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WHAT CAN WE LEARN FROM COUNTRY EXPERIENCES?

Greece, Italy, Portugal and Spain

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Plan of Presentation

- Macroeconomic Setting
- Inequality developments
- Social Impacts
- Political Impacts
- Policies
- Concluding Comments

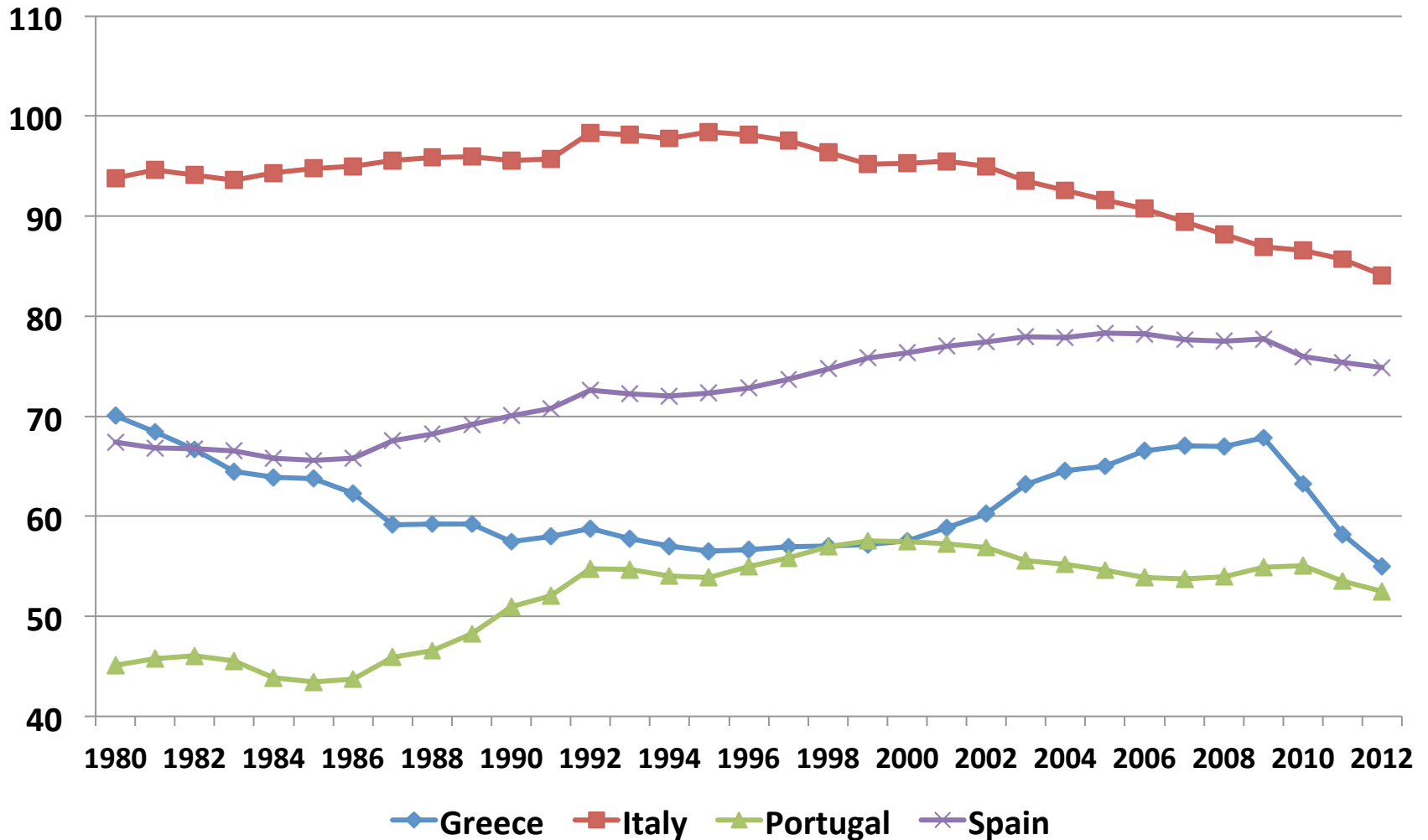
Real incomes did rise until 2008 ...

Real GDP per capita (2005 prices)

	1980	2008	2012
Greece	100	154	123
Italy	100	151	140
Portugal	100	192	182
Spain	100	185	174

