Property Rights and Income Inequality

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PROPERTY RIGHTS AND INCOME INEQUALITY

By

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Abstract:
The purpose of this paper is to analyze the impact that property rights exert on income inequality. It has been widely argued that income inequality is one of the catalysts of poverty and economic disparities between the haves and the have-nots. Moreover, advocates in favor of economic planning and government intervention have contended that one of the methods to reduce income inequality is for the state to play a redistributive role such as imposing a wealth tax, a progressive income tax, or even imposing a minimum wage. Although these measures portray genuine intentions, the overwhelming empirical evidence shows that these well-intended policies generated adversarial results. This paper argues that income inequality is a normal, natural, and mandatory characteristic for the economic development of civil society. This paper intends to demonstrate that income inequality is not inherently a predicament for the economic evolution of the citizenry but a necessary condition to ensure their growth. To demonstrate the validity of arguments, we intended to use statistical methods as illustrative and communicative tools of analysis rather than predictive tools.

Keywords: Economic Theory, Econometrics, Property Rights, Economic Growth, Income Inequality
I - INTRODUCTION

The concept of property rights is definitely not new. It has existed for centuries. However, the concept of property rights has been vigorously opposed by socialist intellectuals such as Pierre-Joseph Proudhon, Karl Marx, Friedrich Engels, or Oskar Lange. In his book *What is Property?* published in 1840, Proudhon made the famous claim that “property is theft.” By “property,” Proudhon referred to a concept regarding land property that originated in Roman Law, the right of the proprietor to do with his property as he pleases, “to use and abuse,” so long as in the end, he submits to the state-sanctioned title. In the third chapter of *What is Property?* Proudhon argued that the right to property was the original evil on the earth and that it is the first link in the long chain of crimes and misfortunes which the human race has endured. For Proudhon, the right to property generates class distinction, slavery, and an oppressive system whereby the proprietor has the absolute right and legitimacy to abuse his power over the have-nots. For these reasons, Proudhon proposed a stateless society where the right to property will no longer exist. If the right to property no longer exists, then there is no need to have a state to enforce that right. Hence Proudhon argued that in a stateless society, no one will privately own anything. Resources would be communally owned and shared. It was on this theoretical framework that Marx and Engels built their own conception of private property.

Unlike Proudhon, Marx and Engels did not see the abolition of the state as a means to abolish the right to property. On the contrary, Marx and Engels contended that the state was necessary to ensure that the resources are communally owned. Under a socialist state, the right to private property will no longer exist since everything will be state-owned. Only the state will have the legal right to own property and whatever the individual produces, the fruit of his output does not belong to him but to the state apparatus. That way, according to Marx and Engels, it is impossible to create income inequality. This is what we have seen with Soviet Russia when Lenin became its leader.

Proudhon, Marx, and Engels did see the issue of private property from a political philosophy approach whereas Oskar Lange’s approach to private property were purely from an economic lens. Oskar Lange is best known for his work in welfare economics, more precisely for the development of “market socialism” in his essay *On the Economic Theory of Socialism,* published in 1938. In the essay, he mainly argued that socialism could achieve efficiency where private ownership failed—that is, where private ownership led to monopoly. For Lange, private property is the engine of monopoly. And under such a system, resources cannot be allocated efficiently and cannot stimulate economic growth. Nonetheless, Lange was not opposed to the abolition of property rights because he believed that so long as competition remains plentiful and effective, vested interest could

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not prevent this progressive march.\textsuperscript{4} In fact, Lange suggested that it was neither necessary nor wise to abolish “private ownership and private property of the means of production in those fields where real competition still prevails, i.e., in small-scale industry and farming.\textsuperscript{5} In these fields, Lange asserted that private property of the means of production and private enterprise may well continue to have a useful social function by being more efficient than a socialized industry might be.\textsuperscript{6} But outside of these fields, Lange believed that this almost Austrian picture of the economy represented a “thing of the past.”\textsuperscript{7} Lange furthered his contention on private property by asserting that in large-scale industries, individuals have been replaced by large corporations enjoying considerable economies of scale and wielding monopolistic power.\textsuperscript{8} For Lange, only socialism could avoid the worst characteristics of monopoly: the attempts to restrict production and seek political power.\textsuperscript{9} The conundrum with Lange’s approach to private property is that the socialization of the means of production may prevent the formation of monopolies from private ownership but it will also create a monopoly from the government over these same resources. If the private sector is forbidden from owning the means of production, then the public sector, the sector that does not create any substantial wealth, is the one that owns the means of production. The dangerous aspect of this trend is that when the means of production are owned by the public sector, it leads to economic stagnation, national decline, and more income inequality.

