

Seminario

Venerdì 10 Febbraio, ore 12.00

Aula 5 – Palazzo delle Scienze

Group Patterns in Income Inequality and Economic Growth

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Group Patterns in Income Inequality and Economic Growth (Joint with B. Chen and Y. Karavias)

Abstract - The relationship between income inequality and economic growth has been debated for a long time. This paper seeks to take into account the cross-country latent group patterns by using the Grouped Fixed Effect estimator (Bonhomme & Manresa, 2015), to examine the growth-inequality nexus. The estimation results from a broadly balanced panel with 70 economies from 2000-2018 indicate that there exist non-linear effects, heterogeneity and latent group patterns simultaneously in the short-run. Specifically, we find the worldwide economies form three group structures. However, three economies, namely Ireland, Sierra Leone and Zimbabwe do not share group patterns with any other economies. The results are valid for both the standard Gini index, the Gini disposable index and the Gini market index. The non-linear relationship between inequality and growth holds for several model specifications. The short-run positive impact on economic growth can be treated as a complement to previous studies and Kuznets Curve.