

Abstract

TITLE: Economic Inequality, Income Distribution and Income Differences in Sweden during the 1980's and the 1990's.

In Swedish with summary in English

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THIS THESIS IS an investigation of economic inequality and income distribution in Sweden during the 1980's and 1990's. The study is guided by two themes. On the one hand it presents the scope and development of economic inequality during the period, on the other it focus on underlying causes for the patterns of inequality.

In this study, both univariate and multiple analyses have been accomplished. The point of departure is distribution of factor income, i. e. the individuals income from gainful employment and capital. Thereafter is the impact from the welfare state taken under consideration and especially the relations between distribution of factor income, gross income and net income.

Also the social structure of income distribution is analysed. Focus has been on variables like age, level of education, social class, sex, etc. The purpose has been to investigate the effects of these variables on income inequality.

The results show that the level of inequality did not change much during the 1980's. Yet there are several examples of growing inequality between groups. The reason why income inequality in general did not increase, is that income differences within most of the groups decreased; and this decreasing inequality within groups was big enough to outweigh the increasing inequality between groups. Therefore a reasonable conclusion is that there was a clear tendency to polarization of the income distribution in Sweden during the 1980's.

During the 1990's there was instead a clear increase in income differences. Income from capital seems to have had a pivotal role for the growth of inequality, at least between 1995 and 1999. In most of the cases, groups with the lowest net income in the first half of the decade had the poorest income development during the second half of the 1990's. However, income differences did not increase during the economic decline, a fact which above all can be explained by redistribution effects.

In addition to increasing income inequality, there was indications of further class polarization. This was especially due to divergent development of average income, but also to the fact that income differences between social classes seems to grow faster then differences within classes.

The investigation revealed that class, without comparison, stand out as the most important determinant for inequality in factor income, among the independent variables used in this study. Moreover, the analyses show that redistribution, measured as differences between inequality of factor incomes and inequality in net incomes, is very substantial. These effects increased slightly during the 1980's and the 1990's. Consequently, the rising inequality in net income during the last period of the investigation, can above all be explained by increased income differences in factor income. The frequently presented thesis that the welfare state in Sweden is withering away, does not get any support in this study.

However, redistribution above all resulted in decreased inequality within existing distributional structures. Even if benefits and taxes certainly brought about a lot of individual mobility within the income hierarchy, on the whole the income rank was the same for factor income as for net income.

KEY WORDS: economic inequality, income distribution, social class, class differences, capital income, polarization, welfare state, redistribution.