

Globalization and Income Inequality: Comparative Analysis of the European Countries

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Research background.Purpose of the article,.Findings & Value added

Globalization and its impact on inequality is becoming an essential and problematic issue, especially in the context of on-going economic integration processes between the countries in Europe, which seek to converge their economic, social and political systems in the Euro area. The process of inequality has become even more relevant in the context of globalization, which in turn takes place in the context of COVID-19.

The paper aims to examine the impact of globalization on the inequality in the developed and the emerging economies in Europe

The paper analyses the essential aspects and the effects of the income inequality dynamics, both horizontally and vertically. It also addresses the question of whether the effect of globalization on the economic growth and the inequality is the same for the developing and the developed countries, respectively.

Introduction

The group of emerging economies include Bulgaria, Romania, Estonia, Lithuania, Latvia, Slovenia, Slovakia, the Czech Republic, Poland and Hungary.

The group of developed economies consists of Germany, France, Italy, Spain, Denmark, the Netherlands, Belgium, Luxembourg, Austria and Sweden.

The variables that construct the regression model are :GDP-real, GDP per capita, Gini coefficient and KOFGI-Globalization Index. The Eurostat statistics database and the statistics of KOF Swiss Economic Institute is used as well.

Method

Levin, Lin & Chut, ADF - Fisher Chi-square, PP - Fisher Chi-square

The generalized process of random immobility of the statistical sample can be expressed by the following mathematical equations:

$$E(y_t) = \mu$$

$$E(Y_t - \mu)(Y_t - \mu) = \sigma^2 < \infty$$

$$E(Y_{t-1} - \mu)(Y_{t-2} - \mu) = Y_{t_2-t_1}$$

$$\forall y_t = \alpha y_{t-1} + \beta x_t + \varepsilon_t$$

Where: y – dependent variable; α – regression coefficient; β – regression coefficient; x – independent variable; ε – variable of interference.

Method

The regression model applied in this paper can be expressed by the following mathematical equation:

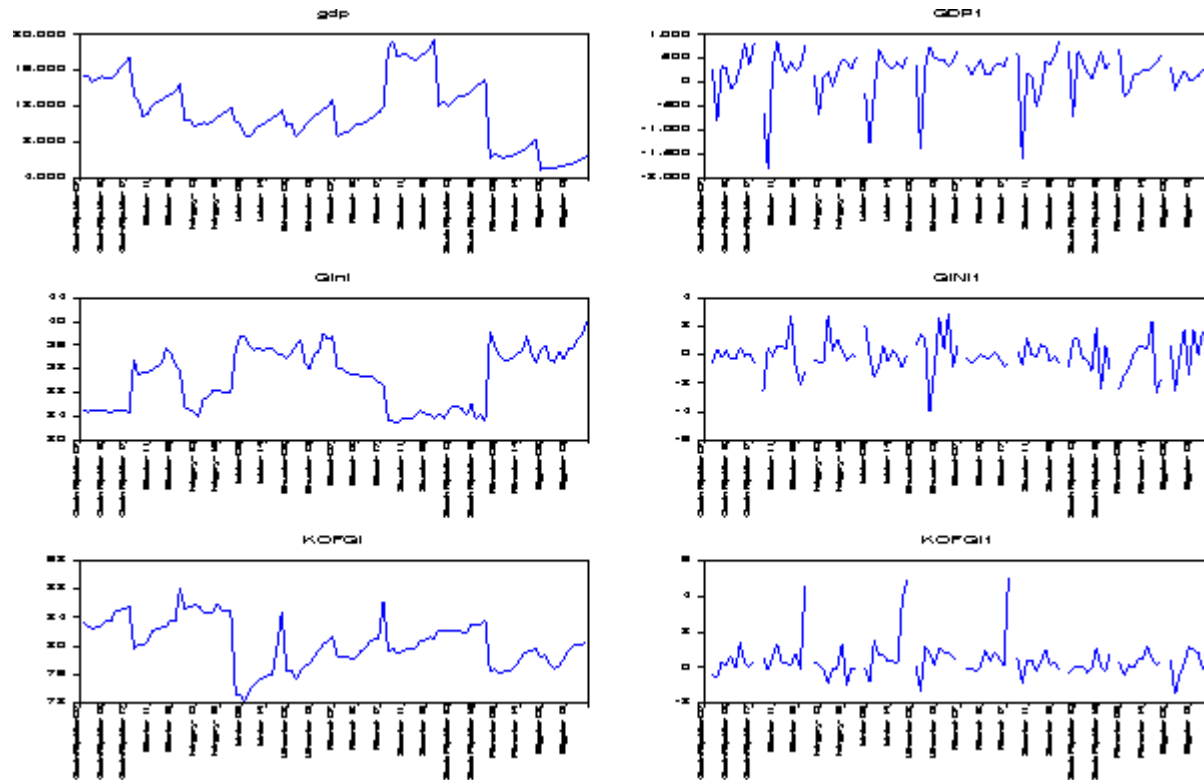
$$\left| \begin{array}{l} \gamma = \alpha + \beta \chi_t + \mu \\ \delta = \alpha + \beta \chi_t + \mu \\ \delta = \alpha + \beta \gamma_t + \mu \end{array} \right.$$