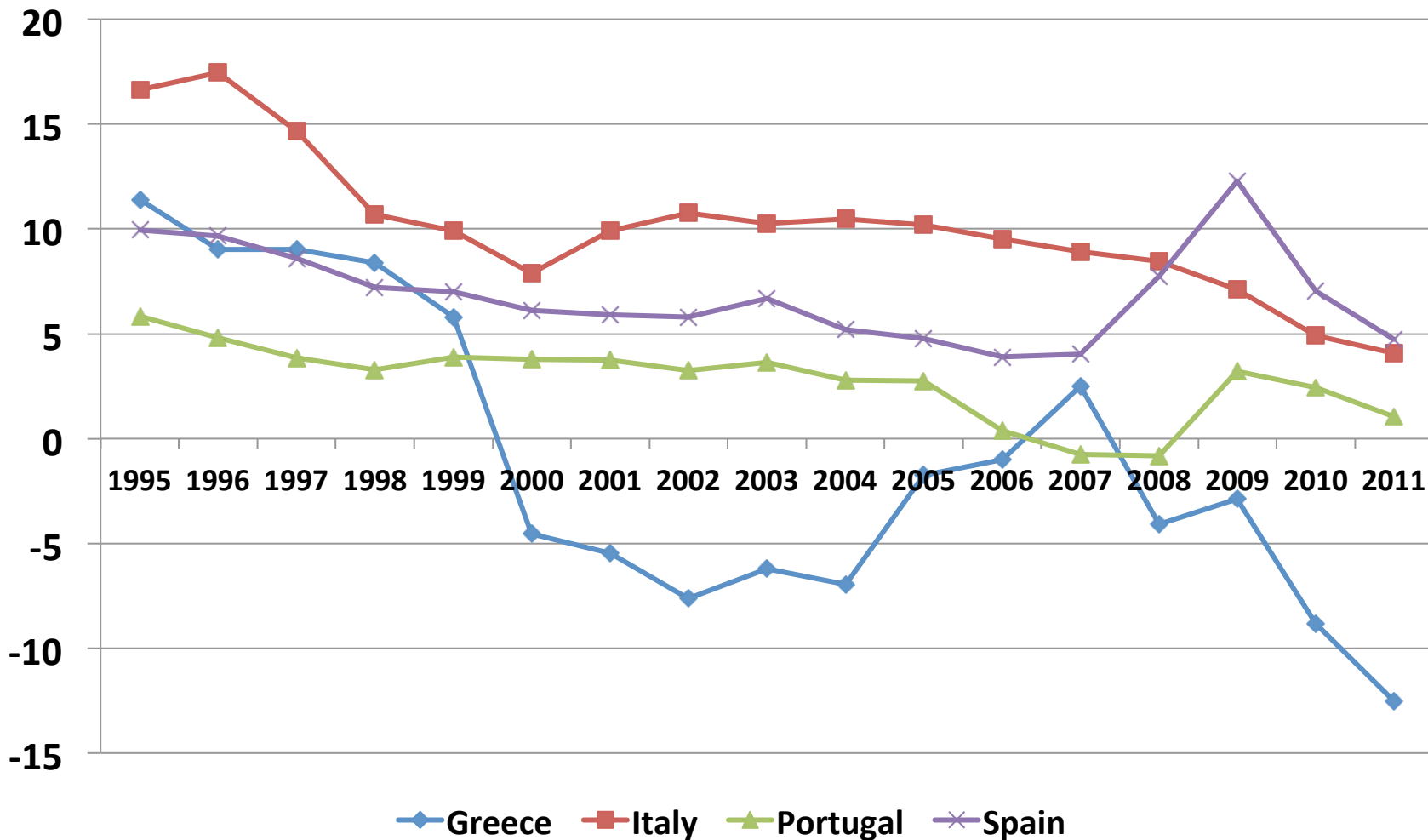
Convergence and ... divergence

GDP per capita, % of EU15 average

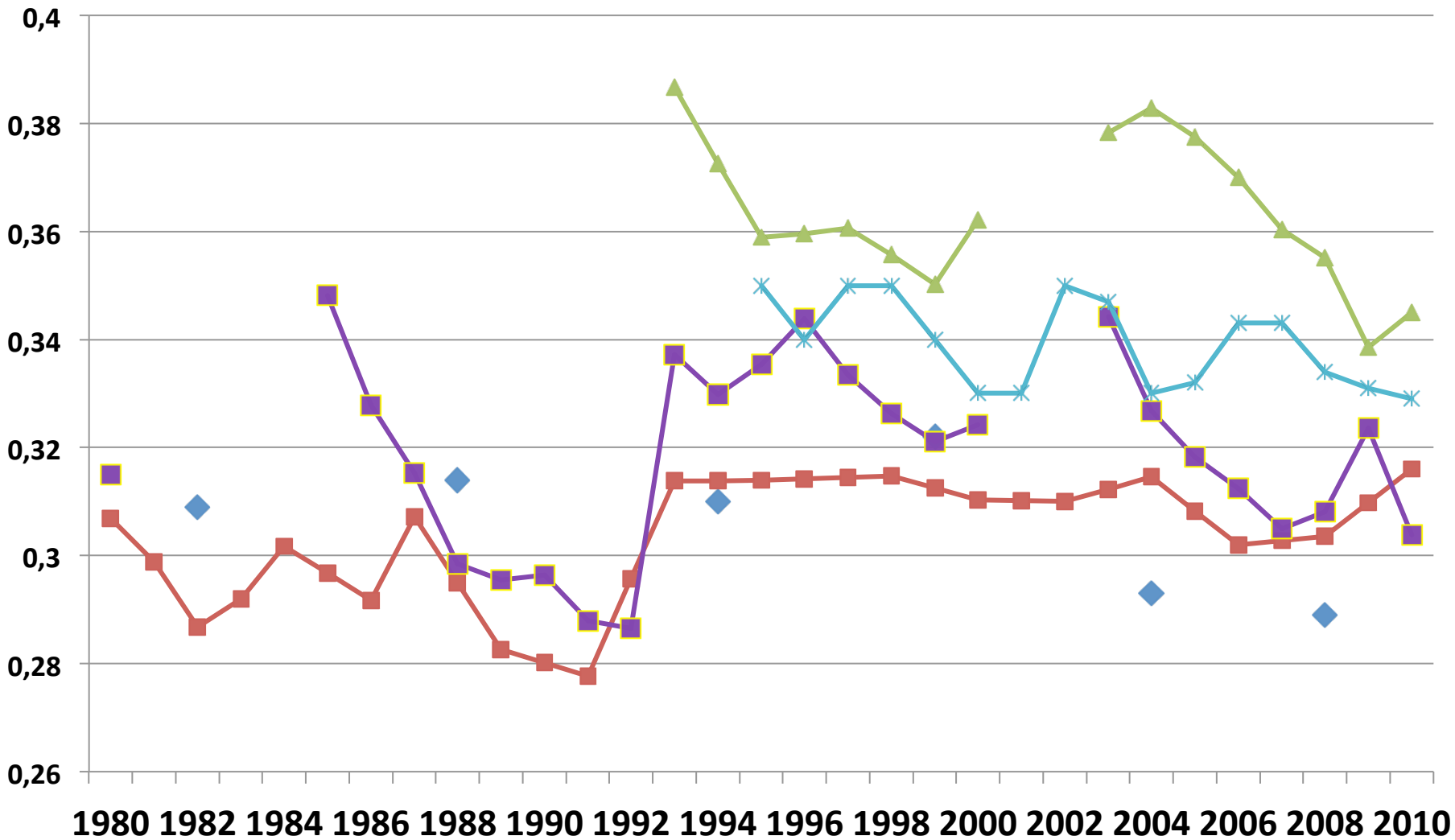


Households decreased their saving (financial liberalization ?... did they think that their government would provide for them in old age ?...were they expecting growth to continue?.. was this decline shared by all income groups?)

Net household saving rate, % of net disposable income



Gini index of income inequality (eq. h/h disp. income)



◆ Greece(HBS) ■ Italy ▲ Portugal ■ Spain * Greece(ECHP/EU-SILC)

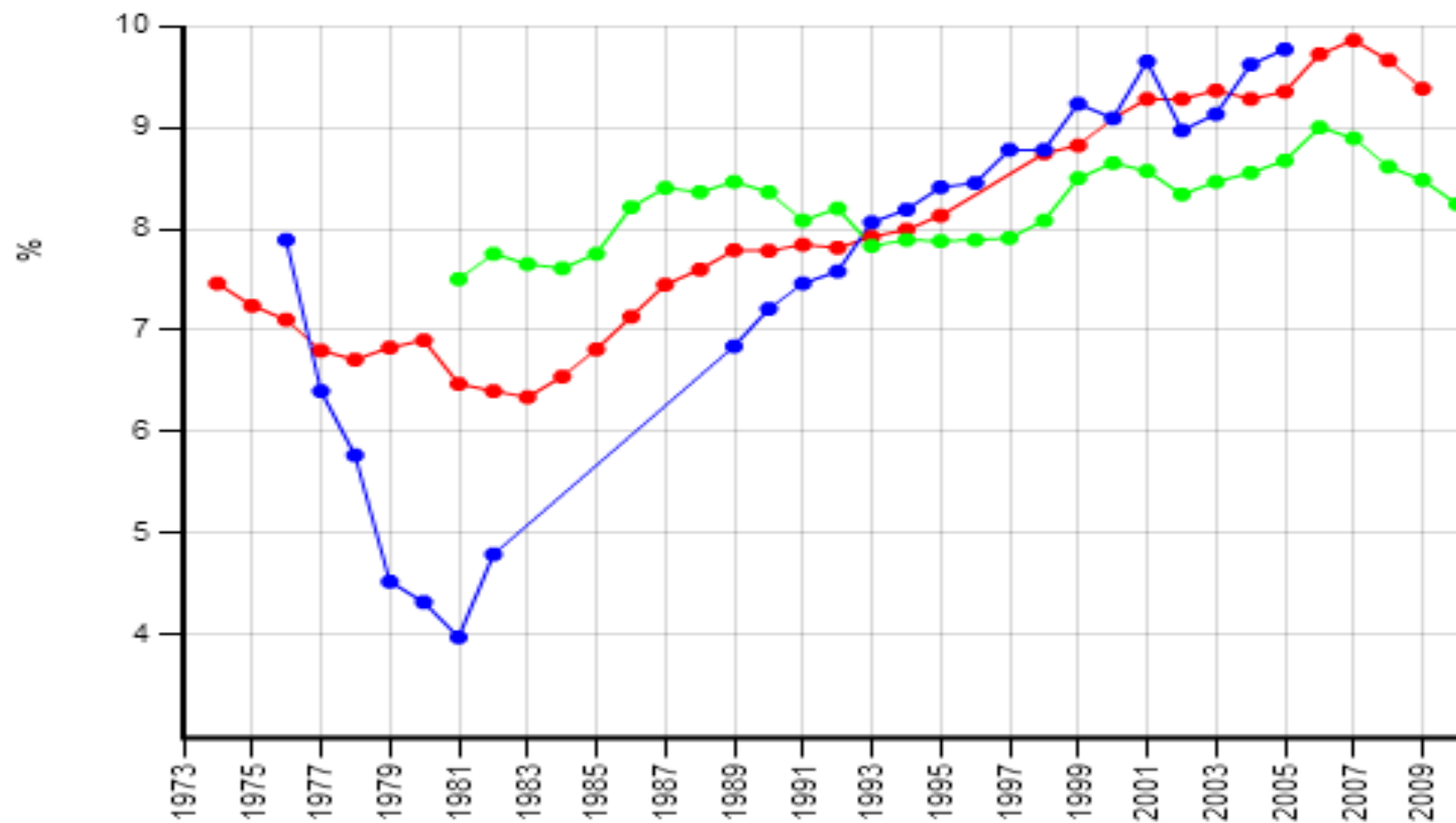
The evolution of Gini coefficients may hide interesting movements in income shares by population deciles




DECILES

	Bottom 2		Top 2	
	late 80s	late 00s	late 80s	late 00s
Greece	7.8	8.9	27.0	26.7
Portugal	7.2	7.2	40.4	44.2

Top income shares. 1973-2010

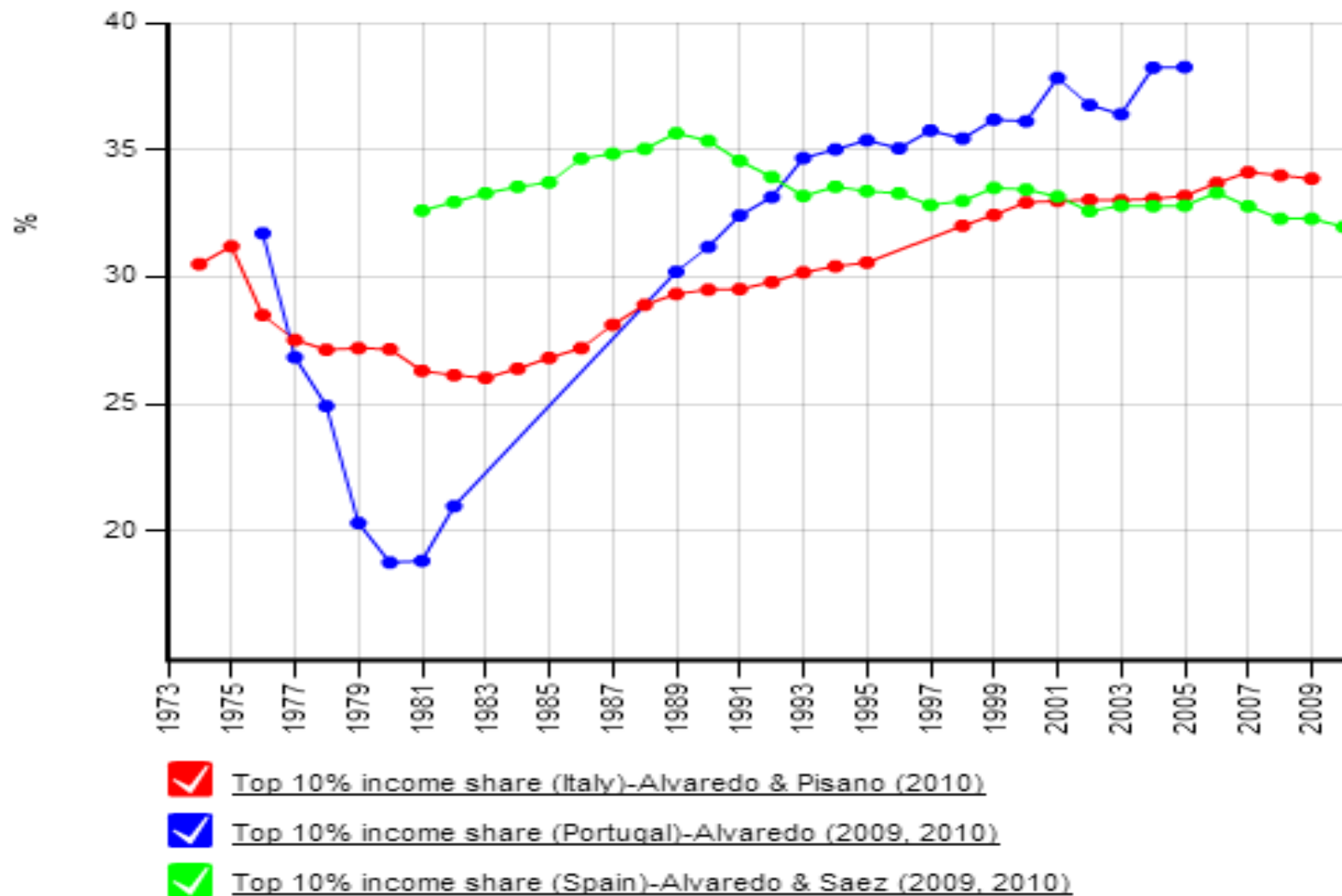
Sources: The World Top Incomes Database. <http://topincomes.g-mond.parisschoolofeconomics.eu/>



