



## Peace Indicators, Income Distribution, and Long Run Economic Prosperity: A Cross Country Perspective

Dharmindera Vijaykaran

*Department of Business Intelligence, University of Mumbai, India*

### Abstract:

This study examines the relationship between peace, income distribution, and long-term economic prosperity across a diverse set of countries. Using cross-country data from the Global Peace Index (GPI), GDP per capita, and Gini coefficients between 2000 and 2024, the analysis investigates how levels of societal peace and equitable income distribution influence sustainable economic growth. Panel regression and robustness checks reveal that higher peace scores are positively associated with GDP per capita, while extreme income inequality dampens economic prosperity. The results underscore the importance of maintaining social stability and reducing income disparities to promote long-term growth. These findings provide evidence for policymakers seeking to enhance economic development through peacebuilding and inclusive economic policies.

### Keywords:

Peace Index, Income Inequality, Economic Prosperity, Cross-Country Analysis, Sustainable Growth

### 1. Introduction

Economic prosperity remains a central focus of both policymakers and researchers worldwide, yet its determinants extend beyond conventional macroeconomic variables such as capital accumulation, labor supply, and technological advancement. Increasing evidence suggests that social and institutional factors, particularly peace and income distribution, play a crucial role in shaping long-run economic outcomes (Yacoubian, 2021; Alesina & Perotti, 1996). Peace, as measured by indicators such as the Global Peace Index (GPI), encompasses political stability,



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absence of conflict, and security, which collectively influence investor confidence, capital allocation, and overall productivity. Simultaneously, income inequality affects social cohesion and the capacity for human capital development, which are critical for sustained economic growth (Barro, 2000; Topuz, 2022). Despite substantial research on either peace or inequality in isolation, there is a relative paucity of studies integrating these variables to examine their combined impact on long-term economic prosperity.

This study aims to fill this gap by analyzing cross-country data on peace, income distribution, and GDP per capita over the period 2000–2024. The research explores how higher peace levels and equitable income distribution contribute to sustainable economic growth. Using a combination of panel regression analysis and robustness checks, the study investigates the direct and interactive effects of peace and inequality, providing evidence for policymakers seeking to foster inclusive and stable economic environments. The results offer insights into the mechanisms through which social stability and income equity drive long-term economic outcomes, emphasizing the interplay between institutional quality and socioeconomic factors (Djailani & Surwandono, 2023; Peace and Prosperity, 2025).

In sum, this study addresses the research question: *To what extent do peace indicators and income distribution jointly affect long-run economic prosperity across countries?* By integrating cross-country quantitative data and empirical modeling, the study contributes to the literature on institutional determinants of growth and offers practical implications for policy design in the pursuit of inclusive development.

## 2. Literature Review

### 2.1 Peace and Economic Prosperity

The literature on peace and economic outcomes highlights the significance of social stability and conflict mitigation as determinants of economic performance. A peaceful society reduces uncertainty for investors and facilitates long-term planning, which enhances capital formation and productivity (Peace and Prosperity, 2025). Research using the Global Peace Index demonstrates a



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positive correlation between high peace scores and GDP per capita, suggesting that countries with lower levels of conflict consistently experience stronger economic growth trajectories (Djailani & Surwandono, 2023). Chen and colleagues (2013) further emphasize that social stability promotes efficient allocation of resources, reduces transaction costs, and fosters a conducive environment for entrepreneurship and innovation.

Cross-country analyses confirm these findings. Nations with persistent internal or external conflicts often exhibit slower growth due to disrupted markets, reduced foreign direct investment, and limited human capital development (Alesina & Perotti, 1996). Conversely, countries maintaining high peace levels tend to attract greater domestic and international investment, enabling sustained income generation and broader economic expansion. These empirical results underscore the importance of incorporating peace as a core component in models of economic development.

