

Heterogenous impact of globalisation on income inequality in Turkey

ABSTRACT

Theoretical claims about the globalisation-income nexus imply that globalisation in general benefits all groups of countries, that more integrated economies tend to grow faster and economic growth usually improves economic performance, social and political relations. However, previous literature shows opposite findings, globalisation drops developing countries into an income inequality trap. As a developing country, Turkey qualifies as one of the more unequal economies. In view of this, the study suggests the impact of globalisation on income distribution in Turkey is Heterogeneous by implementing Quantile Regression (QR) analysis. In doing so, the possibility of effects of globalisation on unequal explains two levels of the income distribution, namely high-level income and low-level income. This finding provides a thorough explanation for each quantile response from the income distribution. It was determined that the impact of globalisation on the low-income level is greater than the impact on the high-income level in Turkey. In rapidly growing unequal distribution, the income gap between low and high-income levels is even in decline. Thus, Turkey's government should pay greater attention to the low-income group in order to mitigate the negative effects of globalisation. As well as a policy recommendation, it is recommended that Turkey's governments to reform and welcome globalisation activities such as trade and FDI. Due to this suggestion, Turkey is highly recommended to well prepare training workers, education platforms and tariff deregulations. In sum, foreign financing and integration with the international capital markets will increase the productive capacity in the low-level income group.