

Abstract

The impact of income inequality on the level of economic growth is an important question, but the existing literature did not reach a consensus about the sign of its effect. This thesis studies the impact in 93 countries over the years 1995-2015. We apply two different methods: the fixed effects with Newey and West standard errors, and the first-difference generalized method of moments. The main findings emphasize that a widening wealth gap has an overall negative influence over the real GDP per capita growth. Besides that, the effect is stronger among low-income countries than among high-income ones. Moreover, we find that the impact of income inequality on economic growth depends on the governing party's doctrine. It is negative and statistically significant only in states with centrist governments.