Increasing Income Inequality in the Nordics

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The Nordic welfare model

**Inputs**
- Generous welfare state
- Large public sector
- High taxation
- Collective agreements
- Strong trade unions and employers’ associations

**Output**
- High living standards
- High employment
- Low income dispersion
Articles in the volume

- **Income Inequality in the Nordics from an OECD Perspective** – Jon Kristian Pareliussen, Mikkel Hermansen, Christophe André and Orsetta Causa
- **Top Incomes in Scandinavia** – Jakob Egholt Søgaard
- **Gendered Trends in Income Inequality** – Anne Boschini and Kristin Gunnarsson
- **Demographic Change and Inequality Trends in the Nordic Countries** – Jon Kristian Pareliussen and Per Olof Robling
- **Accounting for Public In-Kind Transfers** – Rolf Aaberge, Audun Langørgen and Petter Y. Lindgren
Policy issues

• To what extent is recent increasing income inequality in the Nordics an adjustment to earlier excessive income equalisation and to what extent is it undesirable?

• Increased income inequality is associated with less redistribution through tax and transfer systems
  - slow uprating of cash benefits

• Provision of government-financed welfare services has a strong inequality-reducing effect

• Substantial rises in top-income shares raise a host of issues regarding taxation of capital
  - capital income taxes
  - real estate taxes
  - wealth and inheritance taxes
  - conversion of labour income to capital income in the dual-taxation systems
Figure 2: Accumulated real income changes in the U.S. and Sweden, 1970–2015

Source: The World Wealth and Income Database.
Figure 3: Poverty rate by income definition and country, percent, 2009

- Cash income
- Extended income
Figure 5: Poverty rate among single parents by income definition and country, percent, 2009

- **Denmark**: Cash income - 17%, Extended income - 3%
- **Finland**: Cash income - 28%, Extended income - 8%
- **Iceland**: Cash income - 32%, Extended income - 16%
- **Norway**: Cash income - 33%, Extended income - 9%
- **Sweden**: Cash income - 39%, Extended income - 17%
Figure 6: Poverty rate among single elderly (aged 75 and above) by income definition and country, percent, 2009