Where: Aggregate per capita income (GDP); Globalization (KOFGI);
Income inequality (Gini); term of the equation.

Results

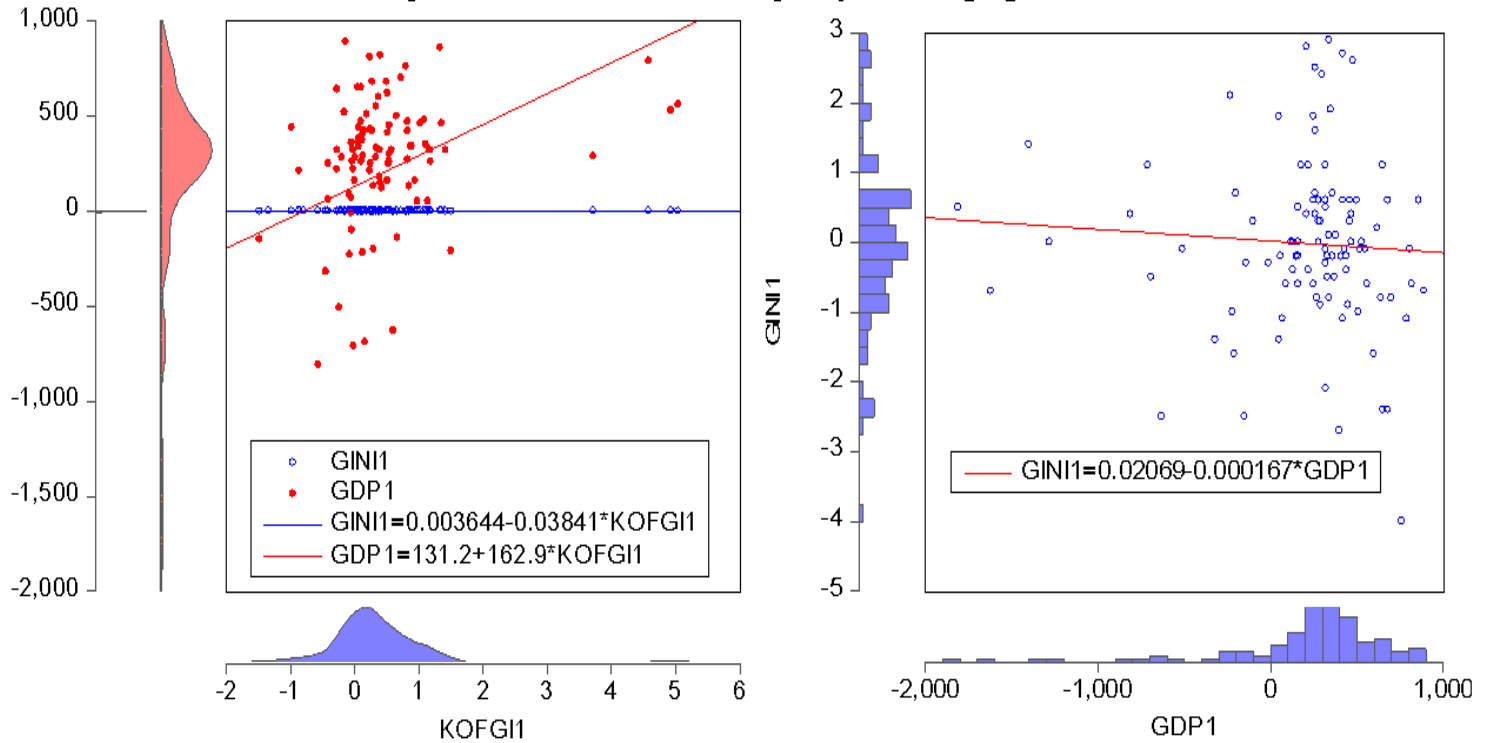
The empirical results of the group of countries that are characterized as emerging economies.

