gini coefficient of 33 is relatively low and usually ranks in the top 20% of all nations reporting. By contrast, other large developing nations all have higher coefficients: Indonesia – 34.3; China – 44.7; Nigeria – 50.6; and Brazil – 59.3.[10] India has also been a democracy for nearly fifty years, so the model from Persson and Tabillini would expect the Indian economy to grow at a relatively constant rate. As the data have shown, India has in fact grown steadily on average over the past 38 years. The few instances when India has observed negative growth were due to a variety of factors, none of which can be correlated with instances of rising income inequality.

Thus, based on the observed data, Kuznets' model (largely) fails to describe the impact of growth on income distribution, while the Persson and Tabillini model is supported. The fact that Kuznets' model failed is surprising, given the role the software and related services sector has played in driving India's recent growth. Because the growth of this sector has been localized to a relatively small proportion of the nation, in terms of geography and population, one would expect the Inverted-U hypothesis to be upheld. This scenario adheres perfectly to Kuznets' thesis, where income inequality during periods of growth is a direct result of growth being localized to specific individuals and sectors. However, the data do not indicate this to be the case. In order to understand why this is, a more detailed review of the software and services sector is required.

[10] United Nations, *2005 Development Programme Report* (page 270).

The Indian Economy and the Rise of the Software Sector

In recent years, India has seen consistently strong overall economic growth, with exponential growth in the software and related services sector. However, the impact to the greater Indian economy and the population as a whole remains relatively modest. India has the second largest population with roughly 250 million citizens living below the poverty line[11]. India is still a large agrarian economy, constituting 21% of GDP[12] and has yet to effectively exploit other potential industries like textiles and manufacturing. The software and related services sector, while impressive from an industry perspective, still comprises little more than 1 million or .01% of the total population[13]. This is however, predicted to double by 2008, but still insignificant when compared to India's 470 million labor pool[14].

The growth in the software and services sector has enabled a burgeoning middle class, but also increasing disparity. This is due to the fact that most of the technology centers are clustered in just a few localized areas (e.g. Bangalore, Delhi, Hyderbad, Pune) and that the jobs available require English proficiency and technical aptitude. Most of India's population lies outside of these regions and lacks the necessary skills to participate in the nascent economic prosperity. Also, limited spillover effects have been realized in other sectors, because of India's undeveloped status. For the millions employed as welders, shop keepers, drivers, etc., the technology revolution has yet to impact them in any discernible way[15]. In contrast, India's large neighbor China was able to mobilize (albeit forcibly) a labor force from the rural countryside into industry and lift

[11] Wikipedia contributors, "India", *Wikipedia, The Free Encyclopedia,* March 13, 2006.
[12] Ibid.
[13] The Economist, "Democracy's Drawbacks", October 27, 2005.
[14] The Economist, "The Remote Future", February 19, 2004.
[15] The Statesman (India), "Winning Formula", January 21 2006.

more than 200 million out of poverty. Unfortunately, it does not appear that the software and services sector by itself will have any chance at fostering the same scale of development in India as in China.

Indian software and services firms are on target to increase annual revenues to $60 billion by 2010[16]. Considering last year's revenues totaled less than a third of that amount ($17.3 billion) the growth potential is impressive.[17] While future growth will continue to contribute an increasing proportion of overall GDP, the current contribution is relatively modest: roughly 3%. Thus, it is the rest of the Indian economy that is responsible for most of the economic growth and the relative constant income equality. While the Indian software and services sector has received significant press, it has yet to become a considerable force in the overall Indian economy.

The Role of Government in Maintaining Income Equality

While fairly modest at the present, the prospect of increasing disparity from the growth of the software and services sector has compelled many in India's government to resist the movement towards complete economic liberation. Most notably, India's Left Front has been particularly effective in resisting additional reforms[18]. The argument is based on differences of ideology and protectionist fears that continued openness will risk aspects of sovereignty, as international firms purchase increasing shares in formerly state-run enterprises and workers rights are reduced. The counterclaim, espoused by the current government under Prime Minister Manmohan Singh, is that India will never fully realize her potential without additional reforms and increasing involvement from private

[16] Business Week Online, "India's Looming IT Labor Shortage", December 16, 2005.
[17] Ibid.
[18] The Economist, "Democracy's Drawbacks", October 27, 2005.

enterprise. Given the historically poor performance of India's state-run industries, he may be right.

