DOES RAPID ECONOMIC GROWTH SPUR THE INEQUALITY OF INCOME DISTRIBUTION? PROJECTION ON SELECTED OECD COUNTRIES BETWEEN 1987-2017

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Abstract

The issue of income distribution inequality has been one of the main investigations of macro economic problems, in last decades. The unrelieved increasing of inequality with several socio-economic drawbacks within its factual structure, cannot be prevented in capitalist order. Inasmuch as, the problematic contains various and well rounded reasons. With the encouragement of the industrial revolution; capitalists, focused on economic growth, have not had the time to think about the problem of income distribution inequality. Although the government factor came into play to solve the problem, the dominance of capital debilitated the sovereign of governmental institution. It is generally known that the problem of income distribution inequality is in under developed and developing countries. However, the obtained data indicated that; the same drawback is encountered in developed economies. The most obvious exemplifications of this issue are the US and PRC economies. Both of them are the largest two countries in the world. Yet, both of them have high Gini index levels in the last instance. Additionally, though the high Gini coefficient data, the per capita GDP values are really well in the USA. This circumstance indicates that the upper-income groups have exceeding income levels.

Keywords: Economic Growth, Income Distribution Inequality, OECD Countries.
JEL Codes: D31, F43, H24, O15.

Introduction

Economic growth is a necessary process for societies to maintain their welfare levels and maintain minimum living standards. Technically, economic growth is the increase in production factors and, in particular, an increase in factor productivity. Although there are many internal and external factors affecting growth; the results of growth are more of an interest to economy administrators. The most striking of these results is the inequality in income distribution.

It is possible to characterize the inequality of income distribution as the most severe inheritance of the macro economy on the people as they move from the 20th century capitalism to the 21st century capitalism. As a matter of fact, after the industrial revolution, it is observed that the total income in the world average is continuously shifting from the lower income group towards the upper income group. In the case of liberal economic systems; in other words, as the free market economies progress more slowly; it shows a rapid increase in closed or limited open economies. There are some elements that are effecting the income distribution inequality and cannot be underestimated but are not considered as a failure of the legal mechanism, the failure to develop democratic achievements, and the non-observance of human rights and freedoms. So, in fact, it is necessary to turn these reasons into a composition; rapid growth is one of the two main elements that trigger the inequality.

The underdeveloped and developing countries, which have completed their industrialization and have difficulty in keeping up with the free market, have reached high growth rates in the literature, which

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are characterized as "rapid economic growth" at certain times, as they have caught up with the growth trend. However, rapid growth is often the result of the collaboration of the government institution with the capital owners; the total GDP income remains largely in the capital owners. The openning level difference between the capital owners and low income group reveal the income distribution inequality.

In this study, the income distribution of the selected OECD countries, which are given examples of rapid economic growth, are examined and the hypothesis created by drawing attention to the direction of rapid economic growth which increases inequality of income distribution; samples are verified. In the first chapter, it is mentioned that, what the rapid economic growth is, the threshold value of such growth and the equivalent in the literature. The growth rates and the Gini coefficients in the selected periods between 1987-2017 of the selected OECD countries are stated and the accuracy of the comparison elements is demonstrated. In the second part, it is examined by the help of literature, in which cases the inequality of income distribution accelerates according to the source of the growth.

1. Growth and the Comparison of Rapid Growth – Income Distribution Inequality

After the industrial revolution, countries that had a voice in manufacturing and trade were the infrastructure of the capitalist growth of the 20th century. Famous philosophers living in the same time period also began to recognize, criticize or support this emerging system. Karl Marx, a student of David Ricardo, expressed many philosophical doctrines about the system. But a philosopher who voiced so much criticism would also be the target of criticism. Schumpeter (2012, 39, 101), criticized his master Marx and emphasized that he had no benefit other than raising public awareness against capitalism. Kaldor (1957), who approached the issue more analytically, states that the income levels of the low income group and the upper income group in the capitalist system are constantly moving away from each other.

Economic growth is, in its simplest definition, the rate of increase in total output in a given period (1 year) compared to the previous period (Kishtainy, 2014, 370). However, in order to be able to talk about rapid growth, growth should not be below the threshold value for a certain period of time. Yeldan (2018) states that growth rate of 2 % for a year in developed countries and 5 % for a year in developing countries can be accepted as a threshold value for rapid growth in the abstract sense without eliminating the effects of other variables.

