Income Inequality in the Prosperous Economies of Tunisia and Namibia

Thierry Gysler

Abstract
This article looks at income inequality in Namibia and Tunisia. Both countries have a relatively high GDP per capita compared to other African countries. However, Namibia has very high income inequality, whereas Tunisia has relatively low income inequality. This article looks at how Namibia and Tunisia have ended up with very different levels of income inequality. It outlines some of the ethical origins and existing ethical structures related to inequality in these two countries and reviews the evolution and sources of income inequality. It also examines to what degree these countries’ current governmental policies have affected income inequality in Namibia and Tunisia.

I. Introduction
We are living in an unequal world. At the turn of the millennium, the world’s richest 1 percent received as much income as the poorest 57 percent.¹ This disparity continues to rise, some argue due to globalization, others argue due to industrialized countries taking advantage of developing countries’ resources and cheap labor. In any case, the more advanced countries typically focus on developing countries that own specific goods and services of interest to them, like uranium mining in Namibia or investing in coastal businesses in Tunisia. While this may increase the gross domestic product (GDP) of these developing countries, it also makes them more vulnerable and increases income inequality within their economies.

This article focuses on income inequality in Namibia and Tunisia. It looks back in recent history and examines how these countries’ experiences have shaped them and the challenges they are facing in inequality today. This article is organized into six sections. Following this introduction, the second provides a brief literature review. The third section will give some socio-economic background information about Namibia and Tunisia. The fourth section will look at ethical origins and existing ethical structures in Namibia and Tunisia regarding inequality. In the fifth section, this article will discuss further relevant facts about Namibia and Tunisia. Lastly, this article will conclude and give some final thoughts.

II. Brief Literature Review

There is plenty of literature surrounding inequality, specifically income inequality in Tunisia and Namibia. Particularly within the past decade, inequality has been a heavily discussed issue in Tunisia (before and after the Arab Spring) and in Namibia, where society continues to face the challenges of institutional discrimination caused by Namibia’s previous apartheid rule. Joyce (2013), Mbazia (2017) and Jouini et al. (2018) focus on Tunisia, while English (2016), a report by the Namibia Statistics Agency and the World Bank (2017), and Aiken (2018) focus on Namibia. In each case, the authors look at how inequality has been reduced and what steps need to be taken to reduce it further.

- Joyce (2013) looks at how the situation has changed in Tunisia after the Arab Spring Revolution, where regional inequality was one of Tunisia’s main reasons in partaking in the revolution. Further the paper looks at how Tunisia failed to get much out of the revolution as unemployment and inflation are still very high. Although the paper emphasizes that there have been significant improvements along the coast of Tunisia, deeper in the country the same issues that were there before the revolution persist, such as lack of public services and infrastructure. This continues to show that high inequality is very present in Tunisia but gets hidden behind the touristy coastal area of Tunisia where most of the focus is held by political leaders.

- Mbazia (2017) focuses on how inequality affects economic growth and how economic growth affects inequality in Tunisia. Further it looks at how monetary policy affects inequality and economic growth by introducing money supply. The findings of the paper show that factors such as money supply and increased life expectancy create positive economic growth whereas factors like inflation, lack of education and unemployment negatively affect economic growth. Negative economic growth tends to increase inequality in Tunisia because the two are very dependent on one another as the paper uncovered.

- Jouini et al. (2018) examine the impact of Tunisia’s tax and transfer system on inequality and poverty and assess the benefits from public spending on education and health. They conclude that Tunisia’s redistributive fiscal policy reduces inequality and extreme poverty significantly. However, based on the national poverty line, the headcount ratio increases, implying that a large number of poor people pay more in taxes than they receive in cash transfers and subsidies. They contribute this outcome to a relatively high burden of personal income taxes and social security contributions for low-income households.

- English (2016) is a short but powerful blog that reviews the apparent imbalance between Namibia’s high income and simultaneous extreme prevalence of poverty, which can be traced to enduring income inequalities. The blog points out that Namibia has the third highest levels of income inequality in the world and refers to a study by the National Bureau of Economic Research, which showed that Namibia had the highest levels of wealth inequality in the world in 2000. English (2016) also states that the United Nations and other advocacy groups have pressured the Namibian government to do more to tackle the large wealth gap.

