DOI: 10.1007/s10272-009-0310-2

Introduction

The topic of inequality has always played a central role in the research agenda of the social sciences, especially economics and sociology. Indicators such as income inequality are often directly associated with the important issue of social cohesion. In this context, the Laeken indicators on poverty and social exclusion, constructed to monitor progress towards achieving the Lisbon goals, included the Gini coefficient. Whether economic or social inequalities are directly related to the crucial concept of social cohesion or whether citizens' normative perceptions matter for the consequences of inequality for social cohesion is still an open question, the answer to which requires additional research efforts. One empirical finding on inequality, however, is incontestable: income inequality has risen in most OECD and EU countries over the past two decades. Thus, the most recent OECD report from the year 2008 on social inequalities underlines that income inequality has increased in three out of four countries in the OECD. Specifically, from the mid-1980s to the mid-2000s, income inequality has increased significantly in Finland and New Zealand, while smaller increases have been experienced in eight other countries, namely in Germany, Italy, Norway, Portugal and Sweden in Europe and in Canada, Japan and the United States elsewhere. Only France, Ireland and Spain succeeded in decreasing income inequality over this same period. The situation remained broadly unchanged in the other countries.

In light of these facts, two questions should be given priority in a European discussion on inequality: what are the driving factors behind this increase and what are the consequences for social cohesion and economic performance? The present issue of Intereconomics presents seven articles which are devoted to exploring these crucial questions for Europe.

Maurizio Franzini starts off the debate by offering empirical evidence of rising income inequality in individual European countries over the last 25 years and attributes this phenomenon to increased wage dispersion among workers and an increase in top incomes. He continues his argument by stressing the importance of analysing income inequality in Europe as a whole and illustrates that the inequality level in Europe is not very far from that found in the USA. Franzini emphasises the EU's need to make inequality reduction a priority of European policies as inequality is positively associated with a range of "social bads" and the negative effect of lesser inequality on economic growth is not well corroborated. Furthermore, he recommends that future EU policies should be directed toward the EU as a whole.

Leopoldo Nascia and Mario Pianta analyse the "forces" behind the increasing income inequality in European economies and detect two main drivers: technology and globalisation. They analyse how these two concepts affect income inequality via a further spread between profits and wages, the polarisation of employment by professional skills and wage differentials. They conclude that changes in economic structures, business strategies and government policies, which are strongly shaped by technological change and greater international integration, are the key drivers for the increase in income inequality and wage dispersion and the decline in real wages in European countries over the last two decades. Their contribution comes to the very critical conclusion that prevailing European policies should be considered as a contributing factor to the rising income disparities rather than acting as a tool for their reduction. They assert that now is the time to construct a new generation of policies aimed at correcting the economic mechanisms that have led to greater inequalities in the past two decades.

In his effort to detect the key drivers of rising inequality, Michele Raitano analyses the intergenerational transmission of inequality and asks whether "family beats welfare". The question derives from the interesting debate over whether persistent inequalities are explained by background variables found within the family, such as "networks or broader soft skills like individual behaviour, disposition and relational capital", or whether one's educational attainment is decisive, as proposed by educational theorists. His research findings defy the "human capital" view of inequality persistence, indicating that family background exerts a direct effect on offsprings' wages independently of their education. These effects are stronger in the two Anglo-Saxon countries and the southern countries, whereas they are less significant in Nordic countries. Thus the article concludes that it is not sufficient only to improve the equality of educational opportunities, but that policies that focus only on equality of opportunities and neglect the intergenerational transmission process will result in failure.

Pascal Petit gives a theoretical overview of the historical growth in inequality in Europe and questions whether it was brought on solely by the process of globalisation. In this respect, he finds it crucial to analyse why a rise in inequality could take place in democratic societies without strong political opposition. From the perspective of political economy, he argues that the issue of whether inequality is considered a lasting or a transitory condition depends on society types, and he contends that there is no natural level or rate of inequality.

Andrew Watt and Rory O'Farrell discuss the topic of inequality from the perspective of labour unions. They discuss the empirical correlation between trade union density and inequality in Europe on the one hand, and the link between the rise in unemployment and the presence of trade unions on the other. The authors provide first empirical links that a strong position for organised labour leads to greater income equality and that union power is not associated with higher unemployment in Europe. It seems therefore that in European countries in which unions are relatively strong, they serve not only their own members, but also the interests of the non-unionised "working poor".

In contrast to the first five articles, which take a European perspective, Gerhard Bosch and Claudia Weinkopf investigate the case of minimum wages in Germany. They contend that the main cause of increased social inequality in Germany is an increase in the number of workers in the low-wage sector due to the vulnerability of Germany's collective wage system to outside competition. Due to a heterogeneous system of minimum wages in Germany, the application of which can easily be blocked by politics, employers and competing unions, the authors expect the emergence of large unregulated labour markets without a binding minimum wage. Unlike in the UK or in France, there is no self-enforcing effect by means of a standard policy. The authors therefore argue that a uniform minimum wage is needed that would be applicable to all sectors. A broader reform package would then also comprise obligatory social insurance contributions for "mini-jobs" and temporary agency workers.

The last article by Stephan Klasen discusses the very important trends of inequality in the emerging economies of China, India and Brazil and shows that whereas the first two countries have suffered from a strong increase in income inequality, inequality in the latter has actually declined since the mid-1990s. The article points out that when one combines growth and inequality in China to construct a measure of well-being, the result is significantly lower than simply using GDP as an indicator. Klasen concludes that the continuing increases in inequality in China and India will likely lead to serious social and economic disruptions. This argument is highly relevant, as one frequently hears the prediction in both academic and non-academic discussions that European economies will soon be overpowered by these three fast-growing countries. Although it is definitely valid to point to their economic strength, one should also evaluate the potential risk of social and economic disruptions.

Felix Roth
CEPS Editor