

Zeppelin Universität

ZEPPELIN-Lehrstuhl für
Internationale Wirtschaftstheorie und -politik

Bachelor Thesis

**Relating the Related:
On the Relationship Between Different Measures of
Regional Variety and Inequality.
An Investigation of U.S.' Regions between 2007 and 2014**

Bachelor of Arts in
Sociology, Politics & Economics

Bearbeitet von:	Benedikt Sebastian Ludwig Fritz
Immatrikulationsnummer:	14201743
Studiengang:	Sociology, Politics & Economics
Semester:	Spring Semester 2018
Betreuer:	Prof. Dr. Jarko Fidrmuc
Abgabedatum:	2. Mai 2018

ABSTRACT

Research on (regional) productive structures is diverse and growing quickly. But both theoretically and empirically a surprising gap is glimmering: The relationship between productive structures and income inequality remains largely unexplored. This paper aims to fill that gap. Based on the most important branches behind research into productive structures, several arguments are derived on how and why an economy's structure should have an effect on changes in income inequality. We thereby focus on unrelated and related variety as our metrics of choice. Based on our theoretical arguments, we build the hypotheses that unrelated variety reduces inequality, whereas related variety should be of no importance. Constructing a panel dataset on U.S.' regions between 2007 and 2014, we can corroborate both hypotheses based on region and time fixed effect models. Results also show that unrelated variety is the only metric of significance compared to other standard indicators in the literature. We thereby also differentiate between two classifications of unrelated and related relatedness, in order to minimize concerns about a potential blind spot in our investigation. Furthermore, the importance of unrelated variety is highlighted by the finding that it has significant effects on changes at the top and in the middle of the income distribution, too.