- A report by the Namibia Statistics Agency and the World Bank (2017) examines if the Namibian government policies are effective in reducing poverty and inequality, specifically analyzing the impact of budget deficits and high unemployment. Additionally,
the report looks at specific targets that were set by the government to reduce inequality and then examines in depth how poverty and inequality have slightly decreased through fiscal policy, direct transfers and social spending. It suggests that these factors did reduce poverty and inequality but that more could be achieved by being more efficient and by improving the reach and impact of fiscal policy.

• Aiken (2018) focuses on how Namibia has been able to decrease inequality, though it is still unacceptably high. The paper compares Gini-coefficients and unemployment rates from the past with those of the present and determines that some improvement can be seen. Furthermore, it examines geographical struggles like rural water supply, which heavily affect the health of Namibian citizens. It points out that most of the poor are still highly segregated from the wealth that is accumulated by a very few. Although HIV has decreased and life expectancy increased in recent years, Aiken (2018) concludes that the country still fails to address income inequality, which is heavily reliant on factors that can and need to be addressed through policy changes.

III. Socio-economic Background

In 2016, Namibia’s population was 2.5 million, while that of Tunisia was 11.4 million.\(^2\) Namibia owes its low population density to being primarily a large desert and semi-desert plateau. Tunisia has mild rainy winters and hot summers in the north and the Sahara Desert in the south. As shown in Figure 1, Namibia’s and Tunisia’s GDP per capita, adjusted for differences in purchasing power, are relatively close to each other. In 1990, the two countries had nearly the same GDP per capita: Namibia’s GDP per capita was $5,719, while that of Tunisia was $5,615. However, given that Namibia’s GDP per capita stagnated from 1992 to 2001, due to droughts and limited fish stock,\(^3\) Tunisia’s GDP per capita exceeded that of Namibia’s by $1,724 in 2001.

Subsequently, there was higher growth in Namibia, due to an increase of diamond production, new and improved zinc mines and a greater amount of textile production.\(^4\) This allowed Namibia to nearly catch up with Tunisia by 2016, when Namibia’s GDP per capita adjusted for purchasing power was $9,852, while that of Tunisia was $10,752. However, given that the World Bank’s country classification is not corrected for differences in purchasing power, the World Bank (2018) classifies Namibia as an upper middle-income country, whereas Tunisia is classified as a lower middle-income country.

Tunisia’s consistent growth in GDP per capita from 1990-2007 can be attributed to “a development model that combined prudent macroeconomic management and direct government involvement in productive decisions through a complex system of incentives and ad hoc interventions.”\(^5\) The small decrease and rather static growth in recent years is attributed to high unemployment rate, vulnerable economy and lack of competition in the service sector which has challenged the development model. These struggles were increased through the financial crisis in 2007 and the Arab spring revolution in 2010.\(^6\)

\(^3\) The Commonwealth (n.d.).
\(^4\) The Commonwealth (n.d.).
As shown in Figure 2, Namibia’s and Tunisia’s life expectancy were about the same during the early 1970s. However, Namibia’s life expectancy increased little from 1970 to 1991, and then decreased from 1991 to 2004, after which it increased again, reaching an average of 64.4 years in 2016. According to the World Health Organization (2017), the past drop in Namibia’s life expectancy has been due to the HIV epidemic that happened at the time in Namibia, while the more
recent increase was explained by the Ministry of Health and Social Services having focused on implementing Millennium Development Goal 4 (MDG4; reduce child mortality), MDG5 (improve maternal health), and MDG6 (combat HIV/AIDS, malaria and other diseases).

Tunisia’s life expectancy grew consistently from 1970 to 2016, reaching 75.7 years in 2016, which is 12.4 years higher than that of Namibia. However, the growth rate of Tunisia’s life expectancy has been low in recent years. While Tunisia’s life expectancy increased by 19.4 years from 1970 to 1993, it increased by only 5.2 years from 1993 to 2016. While some moderation of life expectancy is normal as life expectancy reaches higher values, the slowdown in Tunisia has also been influenced by the Arab Spring’s political and civil unrest.

