

# Social Conflict, Growth and Inequality

by

Jess Benhabib  
New York University

and Aldo Rustichini  
Northwestern University

## Abstract

Despite the predictions of the neoclassical theory of economic growth, we observe that poor countries have invested at lower rates and have not grown faster than rich countries. To explain these empirical regularities we provide a game-theoretic model of conflict between social groups over the distribution of income. Among all possible equilibria, we concentrate on those which are on the constrained Pareto frontier. We study how the level of wealth and the degree of inequality affects growth. We show how lower wealth leads to lower growth and even to stagnation when the incentives to domestic accumulation are weakened by redistributive considerations.

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Send Correspondence to:

Professor Jess Benhabib  
Department of Economics  
New York University  
269 Mercer Street, 7th Floor  
New York, New York 10003 USA