Regardless, it is in India's best interest to reach a compromise. Such a compromise would have increasing openness but through controlled steps (e.g. by sector or industry). This presents the best opportunity to bring economic prosperity to more individuals, as it would spur development in other areas besides the software and services sector. India desperately needs to improve its infrastructure to support continued growth. Improvements in highways, airports, and utilities are all desperately needed; all of which could generate numerous jobs in other sectors. However, any compromise will require significant political will and effective leadership. In Indian terms, the current Prime Minister has moved mountains, however real reform remains elusive.

While these efforts are quite laudable and represent a gradualist approach through compromise, they are however insufficient in the eyes of the International Monetary Fund (IMF). Last year, the IMF Managing Director, Rodrigo de Rato praised India for the reforms implemented thus far and has compared its success to the experience of other Asian nations.[19] However, the IMF also contends India needs to move forward with more reforms, specifically in the areas of opening private investment and in lowering trade tariffs.[20]

India is continuing down the reform path and has made strides in opening up to increased private investment and trade. But India will probably continue to maintain a distinct development path, where economic reform is balanced with socialist pro-poor / pro-worker programs. This gradualist approach has been relatively successful in

[19] IMF Survey, "De Rato applauds growth in China and India", Vol.34, No.5, March 21, 2005.
[20] Ibid.

maintaining strong economic growth, while also ensuring economic equality. Critics contend this strategy has held India back, while others contend it is a pragmatic approach where the goals are indicated as a broad direction, precisely to control the pace of development.[21] This has resulted in a more modest backlash from the opposition, and possibly an exit strategy should reforms prove detrimental. Thus, this gradualist process has been appropriately described as "creating a strong consensus for weak reforms."[22] To attempt reforms at a faster pace would probably meet with significant resistance, jeopardizing the entire effort.

Challenges and Opportunities

The challenges to India's sustained economic growth are considerable. Both internal and external factors will weigh heavily as India strives to maintain current growth trends. Poor infrastructure, stagnate reform, and underperforming industrial sectors will continue to cost India considerably. These challenges are well within India's realm to resolve, however other challenges exist which are unfortunately, largely outside of India's direct influence. First, direct competition in the global economy could make other entrants more attractive. China, for one, is closely studying the Indian model and hopes to overtake India's current position in software development by the end of the decade[23].

Second, geopolitical instability could prove detrimental to Indian development. South Asia has seen a significant amount of tension in recent years, underscored by Indian and Pakistani nuclear weapons tests, US military operations in Afghanistan, and

[21] Ahluwalia, Montek S., "Economic Reforms in India since 1991: Has Gradualism Worked?", *The Journal of Economic Perspectives*, Vol. 16, No.3, Summer, 2002.
[22] Ibid.
[23] Rai, Saritha, "Chinese Race to Supplant India in Software", *The New York Times*, January 5, 2002.

continuing hostilities in Kashmir. Thomas Friedman contends that while the region is relatively volatile, increasing trade and economic integration has helped and will continue to help stave of future conflicts[24]. This may be true up to a point, however should widespread conflict breakout in the region, most western firms will not be inclined to return.

The challenges for India are significant, but the opportunities are promising. To sustain longer-term growth, Indian firms will need to move into currently untapped markets by leveraging more collaborative partnerships. Indian firms have a miniscule presence in markets outside of North America and Britain. To become truly global competitors, they will need to seriously target other markets, most notably in Continental Europe and Asia. However, these firms can not do it alone. They lack the relationships, language skills, and industry experience to be contenders, which is why collaborative partnering makes sense[25]. This approach is nothing new as it represents the global trend in managing supply chains and sourcing. By sourcing India's talented and cost effective labor pool, with existing global business relationships, Indian firms will truly become industry giants.

