

Testing the Financial Kuznets Curve for Member and Candidate Countries of European Union

Muhammet Fatih Elçin¹ and Saadet Kasman²

Abstract

The distribution of income has always been one of the most popular research topics since it reflects the well-being of the society. The extant theoretical literature argues that equal distribution of income can be accomplished by financial development. Based on this theoretical perspective, this paper assesses the effect of financial development over income inequality by employing a panel data of 24 European Union countries and a candidate country over the period 1995-2014. The empirical results with estimation procedure of panel data analysis of fifteen major EU countries reveal that there is a strong evidence for Financial Kuznets Curve hypothesis. However, the empirical results of nine new members and Turkey as a candidate country are controversial. Two different empirical findings about two different samples reveal that financial development is not the only case for an equal income distribution. Financial development may not help countries to decrease income inequality if they do not have a sustainable macroeconomic structure.

Keywords: European Union, Financial Development, Income Inequality

JEL Codes : G20,O11,O15

¹**Corresponding Author** Dokuz Eylül University İzmir, Turkey fatihelcin90@gmail.com

² Dokuz Eylül University, İzmir, Turkey. saadet.kasman@deu.edu.tr