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Will Income Inequality Differences Among The Euro Area and Former Socialist European Countries Widen? A Panel Data Analysis

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A B S T R A C T

Unfair distribution of income and poverty has been one of the most serious problems in the world economy since wind of globalization has become prevalent. In order to develop policies improving income distribution reducing income differences among countries, it is critically important to incorporate the role of economic, social and demographic factors. In this regard, we estimate the possible effects of economic, demographic and social indicators on income differences between Euro area and the former socialist countries of Europe with panel GMM model. Our results emphasize the importance of demographic factors to examine the dynamics of income equalities. It is also implied that monetary economic policies should be coordinated to foreign trade and development to sustain economic development and reduce income difference with respect to the Euro area in former socialist European countries.

KEYWORDS Income inequality; Panel Data Analysis; Former Socialist European countries

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