

Interactive Impacts of Political Party Orientations and Corporate Innovation on Income Inequality: Evidence from OECD Countries

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Abstract: This study investigates the interaction between political party orientation, corporate innovation, and their combined effects on income inequality in OECD countries. Using data from the CPDS database, the findings suggest that innovation marginally reduces income inequality. Aligning with previous literature, left-wing parties mitigate inequality. Contrary to expectations, right-wing parties are found to reduce inequality, which may be attributed to the novel specification in this study. The interaction between innovation and political parties amplifies inequality, with both right- and left-wing parties exacerbating the impact of innovation, highlighting the complex dynamics between political institutions and innovation in shaping income distribution.

Keywords: Party Orientation, Innovation, Income Inequality, OECD Countries