As illustrated in Figure 3, in 2011, Namibia’s adult literacy rate (88.3 percent) exceeded Tunisia’s (79.7 percent) by 8.7 percentage points. However, Namibia’s adult literacy rates have been fluctuating over time, decreasing from 84.9 percent in 2001 to 76.5 percent in 2007, but then substantially increasing again in 2011 to 88.3 percent. This is unlike Tunisia’s literacy rate, which has increased drastically from 48.2 percent in 1984 to 74.3 percent in 2004, after which the growth rate slowed down, reaching a high of 80.2 percent in 2012 (though it then declined marginally to 79.0 percent in 2014).

### Figure 3: Literacy rate, adult total (percent of people ages 15 and above)

![Image of literacy rate graph](image)

Source: Created by author based on World Bank (2018).

IV. Ethical Origins and Existing Ethical Structures

According to Rousseau (1751), the ethical origins of inequality lie in two principles: one is the interest of our own wellbeing and safekeeping, and the second is how sensible we are to seeing others suffer or even die. Furthermore, he states that the moral rules of human society can be derived through the combination of these principles. In the instance of Namibia and Tunisia, both countries’ rich people are in power, especially in Namibia, where they display a high interest of their own wellbeing and low empathy for poor people’s suffering.
One of the main reasons for Namibia being one of the countries with the highest inequality is that Namibia has been part of South Africa from 1915-1989, which was during the time apartheid was exercised in South Africa (from 1948-1994). Hence, this policy was also carried out in Namibia, which implied that the black people majority was segregated from the white German ex-colonizer minority. Even though apartheid has been abolished after Namibia separated from South Africa in 1990, this imbalance of power is still reflected in Namibia today, with white people owning most of the land and having access to clean water and sanitation, while most black people are still landless and lack access to clean water and sanitation.

This continued injustice causes inequality and poverty to thrive because poverty can only be eliminated if the rich people sacrifice a part of their power and resources, which would give poor people a chance to catch up. As Lötter (2011) argues, mostly poor black people receive an unequal opportunity to escape poverty because mostly rich white people ignore the black people’s needs. The rich people fail to invest into the potential of a whole population, which perpetuates inequality. With this lack of help, the black population of Namibia cannot escape poverty and inequality. This is morally significant as the rich people in Namibia receive more possibilities to enrich themselves and thus continue to be in power. Therefore, it lies in the rich people’s hands to act ethically and share their wealth.

Tunisia’s low inequality can be attributed to Tunisia having taken advantage of its geographical location, being a Mediterranean nation close to Europe. Furthermore, Tunisia already became independent in 1956, unlike Namibia, which only gained independency in 1990. Hence, not only had Tunisia more time to decrease income inequality, it also did not have to deal with the effects of apartheid. Nevertheless, Tunisia had to deal with poverty (which stood at 23.1 percent in 2005) and relatively high levels of unemployment (which stood at 12.8 percent in 2005), and even higher youth unemployment, including university graduates struggling to find jobs. According to Oxfam International (2014), this lack of investing into the growth and progress of future generations creates inequality between the younger and older generations. Additionally, Tunisia is plagued by geographical inequality, resulting from political corruption and an unequal share of power between the inland governorates and the coastal governorates, which implies that Tunisia has failed to invest into the potential of inland governorates and their people. According to Mbazia (2017), this unequal ruling style eventually triggered the Arab Spring Revolution in 2011-2012, which addressed issues like authoritarianism, centralization and human rights violations.

V. Discussion
V.1. Evolution of Income Shares

As seen in Figure 4 and 5, income inequality is much higher in Namibia (left Figure) than in Tunisia (right Figure). In Namibia, for which we have data only for 2003 and 2009, the richest 20 percent of the population have nearly 70 percent of all income, while the poorest 20 percent have

---

8 Redfish (2018).
10 Lötter (2011).
12 Lötter (2011).
13 Mbazia (2017).
only about 3 percent of total income. In Tunisia, the richest 20 percent of the population had 42.9 percent of total income in 2010 (about half of the rich’s percentage share in Namibia in 2009), while the poorest 20 percent had 6.7 percent of total income in 2010 (more than twice that of the poor’s income share in Namibia in 2009).

