



INCOME INEQUALITY, URBAN SIZE AND ECONOMIC GROWTH IN OECD REGIONS

Vicente Royuela^{*}, Paolo Veneri[†] & Raul Ramos[‡]

Abstract

The purpose of this paper is to understand how income inequality is associated with economic growth in OECD regions and whether the degree and type of urban concentration affects this relationship. Both income inequality and urban concentration can be seen as patterns of resources allocation that are particularly interlinked at regional level. We combine household survey data and macroeconomic databases, covering a period ranging from 2004 to 2012 for comparable regions in 15 OECD countries. Econometric results show that, at least for the short period under consideration, there is a general negative association between inequalities and economic growth. This relationship is sensitive to the type of urban structure. Higher inequalities seem to be more detrimental in large cities, while regions characterised by small cities and rural areas are less affected by inequality.

Keywords: Inequality, Economic growth, OECD regions.

JEL codes: R11, R12, O15

^{*} Grup d'Anàlisi Quantitativa Regional (AQR-IREA), University of Barcelona. E-mail: vroyuela@ub.edu

[†] Regional Development Policy Division, Public Governance and Territorial Development, OECD, Paris. E-mail: paolo.veneri@oecd.org

[‡] Grup d'Anàlisi Quantitativa Regional (AQR-IREA), University of Barcelona. E-mail: rramos@ub.edu