In developed liberal economies where free competition markets are valid, the growth rate is between 2-3 per cent in the long run, and it shows the importance of stability in growth. This rate can remain stable in the long run as the development phase is passed from the growth to the developed economies. From time to time, developing countries have achieved an annual growth rate of 5% in order to reach world standards. The most obvious example of this situation is the Chinese economy. China, which has been growing averagely at 10 % for a long time thanks to reforms since 1980s, introduced the concept of "Chinese miracle" to the literature. Similar examples can be seen in the countries of South and East Asia, called "Asian Dragons[1]". These countries achieved averagely annual growth rate of 5% in the 1990s despite the Asian Crisis. Again, the Eastern European countries in the 1990s entered a rapid growth trend for a certain period of time (see **Table 1a and 1b**).

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[1] Singapore, Hong Kong, South Korea and Taiwan (Bloomenthal, 2019)

Table 1a: Economic Growth Rates of OECD Countries between 1987-2002.

Country Name	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Australia	2.51	5.68	3.87	3.56	-0.39	0.44	4.04	3.98	3.83	3.88	3.97	4.58	5.02	3.94	1.93	4.00
Austria	1.36	3.30	3.89	4.35	3.44	2.09	0.53	2.40	2.67	2.35	2.09	3.58	3.56	3.38	1.27	1.65
Belgium	2.31	4.72	3.47	3.14	1.83	1.53	-0.96	3.23	2.38	1.59	3.71	1.98	3.56	3.63	0.81	1.78
Canada	4.10	4.43	2.32	0.15	-2.13	0.88	2.66	4.49	2.68	1.61	4.28	3.88	5.16	5.18	1.77	3.01
Switzerland	1.59	3.28	4.33	3.67	-0.92	-0.04	-0.13	1.27	0.48	0.54	2.34	2.99	1.69	3.94	1.31	0.16
Chile	6.46	7.35	9.92	3.33	7.80	11.17	6.59	5.03	8.93	6.80	7.43	4.32	-0.41	5.33	3.30	3.11
Czechia					-11.61	-0.51	0.06	2.91	6.22	4.22	-0.59	-0.33	1.43	4.27	2.91	1.65
Germany	1.40	3.71	3.90	5.26	5.11	1.92	-0.96	2.46	1.74	0.82	1.85	1.98	1.99	2.96	1.70	0.00
Denmark	0.25	-0.01	0.65	1.48	1.39	1.96	0.01	5.33	3.03	2.90	3.26	2.22	2.95	3.75	0.82	0.47
Spain	5.55	5.09	4.83	3.78	2.55	0.93	-1.03	2.38	2.76	2.67	3.69	4.31	4.48	5.29	4.00	2.88