Figures 4 and 5: Income Share Held by Quintiles in Namibia and Tunisia

Figures 4 and 5 also show that both countries have made progress in reducing income inequality over time. In Namibia, the richest 20 percent lost on average 0.43 percentage points per year during 2003 and 2009, while the poorest 20 percent gained on average a marginal 0.05 percentage points per year during 2003 to 2009. In Namibia, the largest share of the loss by the richest 20 percent had been gained by the second richest quintile. In Tunisia, the percentage share of the richest 20 percent decreased from 1985 to 1990, then increased from 1990 to 1995, after which it fell again. The reverse is true for Tunisia’s poorest 20 percent, though the changes for the poorest 20 percent have been marginal. Comparing the 1985 data with the 2010 data, Tunisia’s richest 20 percent lost on average 0.27 percentage points per year (about half of that in Namibia), while the poorest 20 percent gained on average a marginal 0.05 percentage points per year (the same as in Namibia). In Tunisia, the largest share of the loss by the richest 20 percent had been gained by the third richest quintile.

The fact that the poorest people have not gained much even though the richest people lost in terms of their income share is broadly confirmed by looking at the changes in income share of the richest 10 percent (shown in Figure 6) and the poorest 10 percent (shown in Figure 7). For example, in Namibia, the richest 10 percent of the population lost 3 percentage points in their income share from 2003 to 2009; however, the poorest 10 percent of the population gained only a marginal 0.2 percentage points during the same period.

Source: Created by author based on World Bank (2018).
Figures 6 and 7: Income Shares Held by the Poorest and Richest Ten Percent

Source: Created by author based on World Bank (2018).

V.2. Evolution of the Gini Index

Figure 8 shows the available data for the Gini Index in Namibia and Tunisia. The Gini Index measures the distribution of income among individuals or households. A coefficient of 0 percent represents perfect equality where as a coefficient of 100 percent represents perfect inequality. Furthermore, the Gini Index reacts to transfers of income and thus satisfies the Pigou-Dalton principle.\footnote{Stewart and Samman (2014).} This makes the Gini index a good tool to measure inequality within a country.

Figure 8: Gini Index, in percent (World Bank estimate) of Namibia and Tunisia

Source: Created by author based on World Bank (2018).
Consistent with the previous income share figures, Figure 8 shows very clearly that Namibia has a far higher income inequality than Tunisia. Figure 8 also shows that income inequality has been reduced over time in both countries. Namibia’s Gini Index decreased by 2.3 percentage points between 2003 and 2009, which is an average annual decrease of 0.38 percentage points. Tunisia’s Gini Index decreased by 7.6 percentage points between 1985 and 2010, which is an average annual decrease of 0.30 percentage points. Hence, in terms of average annual decreases, Namibia has made only slightly more progress than Tunisia, even though Namibia is one of the most unequal countries in Africa, while Tunisia is one of the most equal countries in Africa.

V.3. Current Ethical and Moral Standings of Namibia and Tunisia

One of the major moral issues in Namibia is the distribution of land that is highly unequal. Although Namibia held its second National Land Conference in October 2017 to discuss a change in land distribution, many Namibians think this process is not good enough and demand radical change due to new forms of inequality emerging. This is evident as from the 2.5 million population in Namibia only 5,000 individuals own land, 70 percent of them are white. On the other hand, 70 percent of Namibians make a living from communal land. Although programs were put in place such as the National Resettlement Programme or the Affirmative Action Loan Scheme, many people feel that the government’s initiatives do not help.16

Further studies conducted by Chiripanhura, Niño-Zarazúa and Kalimbo (2012) evaluated Namibia’s national development plans and concluded that poverty and inequality have been reduced but could be reduced more efficiently if Namibia would focus more on improving education, health and sanitation. This is despite the fact that Namibia has the second highest allocation (as a percentage share) of government spending on education in the world, which enables free secondary school for all students in Namibia and explains Namibia’s high literacy rate.17

Due to the efforts of the Namibian government to really invest in its youth, one can conclude that the high inequality in Namibia is—unlike in Tunisia—not attributed to low literacy among the poor. Therefore, the issue of high inequality in Namibia can still be connected to the previous apartheid, that still causes a lack of work opportunity for the black Namibian population today.

