

THE IMPACT OF INCOME INEQUALITY ON ECONOMIC GROWTH THROUGH DIFFERENT TRANSMISSION CHANNELS: EMPIRICAL EVIDENCE FROM THE ORGANIZATION FOR ECONOMIC CO- OPERATION AND DEVELOPMENT MEMBER COUNTRIES

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Abstract

The aim of this paper is to quantify the transmission channels of income inequality on economic growth for OECD member countries. We try to determine what is the most important channel through which income inequality affects growth. To do this, we will estimate our basic model with variable rates. Then, we will use a simultaneous equations model to decompose the direct and indirect effects of income inequality on economic growth. According to the results, corruption is the most important channel, while trade openness channel is the least important.

Keywords: income inequality; economic growth; transmission channels

JEL Classification : I3; O4; Q33