Estonia										5.32	11.80	4.12	-0.86	10.57	6.33	6.08
Finland	3.56	5.21	5.09	0.68	-5.91	-3.32	-0.73	3.94	4.21	3.66	6.25	5.43	4.44	5.63	2.58	1.68
France	2.58	4.73	4.35	2.91	1.04	1.60	-0.61	2.35	2.09	1.39	2.34	3.56	3.41	3.88	1.95	1.12
United Kingdom	5.31	5.75	2.57	0.73	-1.09	0.37	2.53	3.88	2.47	2.54	4.04	3.14	3.22	3.66	2.54	2.46
Greece	-2.26	4.29	3.80	0.00	3.10	0.70	-1.60	2.00	2.10	2.86	4.48	3.89	3.07	3.92	4.13	3.92
Hungary					-3.06	-0.58	2.95	1.49	0.01	3.34	4.24	3.19	4.21	3.84	4.53	
Ireland	4.66	5.22	5.81	8.47	1.93	3.34	2.69	5.76	9.63	7.81	10.29	8.50	10.62	9.56	5.80	6.31
Iceland										5.10	7.02	3.89	4.60	3.93	0.55	
Israel	7.14	2.91	0.57	7.32	7.73	7.76	4.12	7.43	6.60	5.31	3.66	4.17	3.62	8.17	0.03	0.16
Italy	3.19	4.19	3.39	1.99	1.54	0.83	-0.85	2.15	2.89	1.29	1.84	1.62	1.56	3.71	1.77	0.25
Japan	4.73	6.79	4.86	4.89	3.42	0.85	-0.52	0.99	2.74	3.10	1.08	-1.13	-0.25	2.78	0.41	0.12
Korea, Rep.	12.47	11.90	7.03	9.81	10.35	6.18	6.85	9.21	9.57	7.59	5.92	-5.47	11.31	8.92	4.53	7.43
Lithuania										5.15	8.29	7.47	-1.13	3.83	6.52	6.76
Luxembourg	3.95	8.46	9.80	5.32	8.64	1.82	4.20	3.82	1.43	1.39	5.71	6.04	8.48	8.24	2.53	3.82
Latvia										2.36	8.97	6.52	2.62	5.41	6.46	7.10
Mexico	1.86	1.25	4.20	5.07	4.22	3.63	4.06	4.94	-6.29	6.77	6.85	5.16	2.75	4.94	-0.40	-0.04
Netherlands	1.93	3.44	4.42	4.18	2.44	1.71	1.26	2.96	3.12	3.57	4.30	4.53	5.05	4.24	2.12	0.10
Norway	1.75	-0.26	1.04	1.93	3.08	3.57	2.85	5.06	4.15	5.03	5.28	2.62	2.01	3.21	2.09	1.44
New Zealand	-4.31	2.00	0.53	0.65	-1.64	1.27	6.53	5.22	4.58	3.36	3.01	1.07	5.19	2.29	3.80	5.06
Poland					-7.02	2.51	3.74	5.29	6.95	6.06	6.46	4.61	4.64	4.56	1.25	2.04
Portugal	6.38	7.49	6.44	3.95	4.37	1.09	-2.04	0.96	4.28	3.50	4.43	4.79	3.89	3.79	1.94	0.77
Slovak Republic							1.90	6.21	5.84	6.76	6.07	4.01	-0.21	1.21	3.32	4.52
Slovenia										3.52	5.11	3.29	5.27	4.16	2.95	3.84
Sweden	3.35	2.56	2.65	0.75	-1.15	-1.16	-2.07	4.09	4.02	1.52	2.90	4.23	4.53	4.74	1.56	2.07
Turkey	9.49	2.32	0.29	9.27	0.72	5.04	7.65	-4.67	7.88	7.38	7.58	2.31	-3.39	6.64	-5.96	6.43
United States[i]	3.46	4.20	3.68	1.92	-0.07	3.56	2.75	4.04	2.72	3.80	4.49	4.45	4.69	4.09	0.98	1.79