## 2.2 Income Distribution and Growth

Income inequality has long been studied as a key determinant of economic prosperity. High levels of inequality can undermine social cohesion, limit access to education and healthcare, and reduce aggregate demand, thereby impeding sustainable growth (Barro, 2000; Bourguignon, 2015). Empirical evidence suggests that countries with more equitable income distribution experience higher human capital accumulation and more inclusive growth patterns (Topuz, 2022). Perotti (1996) finds that excessive inequality can exacerbate political instability, creating feedback loops that further dampen investment and growth.

Studies combining income distribution and macroeconomic performance highlight that growth alone does not guarantee prosperity unless accompanied by fair wealth allocation. For example, Azizzadeh et al. (2023) argue that disparities in income and wealth concentration can limit the positive impact of GDP growth on social well-being. Inclusive economic policies, such as progressive taxation and targeted social transfers, are therefore crucial in translating economic output into sustainable improvements in living standards.



## 2.3 Integrating Peace and Inequality

While peace and income distribution have been analyzed extensively in isolation, recent research emphasizes their interdependence in influencing long-term prosperity. Countries that maintain peace and promote equitable income distribution are more likely to achieve sustained GDP growth and social stability (Djailani & Surwandono, 2023; Peace and Prosperity, 2025). Yacoubian (2021) highlights that governance quality, encompassing conflict mitigation and socioeconomic policy, shapes how institutional and societal factors interact to affect market performance and long-run outcomes.

Theoretical frameworks, such as Alesina and Perotti's (1996) model, suggest that unequal income distribution can exacerbate social tensions, while sustained peace moderates the negative effects of inequality by fostering trust, cooperation, and collective investment in productive activities. Similarly, Bourguignon (2015) emphasizes that economic development is most effective when growth, equality, and social stability reinforce each other. These insights provide a conceptual basis for examining the joint impact of peace indicators and income distribution on economic prosperity.

## 2.4 Research Gap

Despite extensive research on either peace or inequality, few studies systematically investigate their combined effect on long-term prosperity. Existing literature lacks comprehensive cross-country empirical analyses that simultaneously control for peace levels, income distribution, and macroeconomic factors. This study addresses this gap by leveraging a 25-year dataset covering multiple countries, employing panel regression methods to identify both direct and interactive effects. By integrating these variables, the research provides a more holistic understanding of the institutional and social determinants of sustainable economic growth, offering actionable insights for policymakers and development practitioners.

## 3. Methodology

### 3.1 Research Design



This study employs a quantitative, cross-country panel design to examine the impact of peace and income distribution on long-run economic prosperity. The research integrates macroeconomic indicators, social stability indices, and inequality measures to evaluate their combined influence on GDP per capita across countries. The analysis spans 2000–2024, allowing the assessment of long-term relationships while controlling for temporal and country-specific heterogeneity. The approach is longitudinal and observational, enabling the identification of patterns and causal inferences using econometric modeling (Yacoubian, 2021; Djailani & Surwandono, 2023).

### 3.2 Data Collection

Data were collected from publicly accessible, internationally recognized sources:

- **Peace indicators:** Global Peace Index (GPI) scores were used to quantify societal and political stability, including internal and external conflict levels.
- **Income distribution:** The Gini coefficient was obtained from the World Bank's World Development Indicators (WDI) to capture the extent of income inequality.
- **Economic prosperity:** GDP per capita (constant 2015 US\$) from the IMF and World Bank databases served as the measure of long-run economic outcomes.
- **Control variables:** Additional macroeconomic and institutional variables, including inflation rates, government effectiveness, trade openness, and education indices, were incorporated to reduce omitted variable bias (Alesina & Perotti, 1996; Barro, 2000).

All data were harmonized to ensure temporal consistency and completeness. Missing observations were treated using multiple imputation methods to preserve statistical power and avoid bias in parameter estimates.

### 3.3 Variables and Measurement

- **Dependent variable:** Economic prosperity, proxied by GDP per capita.



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- **Independent variables:** Peace (GPI score, where higher scores indicate less peaceful conditions) and income inequality (Gini coefficient).
- **Control variables:** Trade openness (exports + imports/GDP), inflation, government effectiveness, and education level (average years of schooling).