-  Top 1% income share (Italy)-Alvaredo & Pisano (2010)
-  Top 1% income share (Portugal)-Alvaredo (2009, 2010)
-  Top 1% income share (Spain)-Alvaredo & Saez (2009, 2010)

Top income shares. 1973-2010

Sources: The World Top Incomes Database. <http://topincomes.g-mond.parisschoolofeconomics.eu/>



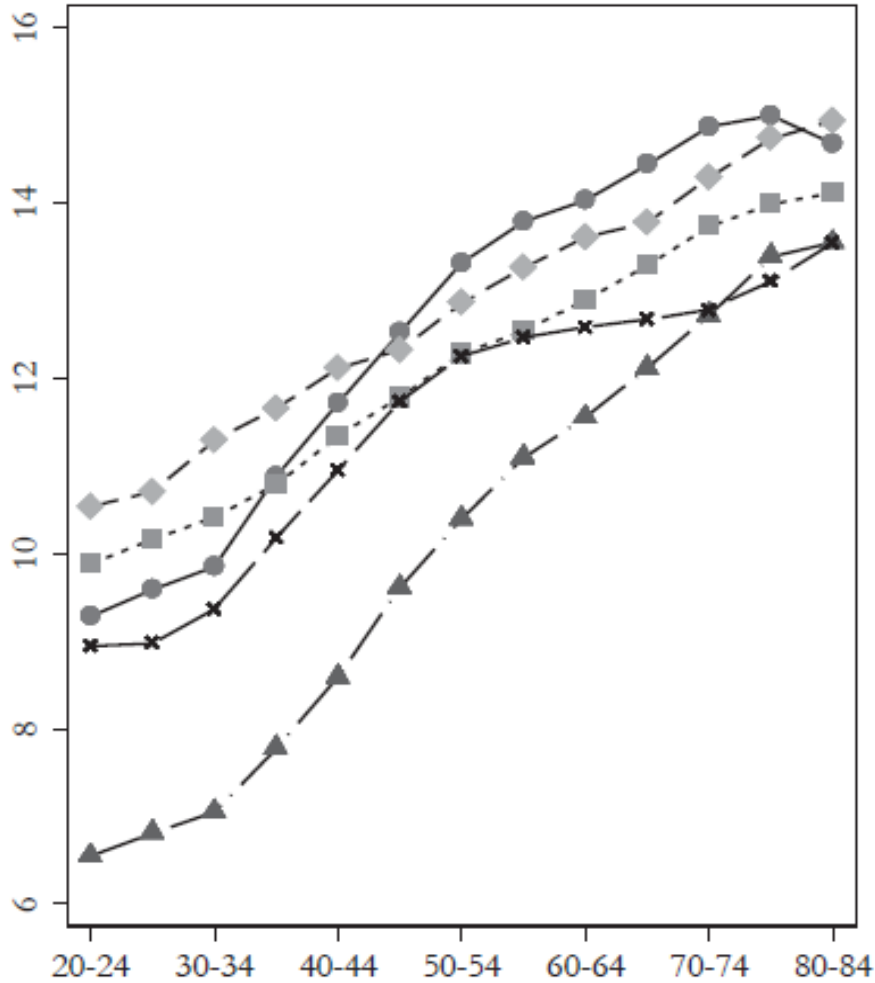
(Labour) Earnings inequality has been a significant determinant of overall inequality developments.

- MW developments (except Italy)
- wage compression policies
- decline of unionization
- increased supply of skilled labour
- the rise of temporary labour contracts due to labour market deregulation

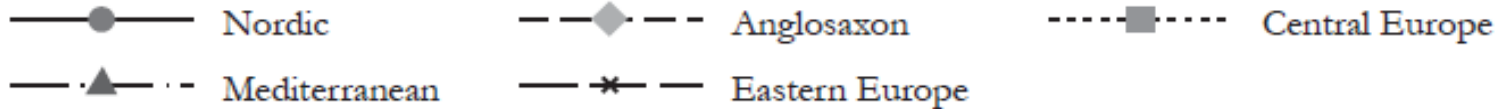
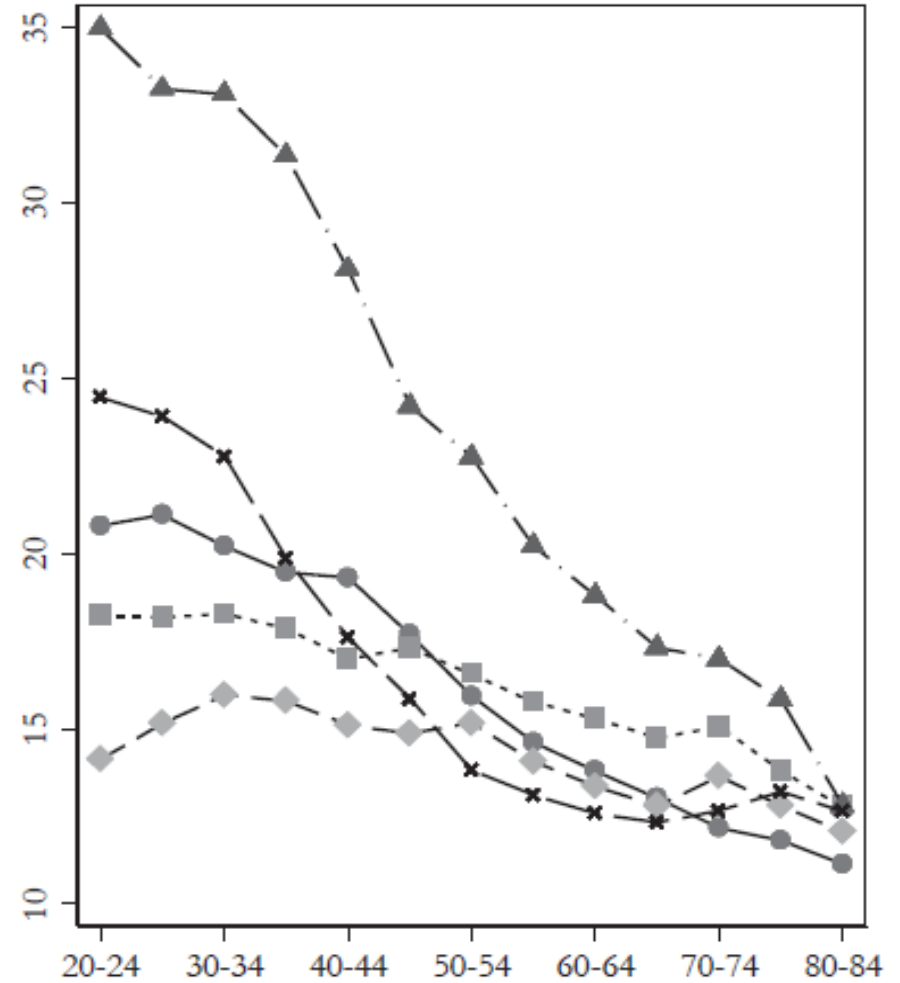
During the (post-1980) period the reduction in educational inequality maintained its momentum ... as average years of education converged towards the rest of the continent

