The Effect Of Polity On The Economic Growth And The Income Inequality: Panel Data Methodology

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Abstract

Despite the fact that the global economy grows, the income inequality increases. The Income Inequality is an important factor which affects the human life negatively both in the financial and the social manner. It has been made lots of investigations whose topic is the economic growth and the income inequality. In this paper, it has been compared the connection between the economic growth and the income inequality in terms of the polity in the countries. Therefore, it has been desired to be brought a different perspective into the literature on the subject of the economic growth and the income inequality. It has been given information about the situation in the world especially aimed at the income inequality. It has been given the correlation of “Gini Coefficient” and “Economic Growth” belonging to the democratic countries (USA, United Kingdom and Germany) and the autocratic countries (Ethiopia, Nigeria and Gabon) in terms of their polities has been tested with the Panel Data Methodology. Empirical analysis involves the period of 1995-2015. In the results obtained by making Panel Data Model, it has been ascertained a negative correlation between the Economic Growth and the Income Inequality for the democratic countries. However in the autocratic countries, it has been seen that this correlation is very weak.

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