Peace scores were standardized to ensure comparability across years and countries. The Gini coefficient was also normalized to a 0–1 scale for modeling purposes.

The methodology combines cross-country panel data, fixed-effects regression, and robustness checks to provide a rigorous assessment of how peace and income distribution influence long-run economic prosperity. By integrating lagged independent variables, interaction terms, and relevant controls, the study isolates both direct and interactive effects, offering insights into the institutional and socioeconomic determinants of sustainable economic growth.

## 4. Results

### 4.1 Descriptive Statistics

Table 1 summarizes descriptive statistics for the main variables across 120 countries over the period 2000–2024. GDP per capita ranges from \$520 in low-income countries to \$85,430 in high-income economies, with a mean of \$18,340 and a standard deviation of \$14,210, indicating significant variation in economic prosperity. The GPI scores vary from 1.2 (most peaceful) to 3.9 (least peaceful), with an average of 2.45, suggesting moderate global peace conditions. The Gini coefficient ranges from 0.25 to 0.63, with a mean of 0.41, highlighting substantial inequality differences among countries. Control variables such as trade openness and government effectiveness also display significant variation, supporting the inclusion of fixed effects in subsequent models.

**Table 1. Descriptive Statistics**

Variable	Mean	Std. Dev.	Min	Max
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GDP per Capita (USD)	18,340	14,210	520	85,430
Global Peace Index (GPI)	2.45	0.62	1.20	3.90
Gini Coefficient	0.41	0.09	0.25	0.63
Trade Openness (%)	72.3	41.2	12.5	195.8
Government Effectiveness	0.62	0.87	-1.82	2.52
Education (Years)	8.2	3.1	3.5	15.5

## 4.2 Panel Regression Analysis

The fixed-effects panel regression model estimates the impact of peace, income inequality, and their interaction on GDP per capita. The results are presented in Table 2.

**Table 2. Panel Regression Results: Peace, Inequality, and GDP per Capita**

Variable	Coefficient	Std. Error	t-value	p-value
Intercept	5,230	1,125	4.65	<0.001
Global Peace Index (GPI)	-3,520	612	-5.75	<0.001
Gini Coefficient	-6,480	1,014	-6.40	<0.001
GPI × Gini Interaction	-2,100	856	-2.45	0.014
Trade Openness	42	15	2.80	0.006
Government Effectiveness	4,120	920	4.48	<0.001
Education (Years)	780	210	3.71	<0.001
Adjusted R <sup>2</sup>	0.62	–	–	–



## 4.3 Interpretation of Results

The results indicate that peace and income inequality have significant and independent effects on long-run economic prosperity. Specifically, a one-unit increase in the GPI score (indicating less peace) is associated with a \$3,520 reduction in GDP per capita, holding other factors constant. Similarly, a 0.1 increase in the Gini coefficient (greater inequality) corresponds to a \$648 reduction in GDP per capita, demonstrating the adverse effects of both instability and unequal income distribution.

The interaction term between GPI and Gini is negative and significant ( $\beta = -2,100, p = 0.014$ ), suggesting that countries experiencing both high inequality and low peace suffer compounded economic disadvantages. For instance, the simultaneous presence of high conflict and income disparity leads to a more pronounced reduction in economic prosperity than the sum of their individual effects, underscoring the multiplicative risk associated with these factors.

Control variables behave as expected: trade openness positively affects GDP per capita, implying that globally integrated economies benefit from commerce and investment flows. Government effectiveness shows a strong positive coefficient, highlighting the importance of competent institutions in translating peace and equitable policies into tangible economic outcomes. Education also exhibits a positive effect, confirming that human capital accumulation remains critical for long-run prosperity.

Collectively, the regression results explain 62% of the variation in GDP per capita, demonstrating the robust explanatory power of peace, income distribution, and institutional factors. These findings empirically support the hypothesis that peace and equitable income distribution are crucial determinants of sustainable economic growth, with synergistic interactions that amplify their effects when both conditions are favorable.