Meschi & Scervini (2012); x-axis: year of birth cohorts

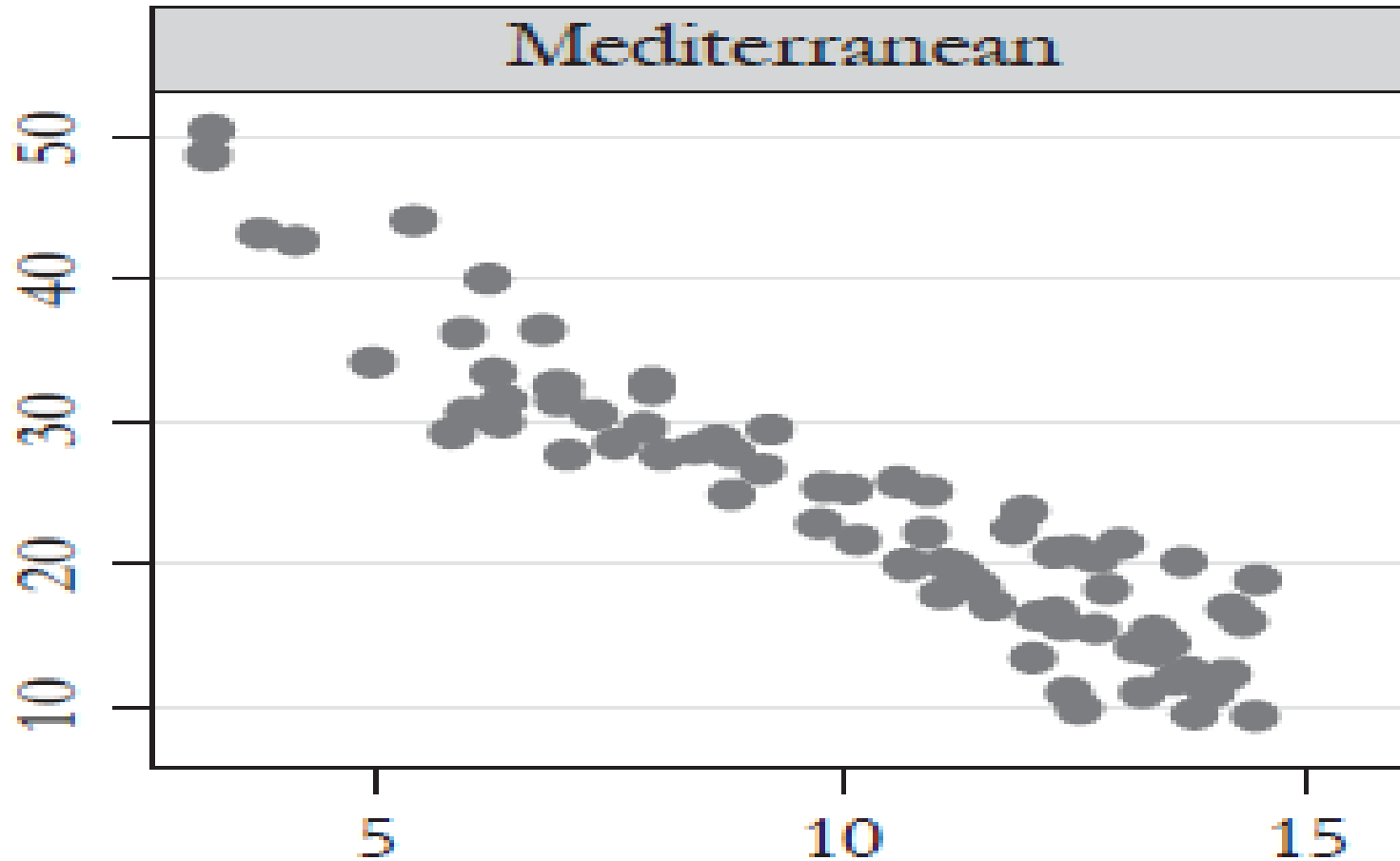
Average years of education



Gini index - years of education



Mean years of education (x-axis) and educational inequality (Gini index, y-axis)



Wealth inequality remains relatively small

Gini for Wealth Levels (2011)

- Greece: 70.3
- Italy: 61.3
- Portugal: 72.3
- Spain: 63.4
- (Germany: 75.0, Sweden: 81.3, Europe Avg: 82.9)

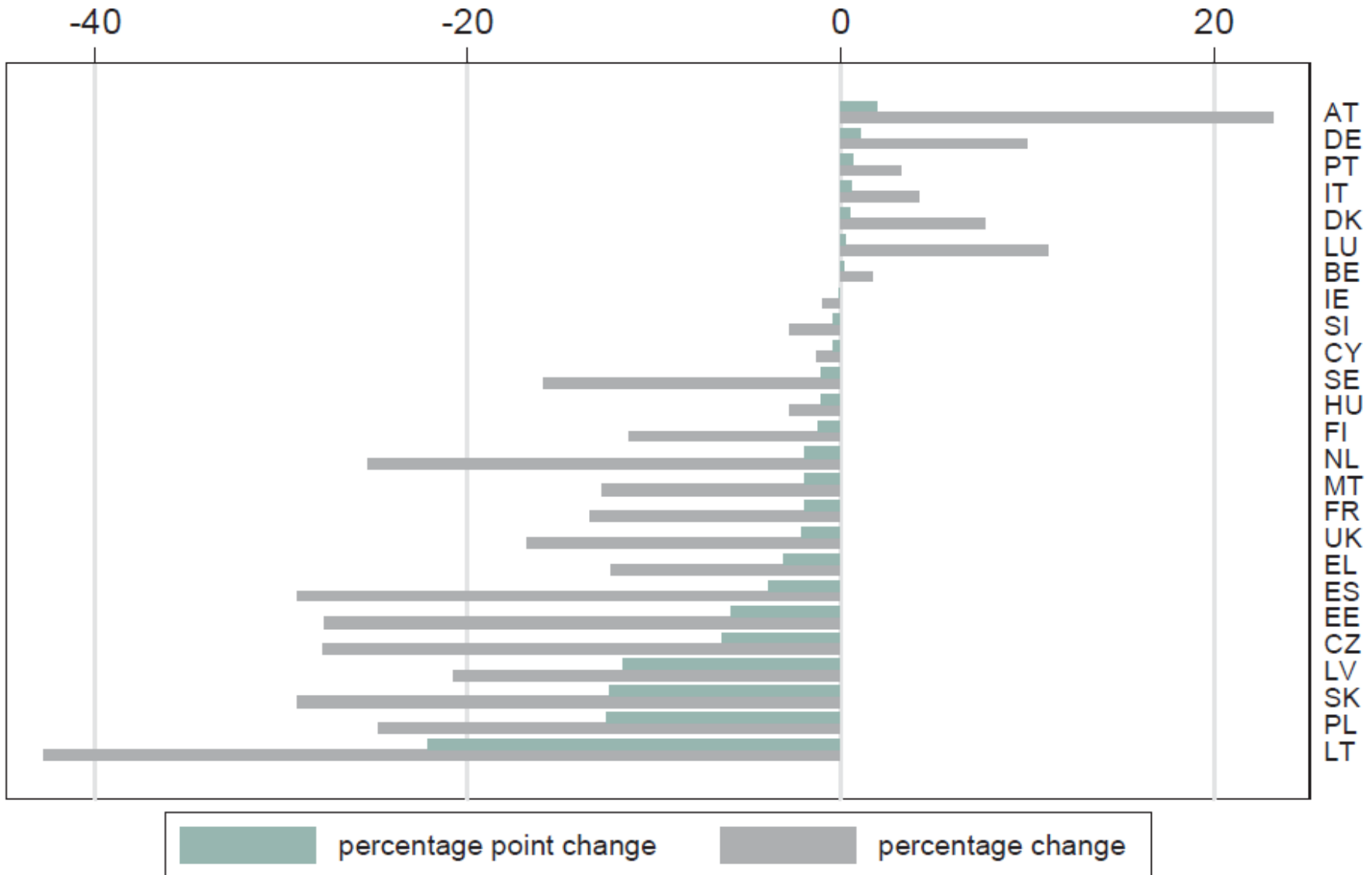
Social Outcomes

Due to lack of strong and permanent trends in inequality, and the absence of data on social outcomes for the 1980s and 1990s there is no clear correlation between inequality and social outcomes; co-movement of other socio-economic variables may be stronger determinants.

Some trends are common in all countries:

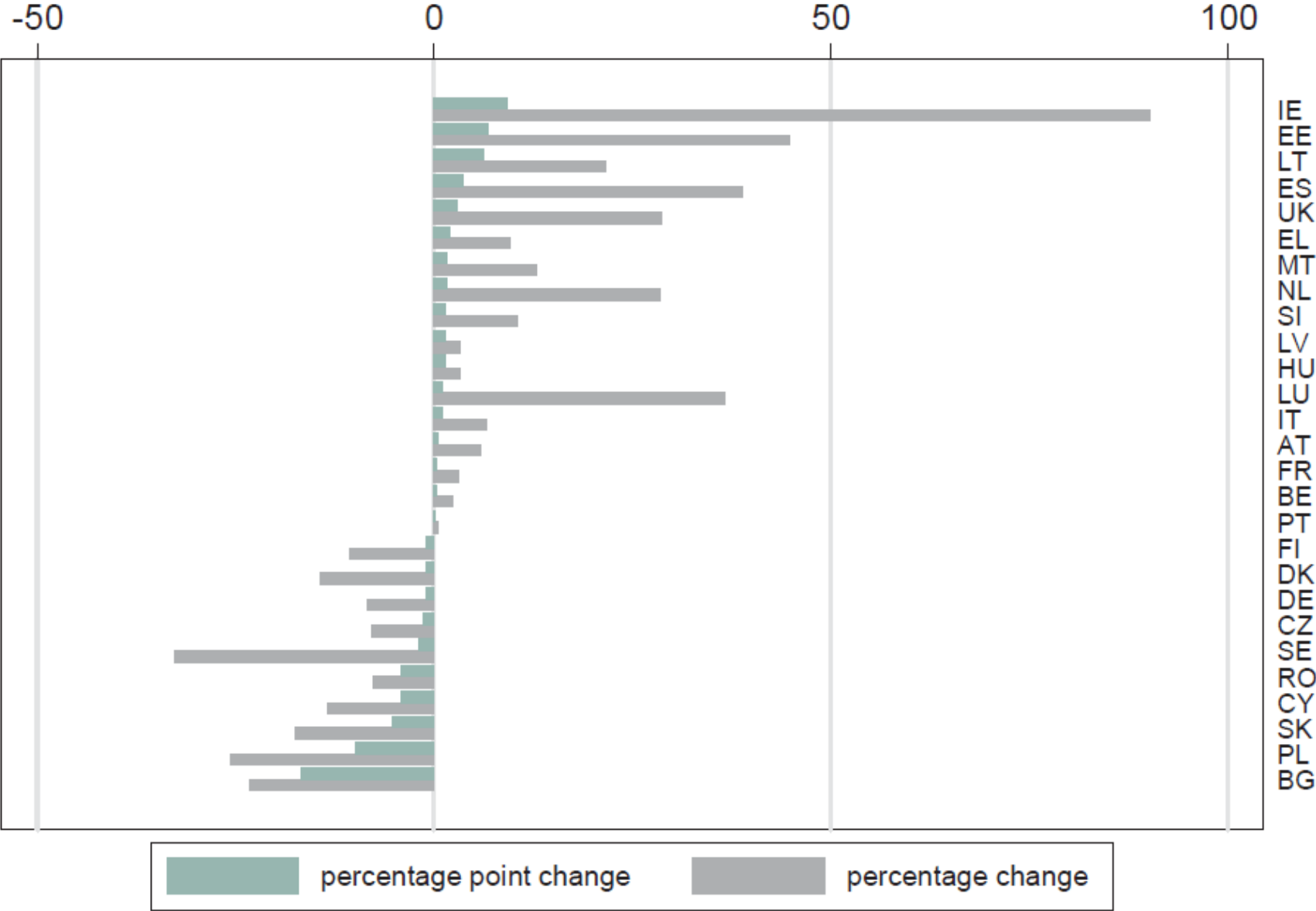
- participation and employment rates increased
- increase in the cost of housing (% of disposable income)
- decrease in the number of marriages
- rise in age at marriage
- rise in mother's age at birth of first child
- decline in fertility (and subsequent partial reversal)
- decline in infant mortality rates
- increase in life expectancy
- poverty rate (in absolute terms)

