The Relationship Between Trade Opennes and Income Inequality

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In this study, the relationship between income inequality and trade openness is investigated by using panel data analysis over the period of 1980 2009 for totally 92 countries in which 27 are developed. We use gini coefficient as an indicator of income inequality and the sum of imports and exports to GDP ratio as an indicator of trade openness. By utilizing GMM, I find that there is a negative relationship between income inequality and trade openness for both developed and less developed countries. This result indicates that an incerease in trade openness decreases income inequality for these countries.