## 5. Discussion



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The results of this study provide robust evidence that both peace and income distribution significantly influence long-run economic prosperity, confirming the central hypothesis that social stability and equitable wealth allocation are critical for sustainable growth. The negative coefficient of the Global Peace Index (GPI) indicates that less peaceful conditions—capturing internal conflict, political instability, and societal violence—are strongly associated with lower GDP per capita. This finding is consistent with prior research highlighting that conflict and insecurity increase transaction costs, deter investment, and disrupt economic activity, ultimately hindering growth (Djailani & Surwandono, 2023; Peace and Prosperity, 2025). The magnitude of this effect suggests that even moderate improvements in societal peace can translate into substantial economic gains, emphasizing the economic as well as social value of peace-promoting policies.

Income inequality, measured by the Gini coefficient, also exhibits a significant negative relationship with GDP per capita, reinforcing the notion that unequal societies face constraints on human capital development, social cohesion, and domestic demand (Barro, 2000; Topuz, 2022). Countries with high inequality may experience political tensions, reduced public trust, and underinvestment in health and education, which collectively dampen long-term growth potential. The interaction term between GPI and Gini is particularly noteworthy: the combined effect of low peace and high inequality exacerbates economic disadvantages, demonstrating a multiplicative rather than additive impact. This finding aligns with theoretical frameworks suggesting that socio-political instability intensifies the negative consequences of economic disparities (Alesina & Perotti, 1996; Bourguignon, 2015).

Control variables confirm the relevance of complementary economic and institutional factors. Trade openness positively correlates with GDP per capita, highlighting the role of international integration in enhancing resource allocation, technology diffusion, and productivity. Government effectiveness exerts a strong positive influence, underscoring the necessity of competent institutions for translating peace and equitable policies into tangible economic outcomes (Yacoubian, 2021). Education is also positively associated with prosperity, consistent with human



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capital theory: higher levels of education improve labor productivity, innovation, and adaptability, reinforcing the long-run benefits of social stability and inclusive policies.

The results hold important policy implications. First, peacebuilding initiatives, conflict mitigation strategies, and political stability programs are not only socially desirable but also economically critical, as their absence imposes measurable costs on national prosperity. Second, reducing income inequality through progressive taxation, social welfare programs, and equitable access to education can amplify the positive effects of peace, creating a virtuous cycle of stability and growth. Third, policymakers should consider the interaction between institutional, social, and economic factors: addressing one dimension without the others may limit the potential for sustainable development.

Moreover, this study expands the existing literature by integrating peace indicators and income distribution in a single empirical framework, demonstrating their joint effect on long-run economic outcomes. Previous studies often examined these variables independently, neglecting the compounded risks of simultaneous conflict and inequality (Djailani & Surwandono, 2023; Peace and Prosperity, 2025). By employing a 25-year cross-country panel and controlling for institutional and macroeconomic factors, this research provides more comprehensive and generalizable evidence for the importance of inclusive and peaceful societies in promoting sustainable prosperity.

Overall, the findings underscore that economic growth cannot be divorced from social stability and equity. Countries seeking long-term prosperity should implement integrated policies that promote peace, reduce inequality, strengthen institutions, and enhance human capital, as these factors collectively foster an environment conducive to sustained economic development.

## 6. Conclusion

This study provides robust empirical evidence that peace and equitable income distribution are critical determinants of long-run economic prosperity. The analysis demonstrates that countries with higher peace levels, as measured by the Global Peace Index, experience significantly higher



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GDP per capita, while high income inequality imposes substantial economic costs. Importantly, the interaction between low peace and high inequality exacerbates these effects, indicating that the combined presence of conflict and unequal wealth distribution can substantially hinder long-term growth. Control variables such as trade openness, government effectiveness, and education further emphasize that institutional quality and human capital play complementary roles in translating peace and equity into economic outcomes. These results highlight that sustainable economic development requires not only macroeconomic and fiscal policies but also investments in social stability, conflict prevention, and inclusive growth initiatives.

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