Change in Material Deprivation rate, 2004-07 (Calvert & Nolan, 2012)



Notes: 2005 Material deprivation data is used for countries missing for 2004.

Change in Material Deprivation; 2007-10



Mortality Rates from All Causes

	Decline in Mortality Rates (1995-2010)	Level in 2010
Greece:	20	577
Italy:	26	496
Portugal:	31	602
Spain:	27	488
EU25:	25	663

Suicide Mortality Rates

	% Change in Suicide Rates (1995-2010)	Level in 2010
Greece:	-6	3.0
Italy:	-22	5.4
Portugal:	9	8.2
Spain:	-19	5.8
EU27:	-31	12.3

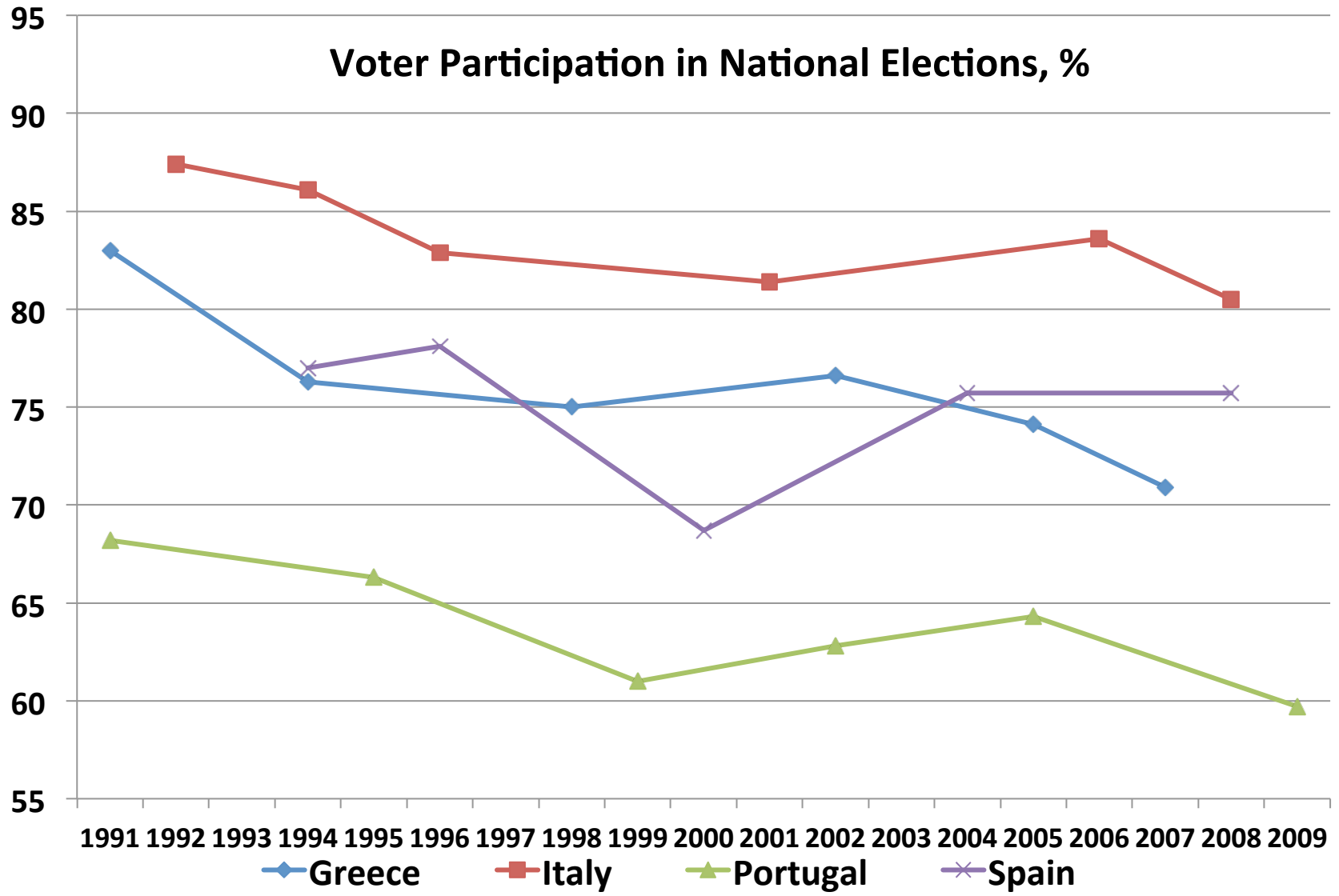
Hospital Beds per 1000 population

	Change 2000-10	Level 2010
Greece	0.3	4.9
Italy	-2.9	3.5
Portugal	-1.1	3.4
Spain	-1.5	3.2

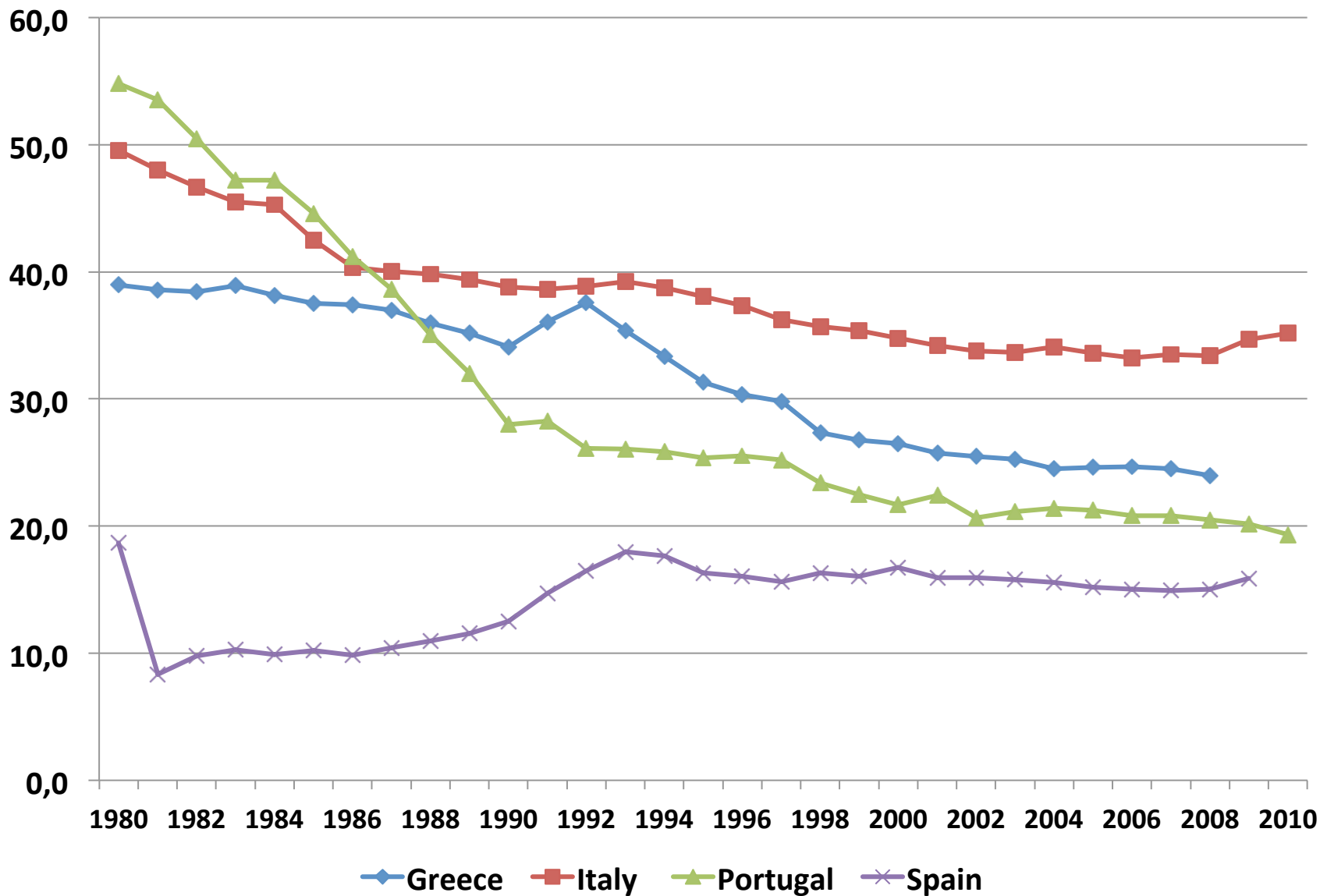
Political Impacts

- No clear relationship between inequality and political participation
- Political context (type of elections, i.e. national vs regional or municipal, or for the European Parliament; political polarisation) seems to be more decisive in explaining participation than socioeconomic factors
- In all (4) countries voter turnout for the top 20% of the income distribution is higher than for the bottom 20% .
- Difference is smaller (7 p.p.) for Portugal (in both percentage points and percent) – thus not clearly correlated with the level of inequality across countries

