

# Inequality and Economic Development: The Role of Corruption

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## **Abstract**

This paper presents a model where income inequality negatively affects economic growth through corruption by politicians. While politicians pursue corruption rents which reduce provision of public goods and sacrifice citizen's welfare, they also care about political support by citizens to keep power. When inequality among citizens is large, political support is less sensitive to corruption. Therefore, large inequality increases corruption, and it retards economic growth. Since corruption is more prevalent in poor countries than rich ones, our argument is consistent with the evidence that shows negative relationship between inequality and growth in poor countries.

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