Source: The rates were codified in the table above by authors from Worldbank Data, 2018.

Table 1b: Economic Growth Rates of OECD Countries between 2003-2017.

Country Name	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Australia	2.99	4.00	3.19	2.83	3.78	3.66	1.92	2.05	2.45	3.89	2.64	2.56	2.35	2.83	1.96
Austria	0.94	2.74	2.24	3.45	3.73	1.46	-3.76	1.84	2.92	0.68	0.03	0.83	1.09	1.45	3.04
Belgium	0.77	3.63	2.09	2.51	3.45	0.78	-2.25	2.74	1.80	0.23	0.20	1.29	1.43	1.41	1.73
Canada	1.80	3.09	3.20	2.62	2.06	1.00	-2.95	3.08	3.14	1.75	2.48	2.86	1.00	1.41	3.05
Switzerland	0.04	2.78	3.12	3.99	4.11	2.15	-2.22	3.00	1.69	1.01	1.85	2.45	1.23	1.38	1.09
Chile	4.09	7.21	5.74	6.32	4.91	3.53	-1.56	5.84	6.11	5.32	4.05	1.77	2.31	1.27	1.49
Czechia	3.60	4.91	6.53	6.85	5.60	2.68	-4.80	2.27	1.78	-0.80	-0.48	2.72	5.31	2.59	4.29
Germany	-0.71	1.17	0.71	3.70	3.26	1.08	-5.62	4.08	3.66	0.49	0.49	1.93	1.74	1.94	2.22
Denmark	0.39	2.67	2.34	3.91	0.91	-0.51	-4.91	1.87	1.34	0.23	0.93	1.62	1.61	1.96	2.24
Spain	3.19	3.17	3.72	4.17	3.77	1.12	-3.57	0.01	-1.00	-2.93	-1.71	1.38	3.43	3.27	3.05
Estonia	7.42	6.29	9.37	10.27	7.75	-5.42	-14.72	2.26	7.60	4.31	1.94	2.89	1.67	2.06	4.85
Finland	1.99	3.93	2.78	4.06	5.18	0.72	-8.27	2.99	2.57	-1.43	-0.76	-0.63	0.14	2.14	2.63
France	0.82	2.79	1.61	2.37	2.36	0.20	-2.94	1.97	2.08	0.18	0.58	0.95	1.07	1.19	1.82
United Kingdom	3.33	2.36	3.10	2.46	2.36	-0.47	-4.19	1.69	1.45	1.48	2.05	3.05	2.35	1.94	1.79
Greece	5.79	5.06	0.60	5.65	3.27	-0.34	-4.30	-5.48	-9.13	-7.30	-3.24	0.74	-0.29	-0.24	1.35
Hungary	3.85	5.00	4.39	3.85	0.43	0.86	-6.60	0.68	1.66	-1.64	2.10	4.23	3.37	2.21	3.99
Ireland	3.12	6.68	6.01	5.52	5.21	-3.94	-4.63	1.80	2.98	0.04	1.64	8.33	25.56	5.14	7.80
Iceland	2.36	8.07	6.39	5.02	9.48	1.66	-6.51	-3.61	1.96	1.32	4.31	2.20	4.31	7.48	3.64
Israel	0.77	4.57	4.13	5.21	5.77	2.99	1.38	5.22	4.66	1.94	4.11	3.41	3.04	4.09	3.33
Italy	0.15	1.58	0.95	2.01	1.47	-1.05	-5.48	1.69	0.58	-2.82	-1.73	0.11	0.95	0.86	1.50
Japan	1.53	2.20	1.66	1.42	1.65	-1.09	-5.42	4.19	-0.12	1.50	2.00	0.37	1.35	0.94	1.71
Korea, Rep.	2.93	4.90	3.92	5.18	5.46	2.83	0.71	6.50	3.68	2.29	2.90	3.34	2.79	2.93	3.06
Lithuania	10.54	6.55	7.73	7.41	11.09	2.63	-14.81	1.64	6.04	3.83	3.50	3.54	2.03	2.34	3.83
Luxembourg	1.63	3.61	3.17	5.18	8.35	-1.28	-4.36	4.86	2.54	-0.35	3.65	5.77	2.86	3.08	2.30
Latvia	8.43	8.34	10.70	11.89	9.98	-3.55	-14.40	-3.94	6.38	4.03	2.43	1.86	2.97	2.21	4.55
Mexico	1.45	3.92	2.31	4.50	2.29	1.14	-5.29	5.12	3.66	3.64	1.35	2.85	3.27	2.91	2.04
Netherlands	0.28	2.03	2.16	3.52	3.70	1.70	-3.77	1.40	1.66	-1.06	-0.19	1.42	2.26	2.21	3.16
Norway	0.92	3.96	2.62	2.40	2.99	0.48	-1.69	0.69	0.97	2.72	1.04	1.98	1.97	1.09	1.92
New Zealand	4.54	3.27	3.32	2.57	3.76	-1.55	1.92	0.96	2.70	2.50	2.02	3.54	4.43	3.47	3.03
Poland	3.56	5.14	3.49	6.18	7.03	4.25	2.82	3.61	5.02	1.61	1.39	3.28	3.84	2.86	4.55
Portugal	-0.93	1.81	0.77	1.55	2.49	0.20	-2.98	1.90	-1.83	-4.03	-1.13	0.89	1.82	1.62	2.68
Slovak Republic	5.42	5.26	6.75	8.45	10.80	5.63	-5.42	5.04	2.82	1.66	1.49	2.75	3.85	3.32	3.40
Slovenia	2.84	4.35	4.00	5.66	6.94	3.30	-7.80	1.24	0.65	-2.67	-1.13	2.98	2.36	3.15	5.00
Sweden	2.39	4.32	2.82	4.69	3.40	-0.56	-5.18	5.99	2.66	-0.29	1.24	2.60	4.52	3.23	2.29
Turkey	5.61	9.64	9.01	7.11	5.03	0.85	-4.70	8.49	11.11	4.79	8.49	5.17	6.09	3.18	7.42
United States	2.81	3.79	3.35	2.67	1.78	-0.29	-2.78	2.53	1.60	2.22	1.68	2.57	2.86	1.49	2.27

Source: The rates were codified in the table above by authors from Worldbank Data, 2018.

