

CHIUNG-JU HUANG

Feng Chia University, Taiwan

THE IMPACT OF GOVERNANCE ON INCOME INEQUALITY IN TEN ASIAN COUNTRIES

Abstract:

This study utilizes panel data analysis over the 1996 to 2015 period to investigate the impact of governance quality (including democratic quality and technical quality) on income inequality in ten Asian countries, classified as “advanced economies” and “emerging market and developing economies”. The quality of governance is measured by the World Bank’s Worldwide Governance Indicators (WGIs) those consists of six indicators, including voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption. The quality of governance is classified as the democratic quality that is the average of the first two indicators of WGI and technical quality that is the average of the last four dimensions of WGI. The empirical results show that the impacts of democratic quality and technical quality on income inequality are significantly negative within “emerging market and developing economies”. However, for the “advanced economies”, the effects of democratic quality and technical quality on income inequality are significantly positive and nonsignificantly positive, respectively. These findings imply that promoting good governance is useful to reduce income inequality for “emerging market and developing economies” but the effect may not be effective for “advanced economies”.

Keywords:

income inequality, governance, democratic quality, technical quality, panel data analysis

JEL Classification: C33, D31