

Explaining Income Inequality Trends in Countries: An Integrated Approach

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Paper Abstract: What can we say about systematic trends in the drivers of income inequality in countries? In order to address this question this work gives unprecedented attention to robustness in measures of income inequality, model specifications and determinants. We thus use three income inequality measures, assess determinants such as technological progress and the labor income share, and construct new variations of others, such as non-resource trade flows to test trade theories, education distribution to assess heterogeneity in education levels, and disaggregated public spending to test political influence. We also assess regional variations between Advanced and Developing Economies. Our findings indicate the most robust global drivers of increasing inequality to be technological progress and trade with high-income countries. Trade with low-income countries, public spending on health and decreasing shares of unschooled people have significant equalizing effects on income distribution. The effects of education distribution, public education spending and labor income share are highly region specific and indicate the importance of disentangling global effects.