Table 2a: Gini Coefficient Values of OECD Countries between 1987-2002.

Country Name	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Australia			33.2						32.6						33.5	
Austria																
Belgium																
Canada	31.5				31			31.3			31.6	33.2		33.3		
Switzerland																
Chile	56.2			57.2		54.8		56.4		54.9		55.5		52.8		
Czechia							26.6			25.8						
Germany					29.2			29.2						28.8	30.3	
Denmark																
Spain																
Estonia							39.5									
Finland																
France																
United Kingdom																
Greece																
Hungary	21		25				27.9									
Ireland																
Iceland																
Israel						35.5					38.1				38.9	
Italy																
Japan																
Korea, Rep.																
Lithuania							33.6									
Luxembourg																
Latvia							27		31	31.6						
Mexico					49.6			50.3		48.2		48.7		51.4		49
Netherlands																
Norway																
New Zealand																
Poland																
Portugal																
Slovak Republic										25.8						
Slovenia							29.2									
Sweden																
Turkey	43.5							41.3								41.4
United States					38.2			40.2			40.8			40.4		

Source: The rates were codified in the table above by authors from Worldbank Data, 2018.

Table 2b: Gini Coefficient Values of OECD Countries between 2003-2017.

Country Name	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Australia	33.5					35.4		34.7							
Austria	29.5	29.8	28.7	29.6	30.6	30.4	31.5	30.3	30.8	30.5	30.8	30.5	30.5		
Belgium	28.1	30.5	29.3	28.1	29.2	28.4	28.5	28.4	28.1	27.5	27.7	28.1	27.7		
Canada		33.7			33.8			33.6			34				
Switzerland				33.9	34.3	33.8	32.9	32.6	31.7	31.6	32.5	32.5	32.3		
Chile	51.5			48.2			49		47.6		47.3		47.7		
Czechia		27.5	26.9	26.7	26	26.3	26.2	26.6	26.4	26.1	26.5	25.9	25.9		
Germany		30.4		31.3	31.3			30.2	30.5		31.1		31.7		
Denmark	25.6	24.9	25.2	25.9	26.2	25.2	26.7	27.2	27.3	27.8	28.5	28.4	28.2		
Spain	31.8	33.3	32.4	33.5	34.1	34.2	34.9	35.2	35.7	35.4	36.2	36.1	36.2		
Estonia	37.2	33.6	33.4	33.7	31.2	31.9	31.4	32	32.5	32.9	35.1	34.6	32.7		
Finland	27.7	27.9	27.6	28	28.3	27.8	27.5	27.7	27.6	27.1	27.2	26.8	27.1		
France	31.4	30.6	29.8	29.7	32.4	33	32.7	33.7	33.3	33.1	32.5	32.3	32.7		
United Kingdom		36	34.3	34.6	35.7	34.1	34.3	34.4	33.2	32.3	33.2	34	33.2		
Greece	32.8	33.6	34.6	35.1	34	33.6	33.6	34.1	34.8	36.2	36.1	35.8	36		
Hungary		29.9	34.7	28.3	27.9	27.5	27	29.4	29.2	30.8	31.5	30.9	30.4		
Ireland	32.9	33.6	33.7	32.7	31.9	30.9	32.7	32.3	32.9	33.2	33.5	31.9	31.8		
Iceland	26.8	28	29	30.2	29.5	31.8	28.7	26.2	26.8	26.8	25.4	27.8			
Israel			41.7		41			42.6		41.4					
Italy	34.9	34.3	33.8	33.7	32.9	33.8	33.8	34.7	35.1	35.2	34.9	34.7	35.4		
Japan						32.1									
Korea, Rep.				31.7		32.3		32		31.6					
Lithuania		37	35.3	34.4	34.8	35.7	37.2	33.6	32.5	35.1	35.3	37.7	37.4		
Luxembourg	30.2	30.2	30.8	30.9	31.1	32.6	31.2	30.5	32.1	34.3	32	31.2	33.8		
Latvia		36.4	39	35.6	37.5	37.2	35.9	35	35.8	35.2	35.5	35.1	34.2		
Mexico		48.3	48.9	47.7		44.6		45.3		45.4		45.8		43.4	
Netherlands		29.8	29	30	29.6	29.3	27.9	27.8	27.7	27.6	28.1	28.6	28.2		
Norway	27.6	31.6	30.6	26.4	27.1	27	26.2	25.7	25.3	25.7	26.4	26.8	27.5		
New Zealand															
Poland															
Portugal	38.7	38.9	38.5	38.1	36.7	36.6	34.9	35.8	36.3	36	36.2	35.6	35.5		
Slovak Republic		27.1	29.3	25.8	24.7	26	27.2	27.3	26.5	26.1	28.1	26.1	26.5		
Slovenia		34.8	24.6	24.4	24.4	23.7	24.8	34.9	24.9	25.6	26.2	25.7	25.4		
Sweden	25.3	26.1	26.8	26.4	27.1	28.1	27.3	27.7	27.6	27.6	28.8	28.4	29.2		
Turkey	42.2	41.3	42.6	39.6	38.4	39	39	38.8	40	40.2	40.2	41.2	42.9	41.9	
United States		40.5			41.1			40.4			41			41.5	