Undoubtedly though, unlimited potential lies in finding and exploiting new service offerings that are, as of yet, still waiting to be discovered. Technology has enabled unimaginable opportunities for sourcing work from anywhere in the world. The only limitation is that which cannot be digitized. Everything else, (e.g. radiology, derivatives analysis, legal services, etc.) is fair game. India, unlike China, fostered a strong sense of entrepreneurship which has arguably contributed heavily to the success of

[24] Friedman, Thomas, *The World is Flat*, 2005, 426.
[25] Kaka, Noshir and Sinha, Jayant, "An Upgrade for the Indian IT Services Industry", *McKinsey Quarterly*.

the revolution[26]. From pharmaceuticals to biotechnology, the technologies of the future will provide considerable opportunities to the astute entrepreneur.

This entrepreneurship however, should not be limited to the areas dominated by technology alone. India still has untapped potential in the manufacturing and textiles sectors, both of which can contribute an increasing share of GDP growth. These sectors do have strong labor representation that is strongly supported by the left-leaning government parties, so reform will be difficult. However, this is not an impossible task. Even the Left Front has recognized the benefits produced by the reforms and its support of continued reforms. The Left Front will probably not allow extensive reforms in specific sectors (e.g. the so-called "Indian crown jewels"), but has yielded in other sectors. This could enable the manufacturing, textiles, and other production industries to compete on a global standard, thereby increasing overall growth while maintaining a strong and vibrant working class.

The Indian government should continue to loosen the strong hold it has on both regulation and operation of business enterprises. The notorious "License Raj" has hindered normal business processes (e.g. incorporating a business, closing a business, litigation between parties, etc.), with overbearing and often corrupt regulations. The success of the software and services sector was in part due to the relative liberty the government permitted in the early stages of development. Second, the ineffective state-run enterprises should be diligently assessed and either reformed or closed. Again, this will be a very contentious activity with the strong support of the leftist parties, however it is possible.

[26] Khanna, Tarun "China and India: The race to growth", *McKinsey Quarterly*.

Finally, the Indian government can play a more effective role in ensuring the gains from economic growth are fairly redistributed to the greater Indian population.[27] Existing efforts have had mixed success, with such benefits as food subsidies largely benefiting large and wealthy producers, not the poor. However, continued investment in social services, specifically targeting health care, education, and job training, can provide considerable dividends. The success of the software and services sector clearly indicates that Indian knowledge workers are effective and in demand. By improving health services and education, more individuals will be able to participate in the growing economy.

Conclusions

The recent economic growth in India has been impressive. The fact that relative income equality has also remained largely stable makes this growth all the more remarkable. India has clearly shown that contrary to Kuznets' Inverted-U Hypothesis, a nation can experience steady economic growth, while also maintaining stable income equality. This has been due to a variety of factors, although India's strong commitment to democracy and pro-poor / pro-worker policies should be noted. The nascent software and related services sector has made a steadily increasing contribution to overall economic growth, however this contribution remains relatively small. Because India has reformed under a gradualist approach, a burgeoning technology sector has been able to emerge while the greater Indian population has not lost preexisting benefits.

[27] By Knowledge @ Wharton, "India: Can Singh Spread the Shine?", Wharton School Publishing, June 2, 2004.

However, the more relevant results will be measured by how well India uses this growth in the years and decades to come. This paper details the multitude of challenges confronting India, both internal and external. These challenges will require India to address the growing potential for real disparity between those who have benefited and those who have been left behind. The software and services sector shows considerable economic potential, but also that the opportunities are available to a distinct minority. Moreover, the specific nature of the industry appears to offer few chances for spillover effects to benefit the larger population. Therefore, it will require bold and quite possibly painful decisions by the government to ensure income inequality does not become a issue.

India should capitalize on the momentum from the current growth by expanding and developing other industries, most notably in manufacturing and textiles. The Indian government should also provide additional welfare benefits so that more Indians can participate in the growing and changing economy. Specifically, health and educational services can dramatically improve the nation's human capital and ensure more Indians have the capabilities required to participate in the economy. This paper has noted several times that while income equality has remained relatively low, there is significant potential for that to change for the worse. By allowing income equality to worsen, stability could become an issue thereby jeopardizing all that has been gained. The Indian people have waited for a long time to take advantage of the benefits of globalization and a new market economy. It would indeed be a shame for them not to make the most of this unprecedented opportunity.

