

Corruption and Income Inequality in OECD Countries

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ABSTRACT

This study aims to reveal the possible effects of corruption on income inequality in OECD countries. We obtained yearly panel data on Gini coefficient, real GDP growth, school enrollment, GDP per capita, general government final consumption expenditure, and corruption perception index score for 27 OECD countries covering 2004-2016 time period. Descriptive analyses indicate that the countries with the lowest and highest Gini coefficients are Slovenia (25.7) and Mexico (48.2) while the countries with the lowest and highest corruption indexes are Mexico (30) and Denmark (90), respectively.

In empirical analysis, the model regressed by Gyimah-Brempong (2002) was utilized. In the first step, we found negative and statistically significant correlation between *gini* and *corruption*. In the next step, we estimated the coefficients by pooled ordinary least squares (OLS), fixed-effects and random-effects methods as well as dynamic panel data estimation method. According to pooled OLS, fixed-effects and random-effects results, coefficients of *corruption* were statistically significant and range between -0.0436 and -0.2031. Because of autocorrelation and heteroscedasticity problems, we also estimated the coefficients using Arellano & Bond (1991) dynamic panel data estimation method. The results showed that coefficient of *corruption* variable had negative relation with gini coefficient (-0.0131) but it was statistically insignificant.

Keywords: Corruption, OECD, Gini

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