

Discussion of
**Is the financial market driving income distribution? – An
analysis of the linkage between income and wealth in Europe**

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Background and recap

- **Goal:** Study the link between **financial wealth** and the **household income** distribution
 - Evolution of rates of return, capital and labor shares
 - Impact of property income flows on household primary income distribution
- **Approach:** Framework that combines (i) national balance sheets, (ii) income flows, (iii) distributional income data (Kavonius, 2020)
 - Isolate (aggregate) household sector income flows \Rightarrow income deciles
- **Contribution:** Alternative view on role of labor and property incomes generating income (dispersion), focusing on functional distribution of income *actually received* by HHs
 - \Rightarrow “Article in press”. Congratulations!

Comment 1: Framing and motivation

- What is the **main message**? What are the **key results** to remember?
- **Data**: To which extent is cross-country comparison after data merging appropriate?
- **Country selection**: Why Finland, France, Spain?
 - Institutional differences, wealth/income/growth development, data availability

Comment 2: Possible extensions and further analysis

- Other (more similar) Euro area countries?
 - Are we missing any interesting insights or channels?
- Recent mix of shocks: results stronger/weaker when including new wave(s) of data?
 - Share of labor income in highest income deciles?
 - Asymmetries in changes of rates of return / share of labor? Significance of economic cycle?
- Impact of public policies on the (functional) income distribution? (taxation, redistribution)

References

Kavonius, I. K. (2020). Is wealth driving the income distribution? An Analysis of the link between income and wealth between 1995 and 2016 in Finland. *Statistical Journal of the IAOS*, 36(2), 483–494.