Voter Participation in National Elections, %



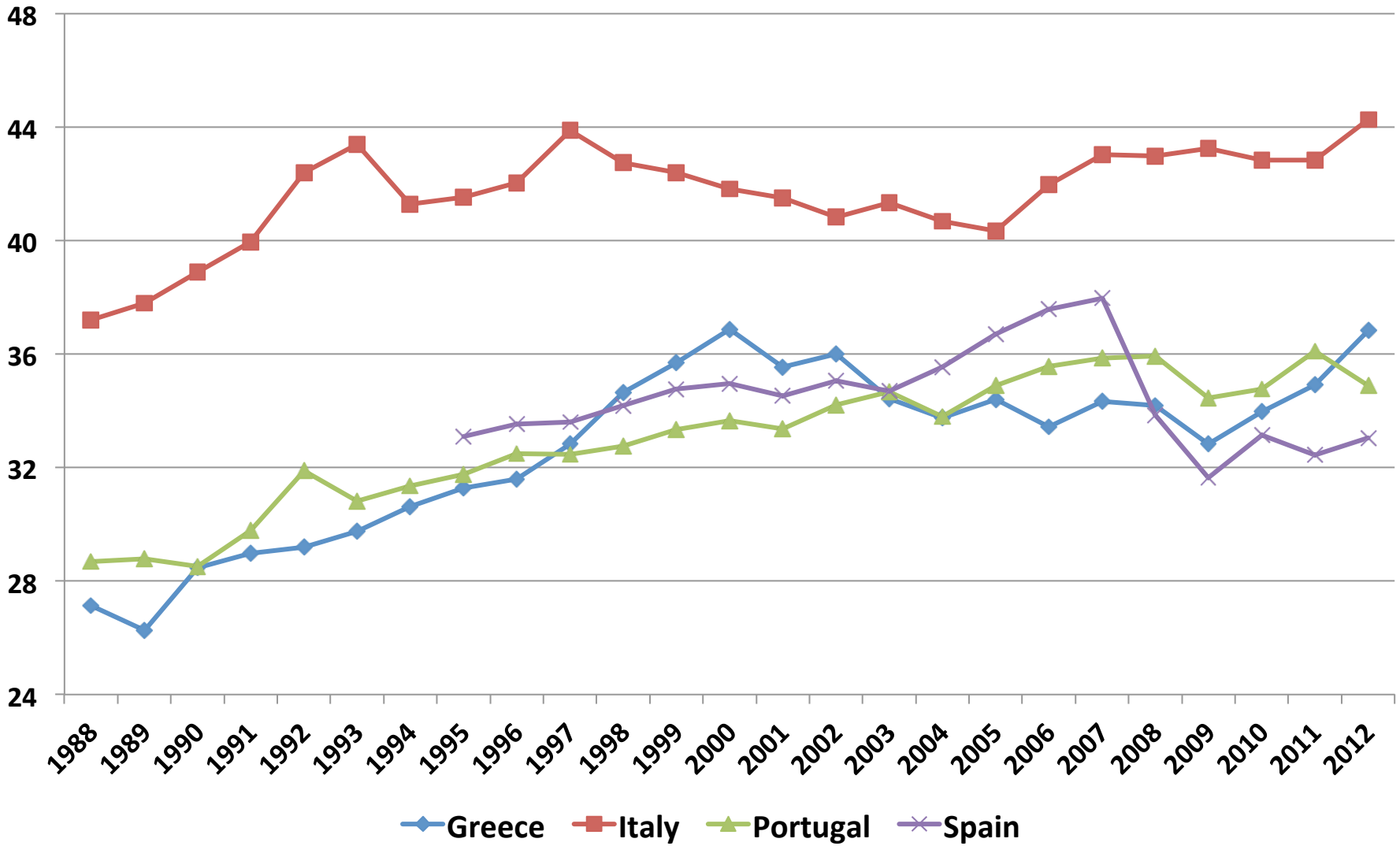
Union density, %



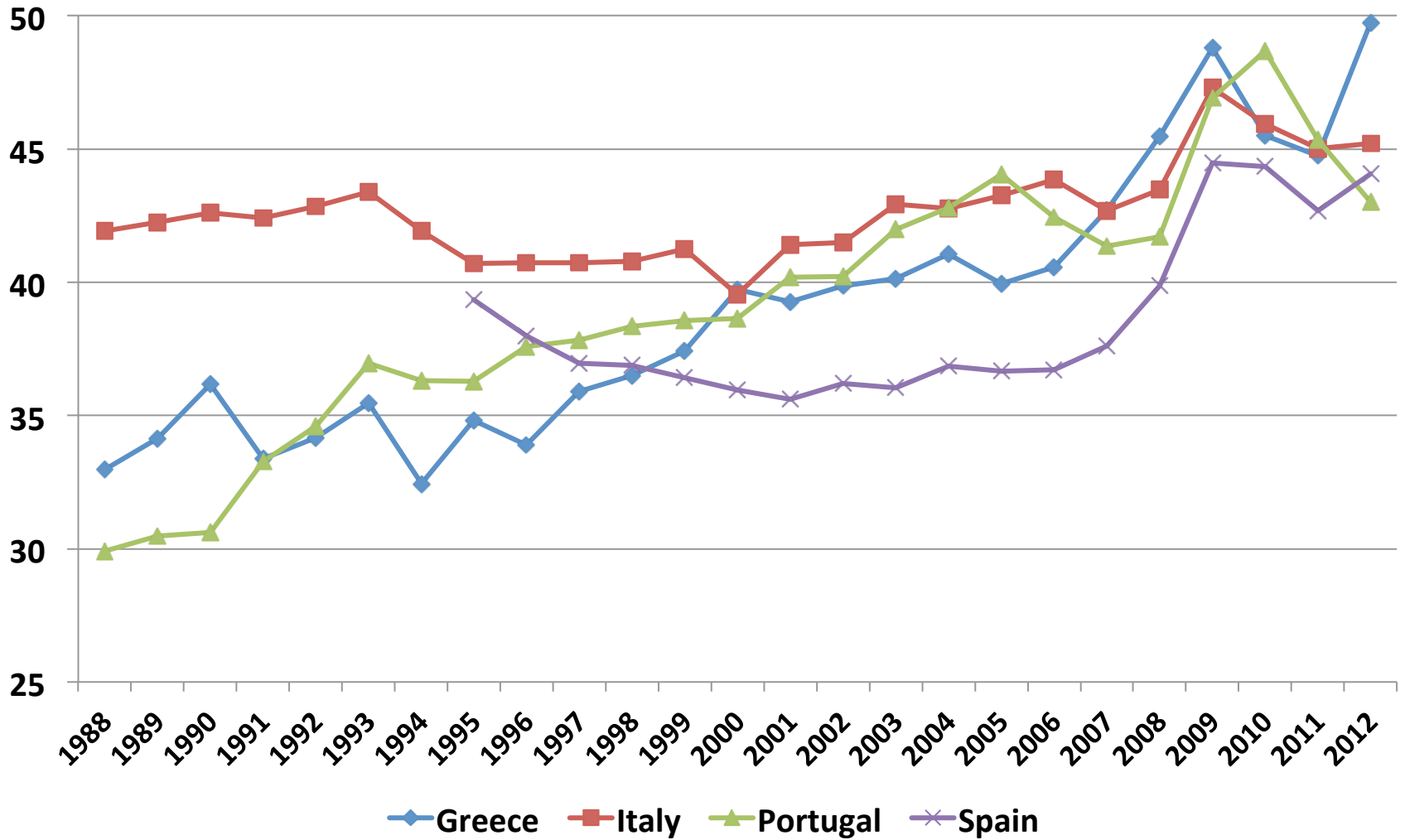
Policies

- the government's role expanded significantly (except Spain)
- until the crisis social transfers in kind had increased (except Italy)
- but all (4) countries remain relatively inefficient in altering the “market”- determined allocation of incomes
- and remain overly generous in their support for pensioners (except Portugal), without an apparent progressivity in the gross replacement rates; Italy appears to differentiate against females
- size of shadow economy / tax evasion / large shares of self-employment are features of all countries that have thwarted any effort at creating (administratively) “strong states”