Figures and Tables

Figure 1

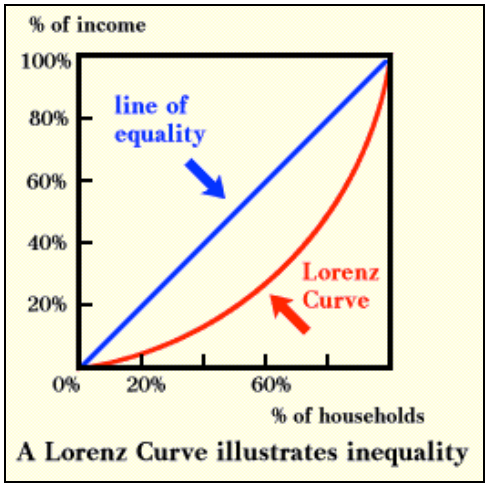
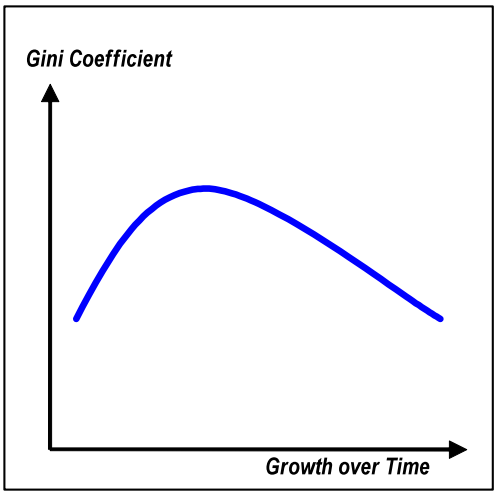
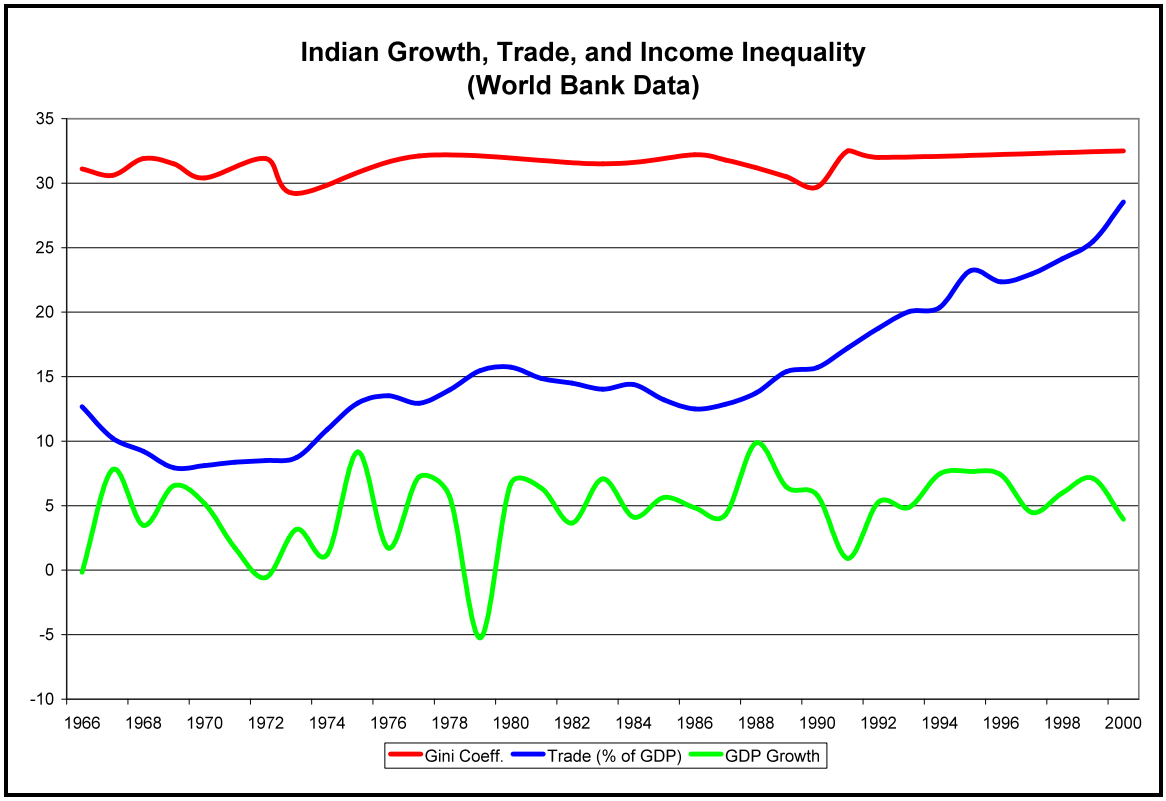