Generalized panel test for stationarity



Results

The impact of globalization on income inequality and GDP
The impact of GDP on income inequality in emerging economies

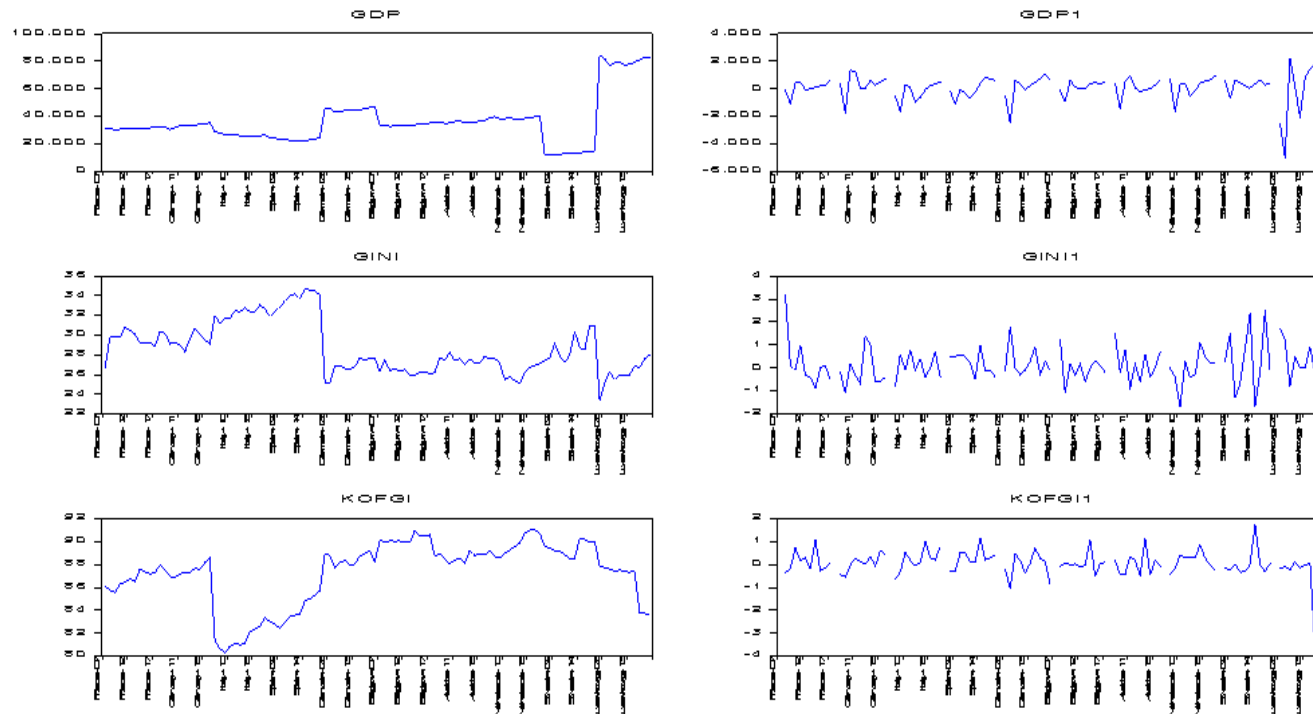


Data: Author's calculations

Results

The random component and the variation in the panel of the group of developing countries.

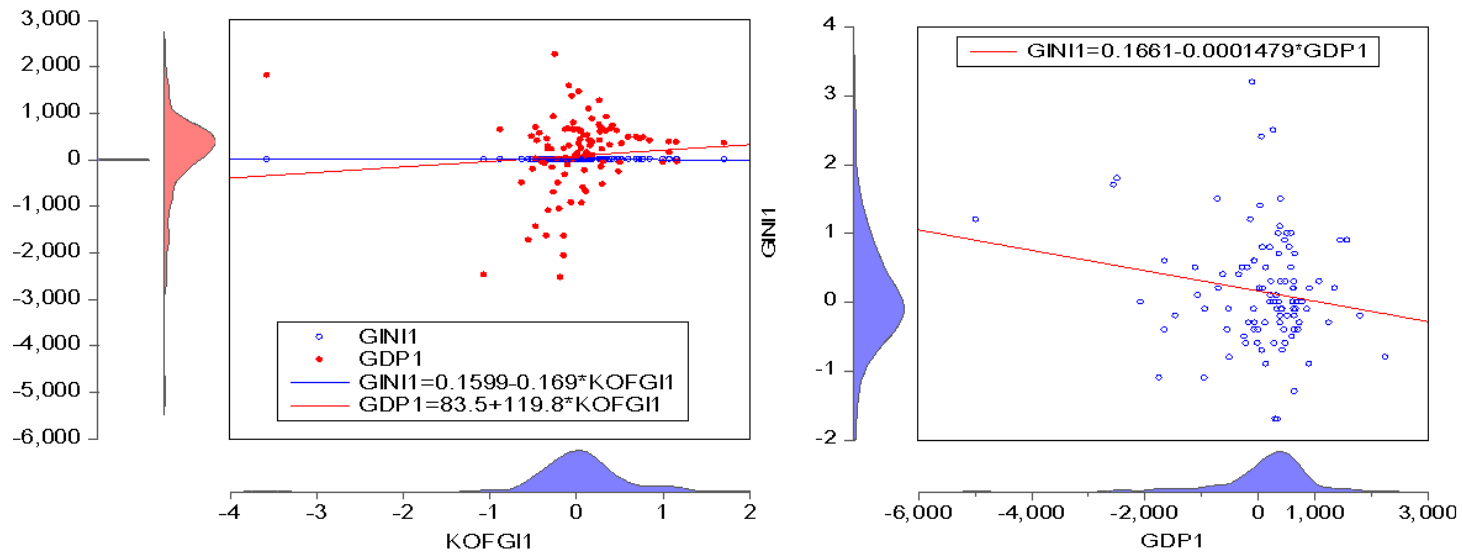
Generalized panel test for stationarity



Results

The impact of globalization on income inequality and GDP

The impact of GDP on income inequality in developed economies



Data: Author's calculations

Conclusions

- globalization does not affect income inequality
- globalization has a positive effect on the GDP of the developing economies
- globalization does not affect the GDP of the developed economies
- the GDP of the developing countries does not affect income inequality
- the GDP of the developed countries has a very small, but positive effect on the income inequality
- there is unequal impact of globalization on the GDP of the developing and the developed countries' economies
- there are anti-globalization restructuring processes, which maintain the link between globalization and income inequity in a latent state