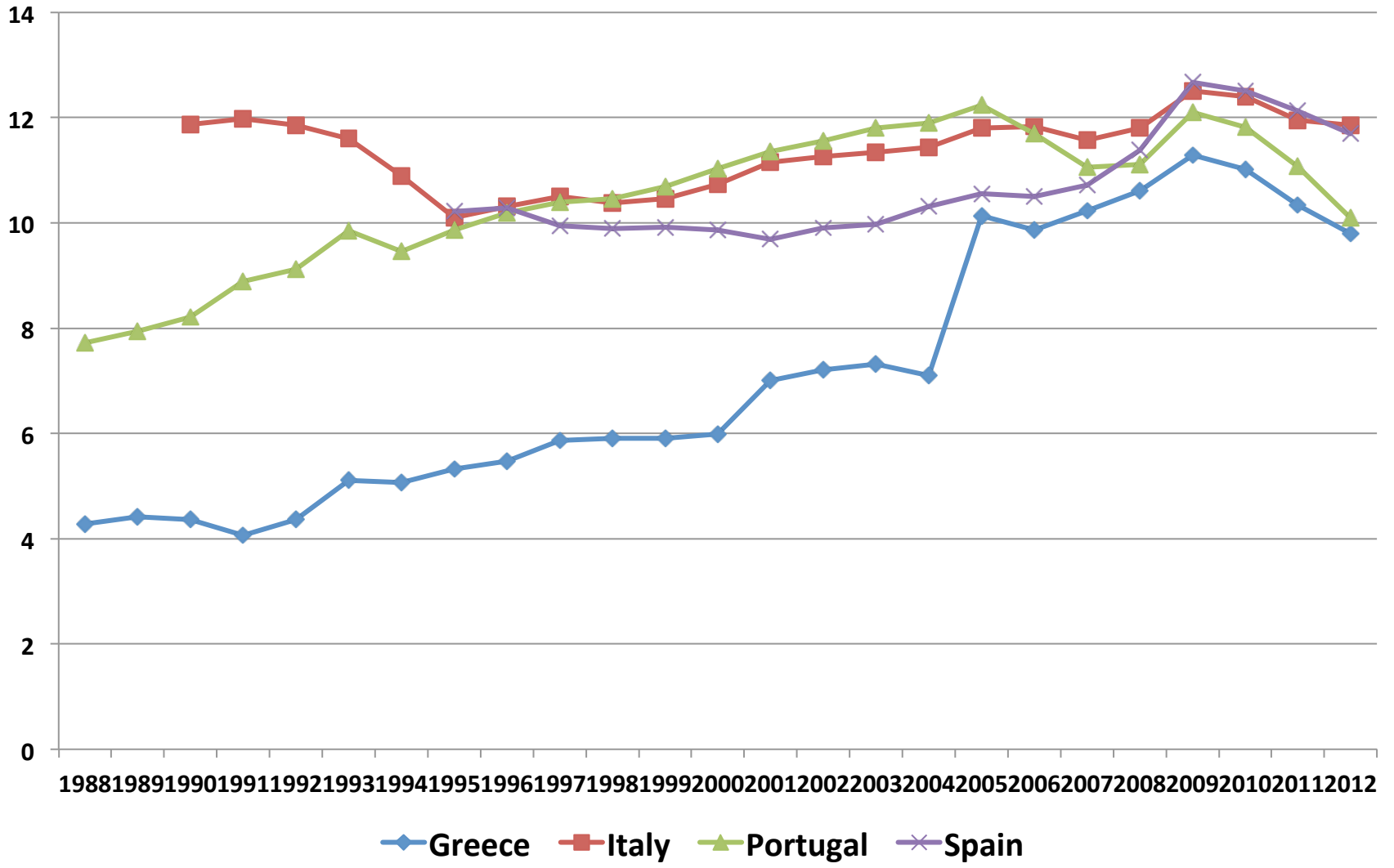
Total Tax Burden, % of GDP



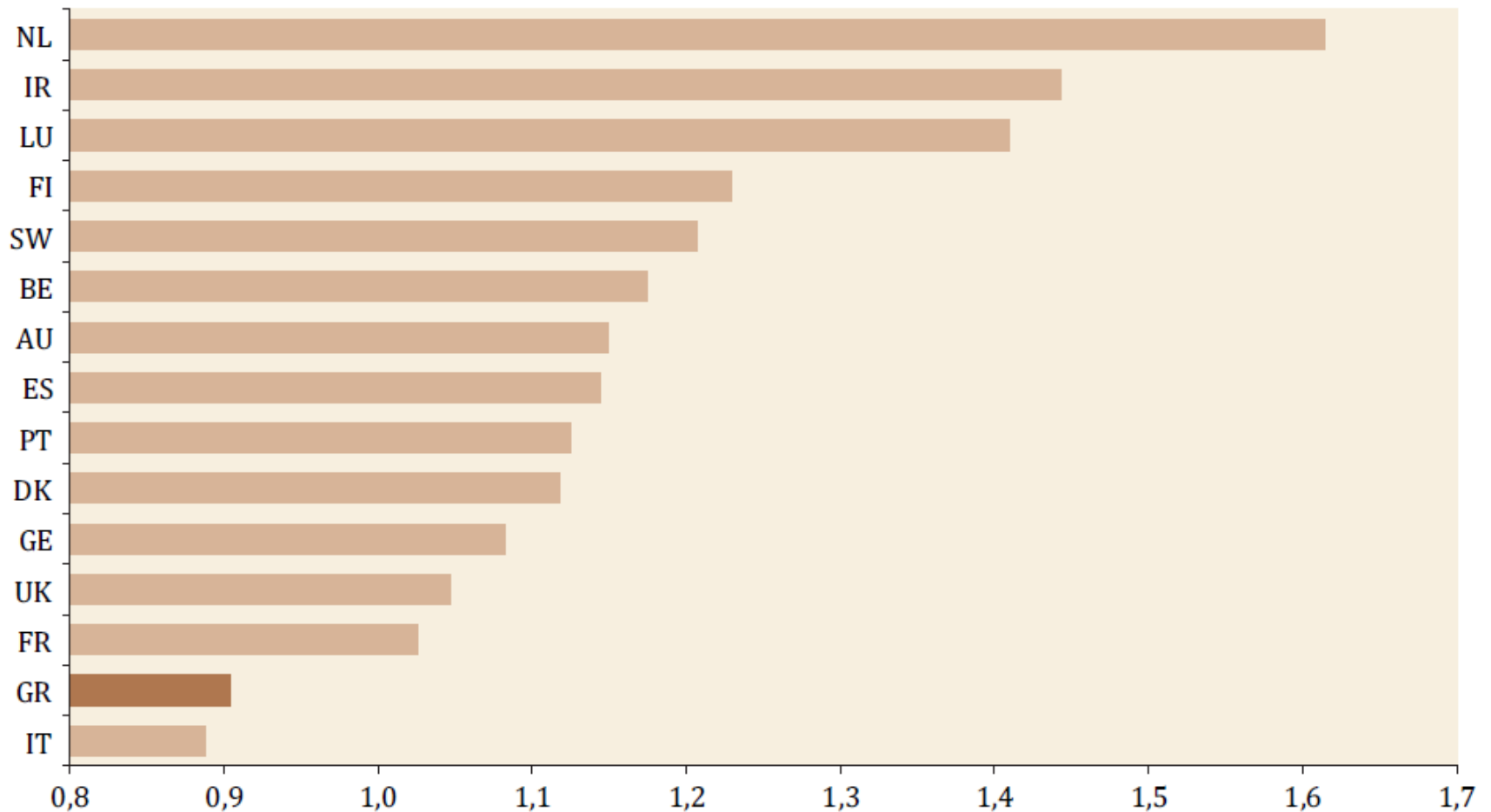
Total general government expenditure excluding interest payments, % of GDP