Source: The rates were codified in the table above by authors from Worldbank Data, 2018.

When **Table 1a, 1b** and **2a, 2b** are examined, it is observed that rapid growth rates increase the Gini Coefficient[2] which expresses the income distribution inequality in general. It is understood that the index is 35 or more on average, and after years of rapid growth it is the corresponding successive years. These comparements will be better understood on graphics.

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[2] Gini index has been illustrated by Italian statistician Corrado Gini. It indicates the countries' measure of income inequality, based Lorenz Curve. As the value of index runs from 0 to 100, it means that the inequality increases (Business Dictionary, 2018).
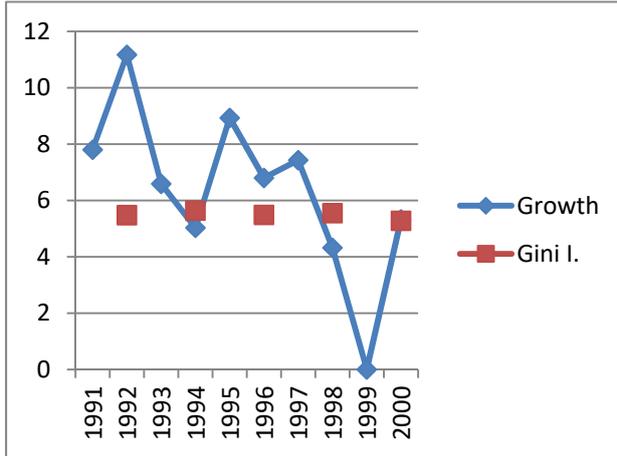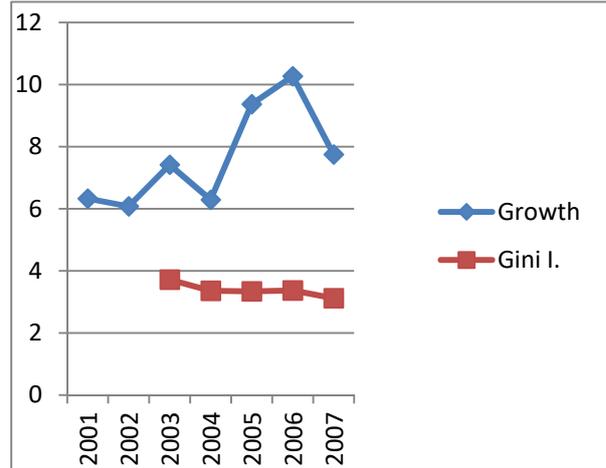
Figure 1a: Chile's Growth and Gini Index
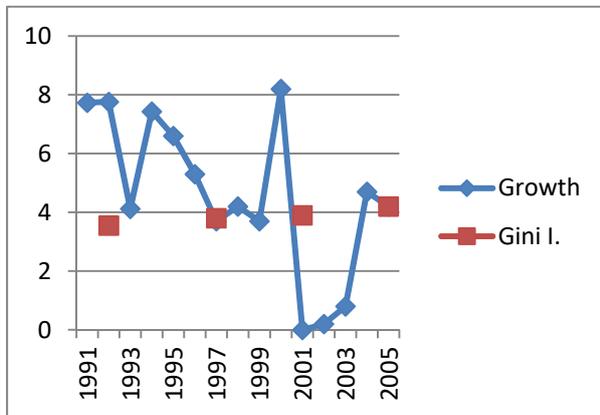

