Introduction to a special issue on “inequality, politics and power”

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This issue of the *Journal of Economic Inequality* consists of three papers originally presented at the III World Bank Conference on Inequality, which was held in Washington, DC, in June 2006. Twenty-one papers – selected from among more than one hundred submissions – were presented at the 2-day conference, which was organized by the Research Department and the Poverty Reduction and Economic Management Network of the World Bank. The conference theme was “Inequality, Politics and Power”, and the idea was to showcase research that shed new light on the inter-relationships between economic and political inequalities. The selected papers covered a much wider array of sub-topics than we had anticipated, leading to conference sessions on “Land and Power”, “Elections and Revolts”, “Education and Politics”, and so on.

The three papers selected for publication in this issue – albeit after independent refereeing and the resulting revisions – retain the diversity of topics and perspectives which characterized the conference. Djavad Salehi-Isfahani’s, “Poverty, inequality and populist politics in Iran” is a careful empirical investigation of the dynamics of poverty and inequality in Iran since the 1979 Revolution, using a rich set of household surveys that has hitherto been under-explored (at least outside Iran). The paper reports a significant increase in poverty during the eight-year war with Iraq, followed by a marked decline thereafter, as economic growth resumed. However, the findings regarding income inequality are more ambiguous: after an initial decline, the Gini coefficient (for consumption expenditures) remained broadly stable at around 0.42–0.45, between 1983 and 2005. The claim is frequently made that a shift towards economic populism in Iran’s politics around 2005 may have been caused by rising poverty and inequality. The author concludes that this claim “is not grounded in facts”, although it does appear to be true that the Iranian government has not been as successful in lowering inequality as it has been in reducing poverty.

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Ryo Arawatari's paper on "Informatization, voter turnout and income inequality" discusses an innovative model of the interaction between income inequality and the electoral process, where the key variable is not the policy choice of a median or pivotal voter, so much as whether voters turn out to cast their ballots in the first place. The paper starts out by noting a "dynamic challenge" to the standard static solution to the Downsian *paradox of voting*. The challenge arises from the observation that voter turnout has recently been declining in most Western democracies, despite an increase in incomes and education across the board in these same countries.

Since previous approaches tended to explain lower turnout among the poor (at a given point in time) by arguing precisely that low incomes or low levels of education alienate them from the political process, the author argues that the dynamic picture poses a "new paradox of voting": if both incomes and education improve, why is electoral turnout going down? Arawatari's model suggests that this may be explained (somewhat paradoxically, at first sight) by the increasing amount of information made available to voters by informatization. More available information reduces *access* costs but increases *filtering* costs (knowing what information to trust), through information overload. The latter cost is higher for the less educated, and may dominate the reduction in access costs.

With lower turnout among the poor, the Arawatari model also implies that the extent of income redistribution will be reduced. Hence the outcome would be functionally equivalent to the one produced by the electoral franchise which, in the nineteenth century, was used in Europe and the Americas to limit the participation of the poor in the political process, and thus the possible extent of redistribution.

The third paper, by Catalina Gutierrez-Sourdis, is on "Inequality and education decisions in developing countries". The paper models the relationship between income inequality and public school enrolment when children may work, study in public schools, or study in private schools. Voters value having their children educated, and this benefit increases with public education expenditures per student. The denominator introduces a congestion externality in the public good. The authors show that an interior equilibrium exists, where decentralized voting does generate a public education sector. But higher inequality leads to exit from the public school system at "both ends", with the richer children departing to private school, and poorer children engaging in child labor. There is, in fact, a certain threshold above which political support for public education vanishes. Detailed results are obtained from a calibration of the model to Colombian data, which is of intrinsic interest in its own right.