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Wages, Inequality and Consequences for the Economy

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ABSTRACT

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This dissertation consists of four research articles and an introductory chapter. The introduction gives an overview about the field of income inequality, an empirical overview of its development, a discussion of methodological issues and a summary of the four articles.

Article 1 gives new empirical evidence on internal migration's macro-economic impact factors in Sweden from 1967 to 2003. The dynamic panel model's more accurate estimation contradicts recent results arguing that wage differences play no or only a minor role in migration in Sweden.

Article 2 provides a comparative analysis of the development of the gender wage gap in Germany and Sweden during the period 1960–2006. The analysis accounts for micro- and macro-economic factors and politics and concludes that norms and traditions penetrate institutional settings and ensnare Germany in a cultural trap with regard to gender equality.

Article 3 gives a comprehensive empirical overview of the evolution of wage inequality in Sweden over the twentieth century. It shows that a true equality revolution took place during the 1930s and 1940s, hence before the fully fledged welfare state came into being, raising the question of whether a universal welfare state system requires an equal income distribution. On our way to finding a mechanism that links inequality and the welfare state together, we find that trust is a factor that facilitates the implementation of social policies aiming at redistribution.

Article 4 compares wage inequality in 12 European countries, the US and Australia, estimating its impact on labour productivity for the period 1970–2006. The results indicate that wage inequality hampers productivity growth mainly through an indirect effect on employment, namely as an intensification of the employment–productivity trade-off in Europe. By contrast, inequality is productivity-increasing in the US and Australia.

KEYWORDS: wage inequality, gender gap, internal migration, productivity, welfare state, GMM, 2SLS, Sweden