Figure 1b: Estonia's Growth and Gini Index

Figure 1c: Israel's Growth and Gini Index
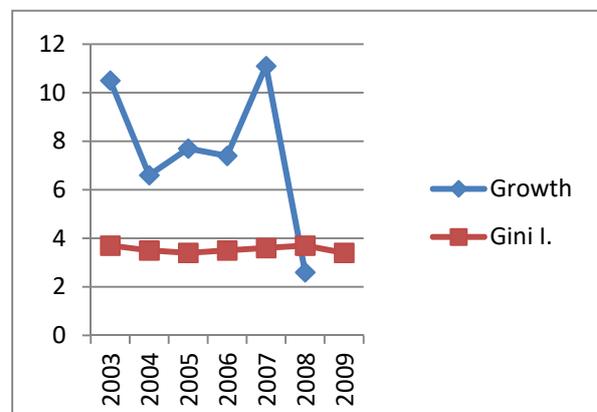

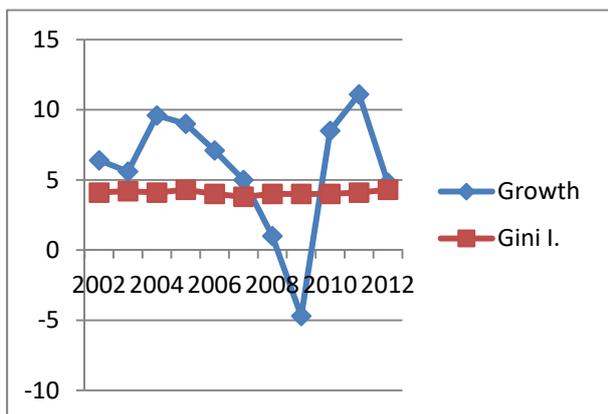**Figure 1d:** Lithuania's Growth and Gini Index
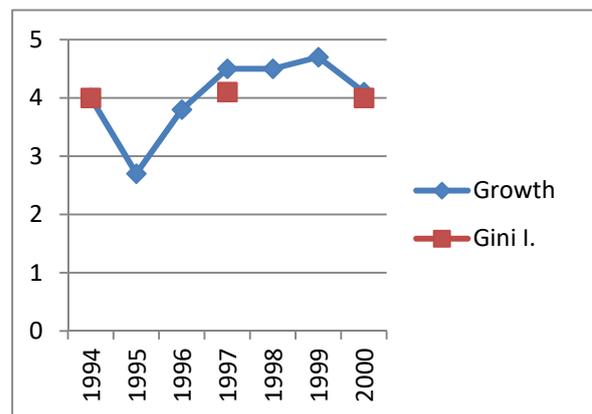

Figure 1e: Tukey's Growth and Gini Index

Figure 1f: USA's Growth and Gini Index

Source: Table 1a, 1b and Table 2a, 2b

In the sample countries obtained from the tables, Gini indices[3] of some years were not calculated and left empty. Low levels of growth rates due to conjunctural developments have not prevented the increase in inequality of income distribution. The years in which growth was negative also did not prevent inequality. Dollar and Kraay (2001, 32), in their empirical article on the

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[3] For an easy comparing and observation, the tenth values of Gini coefficients were considered.

relationship between growth and inequality, found that it is not possible to analyze the rate of inequality in income distribution with the data of the last 40-50 years, and that inequality continues to increase even in negative growth rates.

2. Expansion of Income Distribution Inequality by Growth Rate

Since the issue of distribution is a new sub-discipline that has not been codified in the macroeconomic literature, the Gini index scores of all countries may not be calculated. As the world economy continues to grow, the growing index raises the question of how growth in international markets is taking place. Undoubtedly, non-production growth, where large-scale companies may have sufficient knowledge, do not address the household economy.

Non-production growth leads to the expansion of the informal economy. Hence, a large portion of the income is constantly increasing in the hands of a few capital owners; informal economy costs fall into the lower income group. This situation is another factor that encourages income distribution inequality.

