

# ARTÍCULOS

◆◆◆◆◆

## European households' incomes since the crisis

Valeria Cirillo<sup>a</sup> ▪ Marcella Corsi<sup>b</sup> ▪ Carlo D'Ippoliti<sup>b,c</sup>

### Abstract

We explore the link between personal and functional income distribution at the micro level. We focus on the European experience over the crisis, comparing European households' incomes in 2007, 2012 and 2014. Throughout the period, most households earned income from more than one source, and a positive relation exists between both the capital and labour shares of incomes and total household incomes. We find that functional distribution, *i.e.* what kind of income a household earns, significantly affects both its position in the income distribution and its chances of mobility within it, and such impact is magnified by the crisis. However, the geography of European households' incomes is much more complex than frequently suggested. In general, the more households depend on labour incomes the more likely they were to move downwards in the income distribution. However, this does not imply that capital incomes made households more likely to move upwards.

**Key words:** Europe, households' income mobility, income shares.

**JEL Classification:** D31, D33, J3.

### Resumen

En este artículo exploramos el vínculo entre la distribución personal y funcional de los ingresos a nivel micro. Nos centramos en la crisis económica europea, comparando los ingresos de los hogares europeos en 2007, 2012 y 2014. A lo largo del periodo, la mayoría de los hogares obtuvo ingresos de más de una fuente, existiendo una relación

---

Manuscript received on March 29th, 2017; accepted on June 20th, 2017.

**a** Institute of Economics of Sant'Anna School of Advanced Studies (Italy).

**b** Sapienza University of Rome (Italy).

**c** Corresponding author: [carlo.dippoliti@uniroma1.it](mailto:carlo.dippoliti@uniroma1.it)

© 2017 Universidad Nacional Autónoma de México, Facultad de Economía. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

positiva entre ingresos de capital, salario y los ingresos totales del hogar. Encontramos que la distribución funcional, es decir, el tipo de ingreso que un hogar gana, afecta significativamente tanto su posición en la distribución del ingreso como sus posibilidades de movilidad dentro de ella, y ese impacto es amplificado por la crisis. Sin embargo, la geografía de los ingresos de los hogares europeos es mucho más compleja de lo que se suele sugerir. En general, cuanto más dependen de los ingresos laborales, más probable es que los hogares se muevan hacia abajo en la distribución del ingreso. No obstante, esto no implica que los ingresos de capital hicieran más probable la movilidad hacia arriba de los hogares.

**Palabras claves:** Europa, movilidad de ingresos de los hogares, cuota de ingreso laboral y del capital.

**Clasificación JEL:** D31, D33, J3.

## INTRODUCTION

Since the crisis, political and academic concerns over inequality have considerably increased. Economists, sociologists and political scientists have investigated the role of increasing income inequality as a cause of the 2007-2008 crisis in the United States of America (USA) (*e.g.* Stiglitz, 2012), and in some cases of the euro crisis too. While there are big challenges in terms of data collection and harmonization, some studies started looking at the distributional impact of the crisis too.

In this field, extant literature focuses either on the distribution of income at the individual or household level (Jenkins *et al.*, 2013), or on changes in factors' income shares (Schlenker and Schmid, 2015). In contrast, studies linking the two perspectives are relatively rare (Corsi and Guarini, 2018).

In a notable exception, Atkinson (2009) focuses on the increasing share of capital incomes as a source of income inequality among individuals. However, the most popular contribution has been by Piketty (2014), who connected factor income distribution to personal income distribution at the international level over the long run. As is well known, Piketty's main claim is that when the interest rate is higher than the rate of growth of real income, capital incomes tend to grow as a share of Gross Domestic Product (GDP), and inequality tends to increase. In Piketty's words, the risk is of a return to 'patrimonial capitalism', and one notable solution may be raising top income tax rates.

In the political debate, Piketty's book legitimated a very basic view of social conflict (D'Ippoliti, 2017): between few powerful ones (the top 1%) *versus* all the rest (the people). This message resonates with some key predictions of

Download English Version:

<https://daneshyari.com/en/article/7355874>

Download Persian Version:

<https://daneshyari.com/article/7355874>

[Daneshyari.com](https://daneshyari.com)