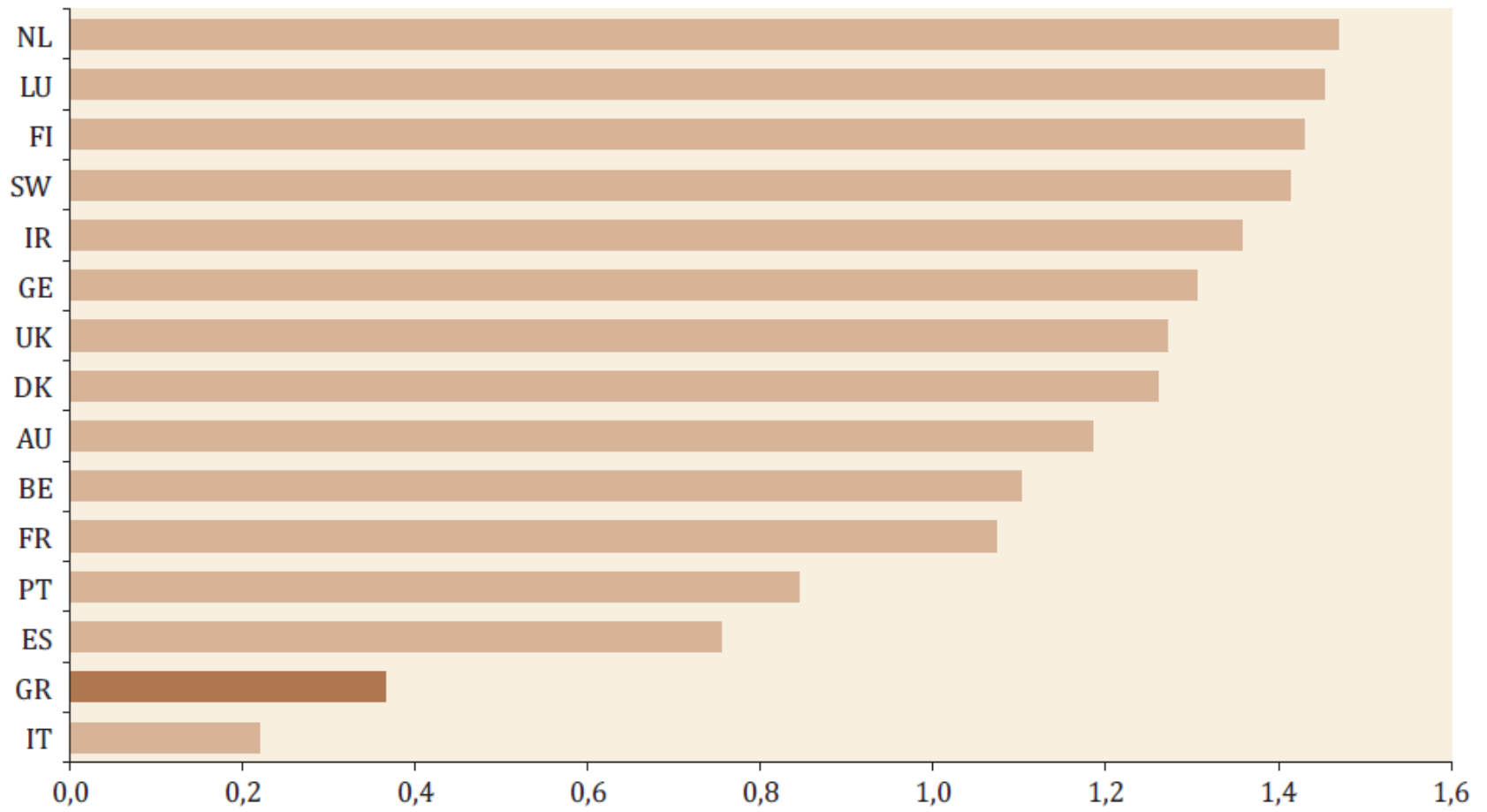
Social Transfers in Kind, % GDP

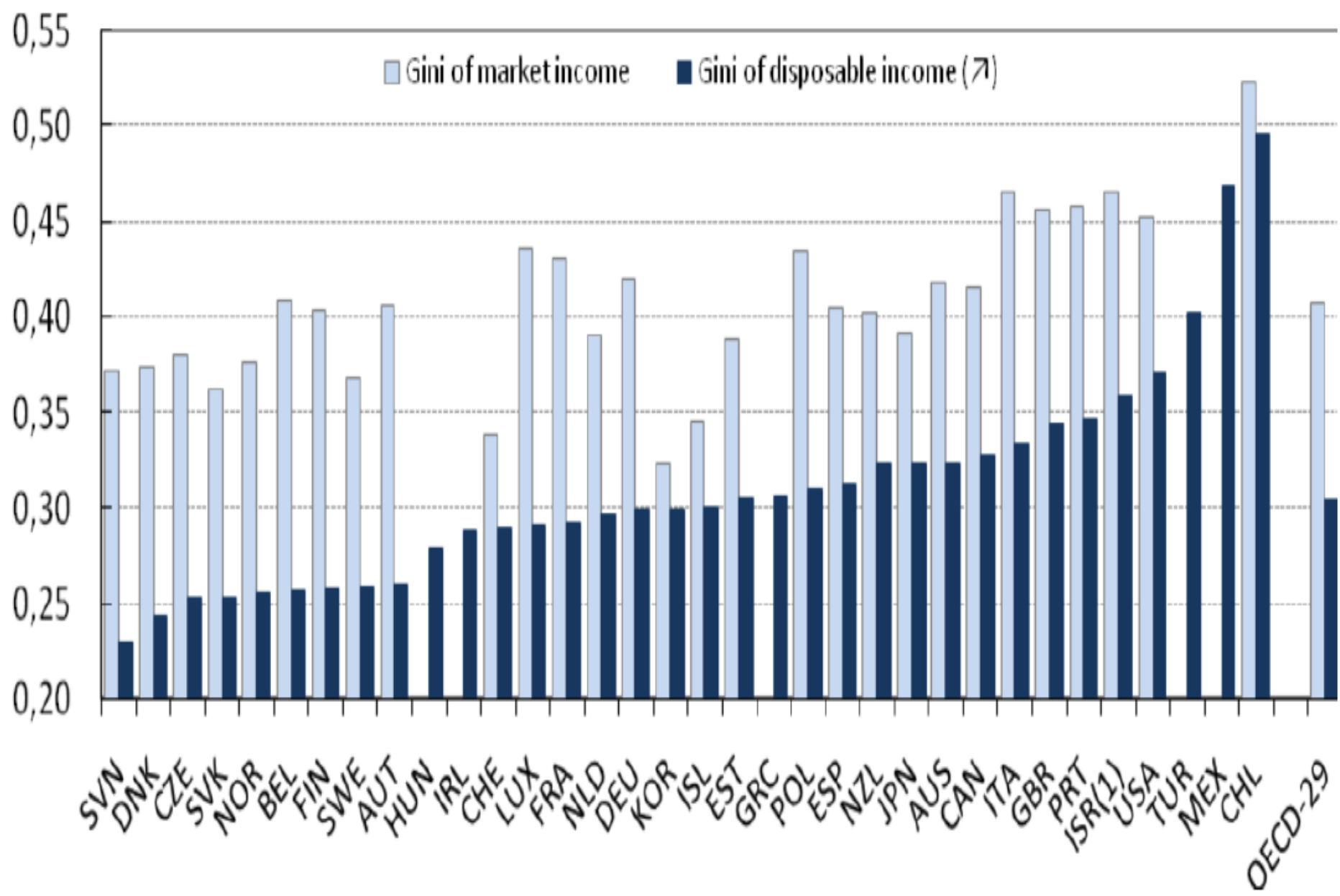


Relative Efficiency Indicator of spending for poverty reduction 95-09

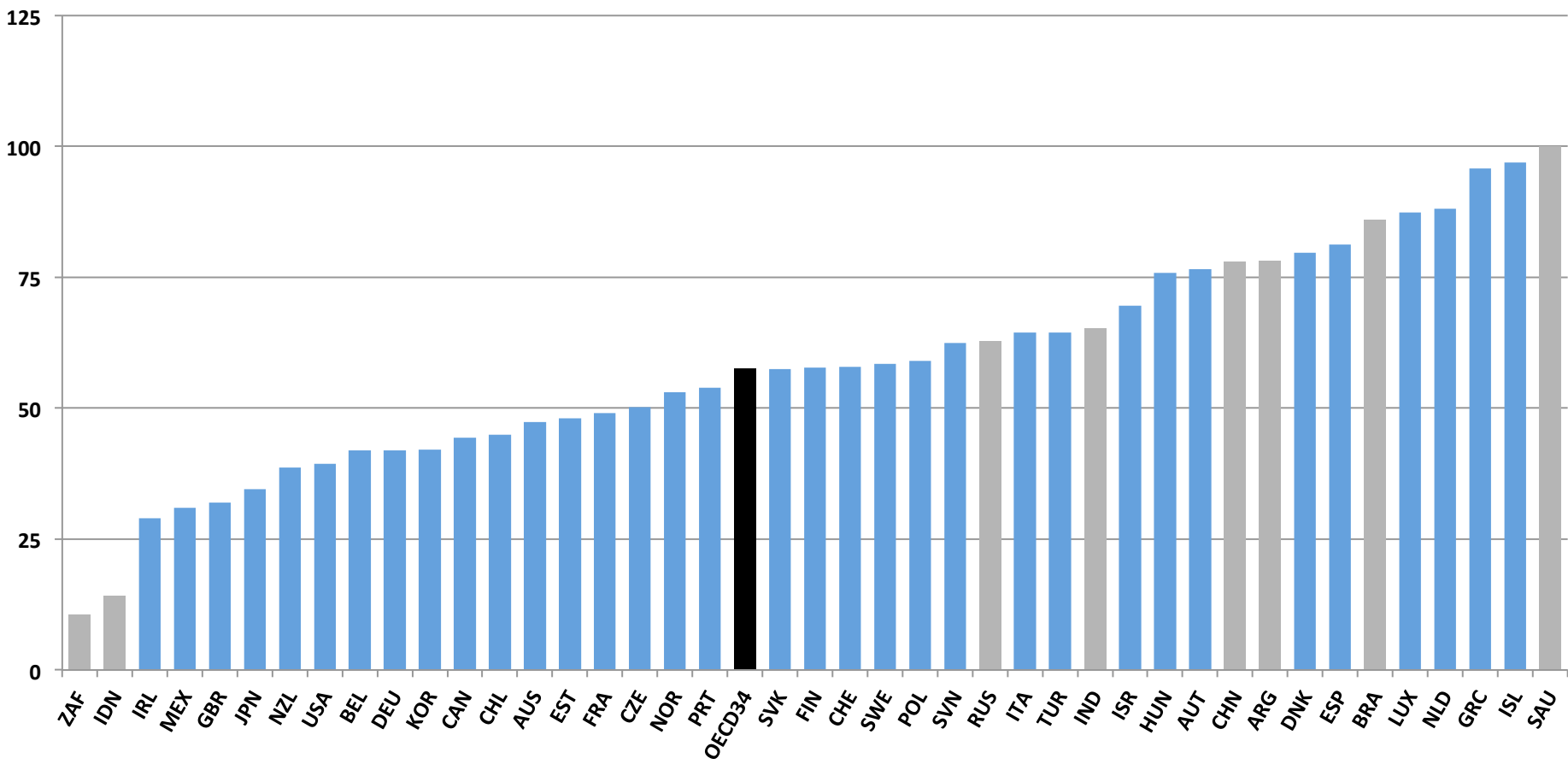


Relative Efficiency Indicator of Total Government Spending





Gross pension replacement rates for average earners (2011)



Concluding Remarks

- Non-sustained changes in inequality are unlikely to have a significant influence on social and political outcomes
- Some of the beneficial social and political outcomes observed during the last two decades are just “superior” goods that richer societies bestow upon themselves
- The paradox of political participation (i.e. lower participation for those standing to gain most from an efficient redistributive state) is evident in all (4) countries
- The state may be responsible for creating (through laws and regulations) more market inequality ... thus increasing the economic and political power of favoured groups ... which have an interest in maintaining the opaqueness of all government interventions