Figure 2



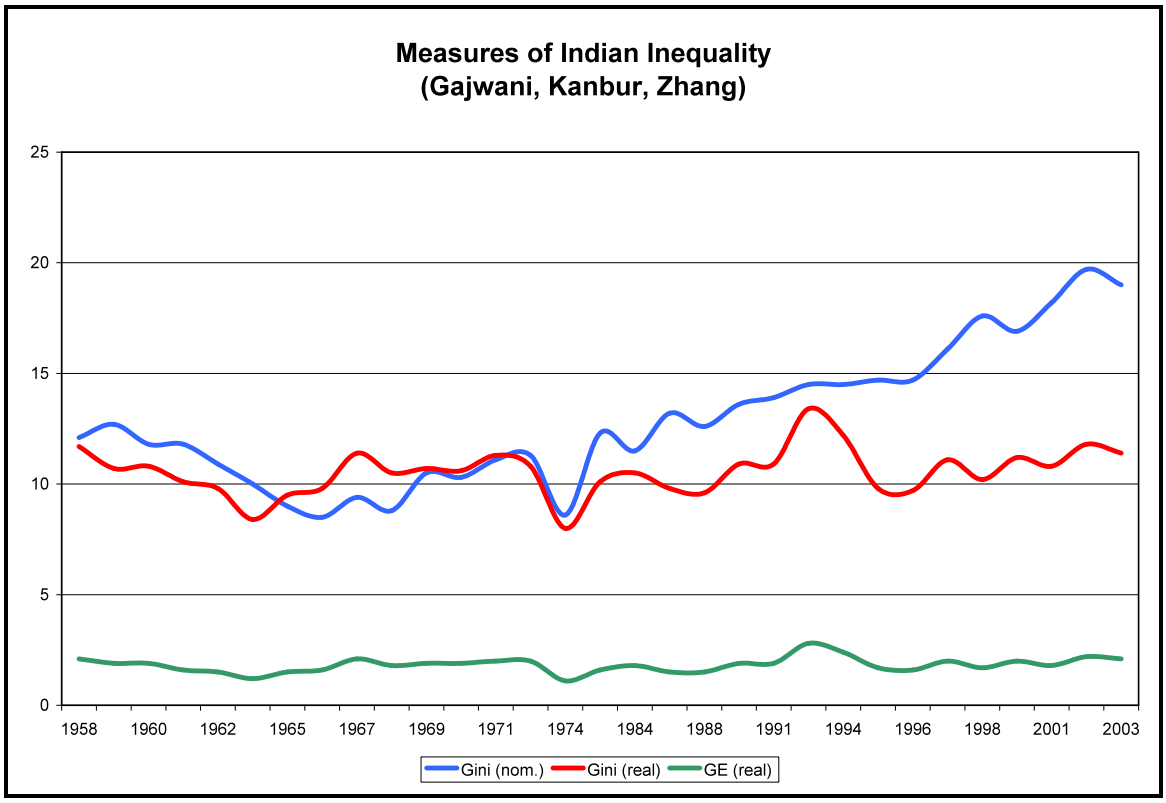
Source: Institute for Social Research, Toronto Canada

Figure 3



Source: World Bank, World Development Indicators

Figure 4



Source: Gajwani, Kanbur, Zhang, 2006

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