

DIVERGENT PERSPECTIVES ON THE CAUSAL RELATIONSHIP BETWEEN ECONOMIC GROWTH AND INCOME INEQUALITY

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Abstract:

Once with the latest wave of globalization, economic inequality regains an important place in the developmental studies. If the purpose of the contemporary globalization viewed from a neoclassical perspective is to achieve a convergence of productivity levels and average incomes for the participating countries, then the study of economic disparities between them is a matter of interest. The article aims to clarify the different approaches regarding the interdependent relationship between income inequality and economic growth. The effects on growth determined by inequality can be viewed in terms of two divergent approaches. On one hand, the beneficial consequences on growth are manifesting by increasing savings, technological advancement, reduced administrative costs and increasing the levels of investments. On the other hand, the negative effects on growth are manifesting through lower levels of investment, uncertain property rights, high taxes and an adverse impact on human capital accumulation.

Keywords: development policies, economic growth, income inequality, globalization, transition.

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