Although the apartheid ended in 1990, it can be assumed that its structure is still institutionalized and engraved into the people in power in Namibia. Even if literacy rates are high in Namibia, they still do not affect enough the inequality that is present in Namibia. Furthermore, even when people who did not own land before now receive land through Namibia’s National Development Plan (NDP), they cannot earn money from the land because they do not have the expertise to do so yet as they did not have the chance to learn the needed skills.18

Fortunately, Namibia is making progress more recently. Poverty and inequality have been reduced due to a progressive social benefits and tax system implemented in 2009/2010, a system that taxes the richer people more than the poor and where allocated money focuses on social spending that benefits the poor.19 Such a tax is ethically correct as it takes away money from the rich, whose ancestors received the land and wealth unfairly due to the discrimination of the black population

---

16 The information provided in this paragraph is based on Nghitevelekwa and Lenggenhager (2018).
of Namibia during the apartheid. Additional NDPs need to be implemented, as they clearly help, as is evident from the reduction of extreme poverty from 15 percent in 2009/2010 to 10 percent in 2017.\footnote{Namibia Statistics Agency and World Bank (2017).}

To address the centralization of power that was present in Tunisia before the Arab Spring Revolution, the Tunisian government adopted a new constitution in 2014, which was supposed to create a better balance of power and economic activity between the coastal and non-coastal regions in Tunisia.\footnote{Aldana and El Fassi (2016).} Although this new constitution was highly praised especially by people outside of Tunisia to decrease centralization in Tunisia, some argue that it did not do much.\footnote{Aldana and El Fassi (2016).} This may be because Tunisia is geographically a very politically separated country, which could be seen during Tunisia’s 2014 parliamentary elections, where the regions closer to the coast of Tunisia voted for Nidaa Tounes (secularist political party) while the inner regions of Tunisia voted for Ennahdha (a self-defined Muslim democratic political party).\footnote{Aldana and El Fassi (2016).}

We can look back at Rousseau’s (1751) principles of inequality and see that the interest of our own wellbeing and safekeeping and how sensible we are to seeing others suffer or even die, decides the amount of inequality there is. Especially for Tunisia, it seems that the coastal areas are more interested in their own prosperity, as they much rather have other regions suffer from inequality and do not want to contribute to decentralize Tunisia’s power, which would make them lose power. This can be seen in the inland region of Kasserine Governorate, which still has a poverty rate of 32 percent, compared to 9 percent in Tunis.\footnote{Filitz (2018).} According to Aboueldahab (2018), it does not seem like Tunisia’s inequality will decrease much further in the near future, partly due to new laws such as the reconciliation law (which was passed in 2017) which gives certain people immunity against prosecution for corruption or economic crimes. Hence, Tunisia’s remaining inequality is expected to persist as the elite class acts unethically and remains unwilling to give up power.

VI. Conclusion

There are reasons why the economies of Namibia and Tunisia have been prosperous in the recent past. However, whether the way these two countries achieved this prosperity was ethical and of high moral standards is a different question. Furthermore, it appears that the ethical and moral wrongdoings of both countries are catching up with them, thereby hindering them to continue to grow economically. Whatever the moral standards were in the past, today’s moral standards demand further action to a) help Namibia’s black population prosper and catch up to Namibia’s white population, and b) help Tunisia’s poor inland regions catch up with Tunisia’s rich coastal regions.

The research provided in this article indicates that if Namibia wants to continue to grow and further decrease inequality, it needs to focus more on health, develop education further, continue to redistribute land, and provide training to the new land owners on how to use the land to derive profits. In Tunisia, further progress to decrease inequality may stagnate as the country failed to fulfill its promise to decentralize power and empower the inland regions. The continuous lack of cooperation with the inland population of Tunisia results in ongoing unemployment among young

\begin{thebibliography}{9}
\bibitem{AldanaandElFassi(2016)} Aldana and El Fassi (2016).
\bibitem{AldanaandElFassi(2016)} Aldana and El Fassi (2016).
\bibitem{AldanaandElFassi(2016)} Aldana and El Fassi (2016).
\bibitem{Filitz(2018)} Filitz (2018).
\end{thebibliography}
people, especially students and females, which causes inequality to be stagnant. Overall it seems that Namibia is on the right track to become a more equal country, but it still has a long way to go, whereas Tunisia is on a halt to continue decrease inequality and will likely need younger generations to create reforms to improve equality.

References


Redfish (2018). Germans in Namibia: Apartheid Continued (Part 1), Redfish, Internet Video Resource; available at: https://www.youtube.com/watch?v=0U2g5K8JaJk


86