Income inequality has been perceived as a real predicament to the social and economic development of individuals in civil society. Proponents of political intervention in the economy such as Oskar Lange or Thomas Piketty have asseverated that one of the reasons why income inequality remains such a prevalent issue in our society is because the wealth is not redistributed adequately enough; that those who own the means of production become richer and richer while those who “actually” produce the goods and services that we consume on a daily basis, become poorer and poorer. To then rectify the supposedly social upheaval, Thomas Piketty in his book \textit{Capital in the Twenty-First Century} (2014) proposed a radical progressive income tax as the solution to reduce the gap between the haves and the have-nots. As a matter of fact, Piketty reasoned that taxation is not a technical but primarily a political and philosophical matter. Like Lange, Piketty believed that a radical progressive income where the owners of the means of production will be taxed at more than 70 percent.\textsuperscript{10} He even goes as far as proposing a global wealth tax on capital. Both ideas are proposed on the ground that the rich deserve to be excessively taxed since they have excessive incomes (incomes they do not need since they are extremely wealthy). Like Lange, Piketty failed to realize that the deprivation of private property from the rich will lead to massive unemployment because the owners of the means of production are the ones who possess the capital to create new wealth. By imposing a progressive income tax on the rich with a marginal rate above the reasonable level, Piketty generates the incentives for a transfer of capital from the private sector to the public sector. However, the public sector does not possess the right incentives to

\textsuperscript{4} Ibid. p. 230
\textsuperscript{5} Ibid. p. 230
\textsuperscript{6} Ibid. p. 230
\textsuperscript{7} Ibid. p. 231
\textsuperscript{8} Ibid. p. 231
\textsuperscript{9} Ibid. p. 231
allocate resources efficiently since it is not motivated by profit but by the expansion of political power. Since the public sector is mainly motivated by expanding its power, it naturally allocates resources in such a way that more taxes are extracted from the income of the layman, which makes it even harder for the latter to create a business or something of value that could generate new wealth.

The purpose of this paper is to explain the relationship between property rights and income inequality and to analyze the impact that private property exerts on income inequality. Furthermore, we also seek to expound that income inequality is a natural social phenomenon in any civil society wherein a higher access to property rights leads to a higher degree of economic growth and development, especially in countries that are not as developed. In this paper, we have intended to use statistical methods for illustrative purposes rather than predictive purposes. Our analysis does not consist in engaging in forecasting and prescriptive analysis, but mainly using econometric techniques to simply demonstrate the empirical content of our analysis.

II – THE ECONOMIC ANALYSIS OF PROPERTY RIGHTS

a) An Understanding of the Enclosures Laws

The right to property is, by far, the most important condition to ensure economic growth at every level of an economy. Before the Industrial Revolution, the concept of property rights was not truly perceived as a factor of economic development. In 1604, the British Parliament passed into law the first enclosure acts which effectuated the transfer of land ownership from being communally-owned to becoming privately-owned. As a matter of fact, the enclosure laws marked the foundation of the development of private property and the development of capitalism.

Private ownership of land, and in particular absolute private ownership, is a modern idea, only a few hundred years old.\(^1\) The idea that one man could possess all rights to one stretch of land to the exclusion of everybody else” was outside the comprehension of most tribespeople, or indeed of medieval peasants.\(^2\) Before the effectuation of enclosure laws, only the king, or the Lord of the Manor, might have owned an estate in one sense of the world, but the peasant enjoyed all sorts of so-called “usufructory” rights which enabled him, or her, to graze stock, cut wood or peat, draw water or grow crops, on various plots of land at specified times of the year.\(^3\) The open-field system of farming, which dominated the flatter more arable central counties of England throughout the later medieval and into the modern period, is a classic common property system which can be seen in many parts of the world.\(^4\) The open-field system was fairly equitable as they scaled economies since production output significantly grew.\(^5\)

The enclosure laws, for over a century, have expanded the use of land as private property, which implies that a system of exchange and profit has been progressively developed. The final and most contentious wave of land enclosures in England occurred

