

Question: Would you rather be rich in a poor country, or poor in a rich country? (taken from Dani Rodrik)

- ▶ You only care about your own income and purchasing power
- ▶ Define rich and poor people within countries as:
 - ▶ Rich person: same income level as people in the **top 5%** of the country's income distribution
 - ▶ Poor person: same income level as people in the **bottom 5%** of the country's income distribution
- ▶ Define rich and poor countries as:
 - ▶ Rich country: the country is in the **top 5%** of all countries ranked by GDP per capita
 - ▶ Poor country: the country is in the **bottom 5%** of all countries ranked by GDP per capita

The answer

y_j per capita income (GDP) in country j

ϕ_{dj} income share of ventile d in country j

y_{dj} average income level in ventile $d (= 1, 2, \dots, 20)$ in country j

$$y_{dj} = 20 * \phi_{dj} * y_j$$

	y_j	ϕ_{dj}	Income
Poor country (Niger)	per capita income:	income share of top 5% in a poor country:	rich individual in poor country:
	\$573	0.254	\$2,911
Rich country (Norway)	per capita income	income share of bottom 5% in a rich country:	poor individual in rich country:
	\$47,547	0.014	\$13,313

Note: All figures are for 2012, in 2005 PPP-adjusted \$.