Persson and Tabellini (1994) highlighted the tax injustice by drawing attention to the fiscal policy dimension of income distribution inequality. They also referred to the Malthusian approaches in the same study and found that population growth accelerated inequality.

Alesina and Rodrick (1994), who consider income distribution as an independent variable and growth as a dependent variable, emphasize that inequality prevents growth and four main reasons for inequality are mentioned. The first one is the view that the rent seeking has restricted the property rights of other sectors. Second, households face difficulties in accumulating the savings in societies that do not have equal income distribution. Third, it is the hypothesis that median-class voters are exposed to more income inequality than the lower-income group. Finally, they concluded that the ineffective credit system could not effectively use the physical capital of the lower income group. In another study examining the same directional relationship (Galor, 2000), the effect of inequality on development was examined and it was determined that inequality in income distribution had a positive effect in the early stages of development and had a negative effect on development in the last stages.

Tabassum and Majeed (2008), who argued that the ineffectiveness of credit markets played a leading role in income distribution inequality, found concludings supporting this view in 69 countries.

The quantity theorist Friedman (2008, 217-218) emphasizes that the government should play an active role in eliminating the income distribution inequality and recommends that the product be paid appropriately to ensure equality of actual practice. This approach has also been published in the literature as a different proposal for resolving inequality.

Barro (2000) draws attention to the historical process in his analysis based on the Kuznets curve and emphasizes that inequality of income distribution has evolved in the transition from agricultural society to industrial society. Here, it is worth mentioning the French Revolution as one of the consequences of the transition to the industrial revolution. The revolution in question is not from the class struggle between the lower income group and the nobility; in fact, it is an attempt to revolt in the upper class as a result of the gradual decrease in the share of median class proletarians in total income. It is also understood that the basis of the French Revolution is again the income distribution inequality. However, it is understood that the hypothesis mentioned as Kuznets Curve in the literature is not quite valid today. In fact, according to Kuznets (1955), in industrialized societies, capital owners have increased their incomes and inequality in society for a certain period of time; but then, the hypothesis that labor owners reduce income distribution inequality because they educate themselves well is not valid today. The increase in qualified employees does not resolve the inequality in income distribution and interest income increases this deficit. Population growth also raises the theory of Malthus.

As stated in the beginning of the study, it is possible to add economic reasons to the secondary elements that affect the income distribution inequality. Among these, the income type of households can be shown. Qualitative and functional production, which has a positive contribution to growth, is another important factor. So much so; owners of large-scale and value-added companies are the partners of GDP. As a result of the financialization of the markets, the groups that earn interest income are the important actors that increase the Gini index.

Conclusion, Evaluation and Discussions

The hypothesis put forward in the study is that rapid economic growth triggers inequality of income distribution. Indeed, the examples selected from the OECD countries support this hypothesis. The realization of rapid economic growth is not in the current year on inequality; after one or two years.

The factors that cause inequality have been evaluated in two distinctions. First, the rapid growth rate; the second is the other (secondary) factors. Economic and other social reasons such as income type of households, functional manufacturing capitalists, non-production capital owners, grey economy, failure of legal mechanism, non-development of democratic achievements, non-observance of human rights and freedoms can be shown as secondary factors.

Some of the countries that have achieved rapid economic growth are; countries that have undergone economic and democratic transformation. This is especially the case in Central and Eastern European countries, which were reshaped in the 1990s. These countries, which adopted the liberal economic system, escaped the Eastern bloc and adopted the liberal economic system, recorded rapid growth rates with the advantages of being in Europe and starting negotiations for membership in the European Union. As it is seen, not only economic transformation or conjuncture but also other social reasons increase inequality.

In the world wide, in the anti-democratic countries where the issue of power is highlighted, the income distribution inequality is quite high. Third-class countries focusing on the country's macroeconomic power rather than social prosperity, even if they record rapid growth rates, do not have the status of developed countries because they do not reflect this to society. Russia and China may be the best examples of such countries. In these countries which have no other occupation than just giving the message of physical power and economic size to the whole world, because the value judgments of the public are not taken into consideration such as law security and respect for their democratic preferences, total income is divided among the higher income groups, and the people in the lower income group live in poverty to the extent of misery.

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