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12 Ibid. p. 19
13 Ibid. p. 19
14 Ibid. p. 19
15 Ibid. p. 20
between 1750 and 1850. Whereas the purpose of most enclosures had been to turn productive arable land into a less productive sheep pasture, the colonization of Scotland for wool, and India and the Southern United States for cotton now prompted the advocates of the enclosure laws to play a different set of cards: their aims were to turn open fields, pastures and wastelands into more productive arable and mixed farmland. Their express aim was to increase efficiency and production and so both create and feed an increasingly large proletariat who would work either as wage laborers in the improved fields or as machine minders in the factories.

b) The Impact of the Industrial Revolution on Property Rights

The Industrial Revolution is undeniably the most consequential economic transformation that human civilization has ever encountered in modern history. Under the Industrial Revolution, property rights did take another dimension as it has become the main driver of economic progress. John Locke was one of the first philosophers and intellectuals to develop a theory of property rights. Yet, his theories on property rights were principally argued from a philosophical standpoint. Adam Smith is the first philosopher, however, to have given a rigorous economic analysis on property rights. In Book V, Chapter III of *The Wealth of Nations* (1776), Adam Smith stated that “commerce and manufactures can seldom flourish long in any state which does not enjoy a regular administration of justice, in which people do not feel themselves secure in the possession of their property, in which the faith of contracts is not supported by law…” Smith does indeed recognize that property rights are a necessary condition to ensure economic growth.

The focal point of Smith on private property is that the right to legal ownership enables the augmentation of productivity and efficiency. Smith argues that private property incites personal responsibility. The property-holder of a resource is naturally inclined to be more responsible and to make responsible and reasonable decisions regarding the management and the utilization of that resource. A property-holder knows how much needs to be invested in the resource he owns in order to expand its production. Adam Smith recognized that private property encapsulates three factors of production namely labor, capital, and land. He emphasized labor as an important factor of production along with other factors and observed, “the annual amount of nation is the fund which originally supplies it with all necessaries and conveniences of life which it annually consumes and which consists always either in immediate produce from other nations.” Labor is the foundational element that authenticates the concept of private property. Adam Smith believed that the real cost of production shall tend to diminish with the passage of time, as a result, the existence of internal and external economies occurring out of the increases in market size.

The appropriation and accumulation of capital began to become significant during and after the Industrial Revolution era. Before the Industrial Revolution, for relatively seventy millennia, the standard of living of the vast majority of humans was at, or very

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16 Ibid. p. 24
19 Economics Discussions. Ibid.
20 Economics Discussions. Ibid.
The Industrial Revolution was a turning point in the evolution of human history because it has importantly promulgated the improvement of the living standard of individuals. And the two factors that have greatly contributed to the improvement of the living standard of people during and after the Industrial Revolution were private property and the free market.

The Industrial Revolution commenced in Great Britain. It was a period in history where large changes began to take place for the living standard of everyone, whether it was from poorer working-class families to middle-class families with a bit of extra spending money, to extremely wealthy nobles; advances in technology, along with new ideas of how to manufacture goods, would change the face of the classes and their living standards forever. Between 1760 and 1860 in England, the Industrial Revolution resulted in many outcomes. One of these outcomes was a steady rise in income. The main, but not the only reason, why income has raised during the Industrial Revolution; is because the economic system under this revolution happened allowed individuals to increase productivity and therefore to accumulate capital. And the accumulation of capital has subsequently enabled the creation of more employment. With very few regulations in place, individuals with some financial capital were able to generate new businesses. And the creation of new businesses evidently demanded more people to be employed. Although they were no adequate labor laws, and that sometimes workers could work over fifteen-hours a day; it has nonetheless helped these workers gaining a better wage than what they may use to receive before or even during the Industrial Revolution. It is clear that British income per person rose from about $400 in 1760 to $430 in 1800, to $500 in 1830 and then jumped to $800 in 1860 as we can see in figure 1.

