Democratization and the conditional dynamics of income distribution

Michael Dorsch\textsuperscript{1} and Paul Maarek\textsuperscript{2}

\textsuperscript{1}Central European University (CEU) – Nador utca 9, 1051 Budapest, Hungary
\textsuperscript{2}Université de Cergy-Pontoise – Université de Cergy Pontoise, Université de Cergy-Pontoise – France

Abstract

Despite strong theoretical reasons to believe that democratization equalizes income distributions, existing empirical studies do not find a statistically significant effect of democratization on income inequality. This paper starts from the simple observation that autocracies are heterogeneous and govern quite extreme distributional outcomes (also egalitarian). Democratization may drive extreme income distributions to a “middle ground”. We examine the extent to which initial inequality levels determine the path of distributional dynamics following democratization. Using fixed effects and instrumental variable regressions we demonstrate that egalitarian autocracies become more unequal following democratization, whereas democratization has an equalizing effect in highly unequal autocracies.

Keywords: empirics