Income per capita in Great Britain during the Industrial Revolution from 1760 to 1860

22 “The Standard of Living in Europe During the Industrial Revolution” Foundation of Western Culture. (2016).
23 Foundation of Western Culture. Ibid.
24 Foundation of Western Culture. Ibid.
Although income growth was initially slow in the early years of the Revolution, the income surged twice faster after 1830.\textsuperscript{26} For this doubling of real income per person between 1760 and 1860 not to have made the lowest-income people better off, the share of income going to the lowest 65 percent of the population would have had to fall by half for them to be worse off after all that growth.\textsuperscript{27} It does not mean that there was no inequality at all. Evidently, income inequality existed then. Moreover, most economic historians agree that the distribution of income became more unequal between 1790 and 1840.\textsuperscript{28} In 1760, the lowest 65 percent received about 29 percent of total income in Britain; in 1860, their share was down only four percentage points to 25 percent.\textsuperscript{29} So the lowest 65 percent were substantially better off, with an increase in average real income of more than 70 percent.\textsuperscript{30} The market economy that was established during the Industrial Revolution has been definitive because the income and living standard of everyone has increased ever since. People accumulated more capital and therefore could increase more production and economic growth.

\textbf{III – THE IMPACT OF PROPERTY RIGHTS ON INCOME}

It is undeniable that there is a clear relationship between property rights and income. As a matter of fact, it has been argued that property rights are the key factor in economic development. The higher is the degree of access to property rights, the higher is the income and wealth created from that access to property rights. This assertion logically stands and needs to be ascertained. Consequently, in this part of the analysis, we decided to test the relationship between property rights and income in order to empirically ascertain its significance.

\textit{a) Data}

The data collected for our analysis are a combination of the values of the International Property Rights Index and that of the World Bank for the years 2019 and 2020. The values of income variable, which is our dependent variable, have been extracted from the World Bank data for the year 2019-2020 and the values of property rights, which is our explanatory variable, have been extracted from the International Property Rights Index for the year 2019. In the correlative dataset that we created; we measured the impact that property rights index exerts on the income per capita of societies. The countries selected to build our data are the most advanced countries on the planet. They are either part of the G-7 or part of the G-20 or are leading economically in their geographical region. According to the International Property Rights Index, a country is in good standing if it has a property rights index above 4.5 point-index. Countries with a property rights index above 6.5 are considered to be in very good standing, meaning that property laws are

\textsuperscript{26} Clark, Ibid.
\textsuperscript{27} Clark, Ibid.
\textsuperscript{28} Clark, Ibid.
\textsuperscript{29} Clark, Ibid.
\textsuperscript{30} Clark, Ibid.
firmly established and therefore, their standard of living is reflective of the income made per person in those countries is significantly higher than in most countries.

**Correlative data between Property Rights and Income per Capita**

<table>
<thead>
<tr>
<th>Countries</th>
<th>Property Rights Index</th>
<th>Income per Capita (U.S. Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>8.202</td>
<td>67,426</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>8.044</td>
<td>40,391.84</td>
</tr>
<tr>
<td>Germany</td>
<td>7.85</td>
<td>47,992.32</td>
</tr>
<tr>
<td>Switzerland</td>
<td>8.571</td>
<td>86,673.15</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>7.902</td>
<td>36,060</td>
</tr>
<tr>
<td>Singapore</td>
<td>8.462</td>
<td>64,829</td>
</tr>
<tr>
<td>Brazil</td>
<td>5.564</td>
<td>10,400</td>
</tr>
<tr>
<td>Canada</td>
<td>8.264</td>
<td>47,931.46</td>
</tr>
<tr>
<td>Japan</td>
<td>8.323</td>
<td>47,200</td>
</tr>
<tr>
<td>Mauritius</td>
<td>6.297</td>
<td>11,720.62</td>
</tr>
<tr>
<td>Denmark</td>
<td>8.174</td>
<td>61,350.35</td>
</tr>
<tr>
<td>Sweden</td>
<td>8.28</td>
<td>51,829.08</td>
</tr>
<tr>
<td>Estonia</td>
<td>7.173</td>
<td>24,802.77</td>
</tr>
<tr>
<td>Netherlands</td>
<td>8.273</td>
<td>52,900</td>
</tr>
<tr>
<td>South Korea</td>
<td>6.621</td>
<td>31,246.04</td>
</tr>
<tr>
<td>Australia</td>
<td>8.363</td>
<td>52,952.77</td>
</tr>
<tr>
<td>New Zealand</td>
<td>8.514</td>
<td>42,084.44</td>
</tr>
<tr>
<td>Argentina</td>
<td>5.087</td>
<td>9,730.00</td>
</tr>
<tr>
<td>Chile</td>
<td>6.88</td>
<td>14,650</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>8.275</td>
<td>116,727.21</td>
</tr>
<tr>
<td>Taiwan</td>
<td>7.306</td>
<td>25,525.81</td>
</tr>
<tr>
<td>Ireland</td>
<td>7.612</td>
<td>80,264</td>
</tr>
<tr>
<td>South Africa</td>
<td>6.071</td>
<td>6,193.17</td>
</tr>
<tr>
<td>France</td>
<td>7.384</td>
<td>42,943.95</td>
</tr>
</tbody>
</table>

Table 1. Source: World Bank, International Property Rights Index, Author’s computation

**b) The Model**

Since our data is bivariate, which means that we will be only testing two variables (one dependent variable and one explanatory variable), it logically follows that the statistical model to use is a simple linear regression. However, while testing the model, we acknowledge that a simple linear regression did not fit because the relationship between the dependent and explanatory variables is curvilinear. Therefore, the appropriate statistical model to use for our analysis is the quadratic polynomial regression model. The equation is subsequently written as the following:
\[ Y = \beta_0 + \beta_1 x + \beta_2 x^2 + \cdots + \beta_{24} x^{24} + \varepsilon \]

where \((i = 1, 2, \ldots, 24)\). This equation could be simplified as:

\[ y = X\beta + \varepsilon \]

Therefore, we must use the linear algebra function to determine the values of our equation:

\[
\begin{bmatrix}
Y_1 \\
Y_2 \\
Y_3 \\
\vdots \\
Y_{24}
\end{bmatrix} =
\begin{bmatrix}
1 & X_1 & X_1^2 & \cdots & X_1^{24} \\
1 & X_2 & X_2^2 & \cdots & X_2^{24} \\
1 & X_3 & X_3^2 & \cdots & X_3^{24} \\
\vdots & \vdots & \vdots & \ddots & \vdots \\
1 & X_{24} & X_{24}^2 & \cdots & X_{24}^{24}
\end{bmatrix}
\begin{bmatrix}
\beta_0 \\
\beta_1 \\
\beta_2 \\
\vdots \\
\beta_{24}
\end{bmatrix} + 
\begin{bmatrix}
\varepsilon_1 \\
\varepsilon_2 \\
\varepsilon_3 \\
\vdots \\
\varepsilon_{24}
\end{bmatrix}
\]

The output of our regression analysis after computation gives us the following equation:

\[ Y = -5.662 \times 10^{-19} X^{24} + \cdots + 6565.14 X^2 - 69248.20 X + 190615.33 + 18818.14 \]

\[ R^2 = 0.7441 \]

c) **Empirical Evidence**

![Correlation between Property Rights and Income](image)

Figure 2

As we have stated at the commencement of this analysis, we indicated that the goal of using statistical techniques in our analysis was not to make predictions but to simply illustrate empirically the impact of the correlation between property rights and income. As we can observe in the regression model, we can clearly see that there is a strong positive correlation between property rights and income. Economic prosperity and
property rights are inextricably linked. The importance of having well-defined and strongly protected property rights is now widely recognized among economists and policymakers. A private property system gives individuals the exclusive right to use their resources as they see fit, and that dominion over what is theirs leads property users to take full account of all the benefits and costs of employing those resources in a particular manner. The process of weighing costs and benefits produces efficient outcomes. The excuses for development failures are legion: lack of natural resources; insufficient funding of education, culture, religion, and history; and recently geographical location. As Peruvian economist Hernando de Soto points out, capitalism has been successful mainly in the West, and one of the reasons why capitalism has been such a success is because property rights have been not only protected, but they have been used efficiently to created economic growth. Depending on the measure, real income varies across countries. In 2000, real per-capita GDP was $50,061 in Luxembourg and $138 in Sierra Leone. As we can see in figure 3, income per capita in Luxembourg doubled over the last twenty years and it more than tripled in Sierra Leone although the disparity in income between the two countries is significantly large.

![Income per capita comparison between Luxembourg and Sierra Leone from 2000 to 2020](image)

Figure 3. Source: World Bank. Note: the Logarithm scale was used to fit both measures in the graph since the gap between the two countries significantly large. Income per capita in Luxembourg is about $100,000 on average while it is $400 in Sierra Leone.

It is evident that the disparity between the two countries is due to its difference in property rights. As we observed the data from the International Property Rights Index

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32 Ibid. p. 1
33 Ibid. p. 1
34 Ibid. p. 1
35 Ibid. p. 2
36 Ibid. p. 2
37 Ibid. p. 2
for both countries, we can see that Luxembourg has a property rights index averaging 8-point-index from 2009 to 2019 while Sierra Leone has a property rights index averaging point-index of 4 for that same period.

![Comparison of Property Rights Index between Luxembourg and Sierra Leone](image)

Luxembourg has a property index that is twice that of Sierra Leone simply because the rule of law allows for the protection of private property. In a country like Luxembourg, the legal system is functioning properly, although not perfectly, which allows individuals to have the freedom to undertake, to create new businesses that produce new goods and services. The creation of these new goods and services enable the augmentation of employment and the creation of new wealth. The creation of new wealth is possible in countries like Luxembourg because the power of the government is limited. In countries like Sierra Leone, however, where poverty and political instability remain prevalent, it is far more difficult to create new wealth and to improve the living standard of ordinary citizens because property rights are not protected by the rule of law. As a result, the power of the state is heavily centralized and expansionary, which means that the individuals living in such societies are not inherently free to pursue whatever pleases them. Access to property is highly regulated and corrupted because the legal system in these societies does not have strong institutions to preserve the liberties of the people.

d) Is Income Inequality Bad?

As was aforementioned in the introduction of this analysis, economists like Thomas Piketty have been advocating for a more redistributive role of government on the premise that income inequality stimulated more poverty. But the inquiry here is to know if income inequality necessarily implies that the majority of people are worst-off. In countries like the United States, the debate about income inequality has become the main topic in political debates, and politicians in favor of economic planning have seized the opportunity to promote confiscatory methods such as the wealth tax, which is strongly advocated by Elizabeth Warren, and the progressive income tax at a high rate on the wealthy advocated by Thomas Piketty, Stephanie Kelton, and Bernie Sanders.
Fundamentally, the societies that we call “developed countries,” are developed because they have a certain degree of income inequality. Without income inequality, they would have not had the level of economic development they have today. The United States, the United Kingdom, Canada, the Scandinavian countries, Brazil, China, Japan; just to name a few, are examples of developed countries. Yet each of these countries mentioned has a considerable degree of income inequality. As justice is well-established, people do have access to property rights, and therefore they can create capital and increase their labor productivity. As a matter of fact, income inequality naturally and logically expands to a considerable degree in societies that value the rule of law and private property because when the power of the government is restrained from intervening in the economy, individuals maximize the output of their economic production since they have the freedom to decide on how they want to manage their own resources. We cannot expect individuals to have the same economic outcome if they manage their resources differently.

The economic productivity of a society is to some extent based on how resources are managed. If an individual manages his resources in an efficient way that generate substantial profit, consequently his income will be higher than the one who did not manage his resources adequately. Income inequality can also grow in a society where there is no rule of law, where access to private property is significantly limited, and where resources are mismanaged. The lack of rule of law and an effective administration of justice impedes access to private property. Access to private property is a fundamental economic law that not only guarantees higher labor productivity, but above all guarantees an efficient allocation of resources, and therefore a much higher income.

IV – CONCLUSION

The analysis of the paper led us to comprehend that property rights and economic development do go hand-in-hand. It is logically impossible for a society to fully develop itself economically if it does not have a strong legal system that relies on the protection of private property. Our statistical model showed that there is indeed a strong correlation between property rights and income. Evidently, the higher is the access to property of a society, the higher is its income. The correlation that is established between income and property rights is naturally the factor of income inequality.

There are two kinds of income inequality. There is a positive income inequality, which is created by the private sector. This kind of income inequality is a positive and healthy inequality because it is based on the two fundamental elements which create economic growth that are the rule of law and private property. Negative income inequality is created by the public sector. It relies on corruption and the concept of rent-seeking. In countries like Sierra Leone or the Central African Republic where income inequality is created by the public sector through a lack of justice and an absence of private property, those who work for the government become much wealthier than the rest of the population. And this kind of income inequality generates, overall, a national decline.
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Ibid. p. 2

Ibid. p. 2