Income inequality and social capital: an empirical analysis for European regions

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Abstract

In this paper we investigate whether social capital has a role in reducing income inequality in European regions. We first consider social capital as an aggregate measure and then we try to isolate the effect of each of its dimensions identified by the literature. We find that aggregate social capital has a negative association with income inequality. Our results are confirmed when an instrumental variable method is used. Moreover, we find that cognitive social capital and relational social capital reduce regional income inequality, while for the structural dimension there is a difference in results between the so-called "bridging" social capital, which also appears to reduce regional income inequality, and "bonding" social capital, which is the only one that seems to increase regional income inequality.

Keywords: Household income inequality, Social capital, European regions.

JEL: A13, D30, R12, R20

1. Introduction and motivation

Income inequality is an important topic both for the academic and the political agenda. A substantial part of the effort in the study of inequality aims at identifying the variables that affect income inequality, among which the literature recognises growth (Kuznets,1955; Robinson, 1976; Clarke, 1995; Aghion et al., 1999; Forbes, 2000; Chen, 2003; Atem and Jones, 2015), sectoral composition of the economy (Greenwood and Jovanavic,1990; Conceição and Galbraith, 2001; Autor et al., 2003); globalization and trade liberalization (Richardson, 1995; Jaumotte et al.,2008; Afonso et al.,2013); elites and persistence of power (Acemoglu and Robinson, 2008), institutional characteristics of the labour market (Castells-Quintana and Royuela, 2012) and education (Checchi, 2000; World Bank,2002; Dickeys, 2007). However, there are few studies on the possible "systemic" elements that may have an impact on income inequality. We try to fill this gap investigating whether social capital is one of them for European regions.

Social capital is a very broad and complex concept. It has been studied both as residing in the relations between individuals (Bordieu, 1981, 1985; Coleman, 1988, 1990) and as an aggregate property of countries and regions (Putnam, 1993, 1995, 2000; Fukuyama, 1995). Nahapiet and Ghoshal (1998) classify the social capital in structural, relational and cognitive: structural social capital indicates the presence of networks and connections among individuals; relational social capital involves trust, solidarity and reciprocity among individuals; cognitive social capital includes shared values and attitudes among individuals. Since the relational dimension is a function of people cognition, it has been considered as a part of the cognitive one by some authors, which use a classification of social

capital composed by only two dimensions: structural and cognitive (van Bastelaer 2001; Chou, 2006; Uphoff, 1999; Newton, 1999; Paxton, 1999, 2002). The structural social capital has been further divided in bonding (exclusive, closed), when it cements homogeneous groups as family and friends, or bridging (inclusive, open), when it narrows the gap between different communities generating broader identities (Putnam, 2000; Narayan, 2002). In order to avoid a vague interpretation and indiscriminate application of the concept of social capital, Van Oorschot, Arts and Gelissen (2006) decided to operationalize it. They noticed that all the different views of social capital present in the literature emphasise more or less explicitly three aspects, each one composed by two sub-categories: trust (generalized trust and trust in institutions), networks (participation in voluntary organizations and everyday sociability with family and friends), civism (morality and political engagement). It is interesting to see that these dimensions can also be classified using the aforementioned study by Nahapiet and Ghoshal (1998): trust is relational social capital, civism is cognitive social capital, and network is structural social capital. Moreover, following Putnam (2000) and Narayan (2002), the two categories of networks, namely participation in voluntary organizations and everyday sociability with family and friends, can be considered as bridging and bonding social capital, respectively. A summary of the main classifications of social capital is provided in Table 1.

Table 1. Classifications of social capital

Nahapiet and Ghoshal (1998)	**Van Oorschot, Arts and Gelissen (2006)**		**Putnam (2000) and Narayan (2002)**
STRUCTURAL SOCIAL CAPITAL	NETWORK	↗ Sociability with family and friends	Bonding social capital
		↘ Participation in Voluntary organization	Bridging social capital
RELATIONAL SOCIAL CAPITAL	TRUST	↗ Generalized trust	
		↘ Trust in institutions	
COGNITIVE SOCIAL CAPITAL	CIVISM	↗ Morality	
		↘ Political Engagement	

While there is wide consensus about the positive link between social capital and economic growth (Beugelsdijk and van Schaik, 2005; Whiteley, 2000), there are only few studies concerning the relationship between social capital (or at least one of its aspects) and income inequality. Social capital may influence income inequality via different channels: as any other type of capital, it can be accumulated, in this case through relationships with other individuals, therefore greater economic inequality occurs in presence of high social exclusion, which erodes the ability of those in excluded categories to successfully invest in fruitful social relationships (Mogues and Carter, 2005); another hypothesis is that since higher social capital is reasonably associated with a stronger sense of fairness and consideration for others, it may be expected to mitigate the wage gap and, consequently, income inequality (Ram, 2012).

To validate this hypothesis empirically, it is important to conduct the analysis at regional level, since social capital arises from relationships and shared values, and the more the area of analysis represents the real space of social life, the more the social capital measurement would be informative. Given the lack of comparable and reliable data until recent years, only few scholars have conducted regional analysis to study the relationship between social capital and income inequality, namely De Blasio and Nuzzo (2012) and Parente (2019). De Blasio and Nuzzo (2012) found that different aspects of social capital affect income inequality differently; indeed, bridging social capital appears to be negatively correlated with income inequality, while for bonding social capital there is a positive association with income inequality. These results confirm previous findings that bridging social capital always reduces inequality (Putnam, 1993), while bonding social capital may increase inequality between different communities (Vergati, 2000). Parente (2019), using data for the EU-15, shows a negative association between social capital and inequality and she finds that networks have a stronger effect than trust on income inequality.

The present research follows this stream of literature and tries to investigate whether inequality is influenced by social capital as an aggregate measure and by each of its different dimensions. We find that there is a negative impact of aggregate social capital on income inequality, while the analysis of the role of each dimension reveals that cognitive and relational social capital have a negative correlation with income inequality, while for the structural dimension there is a difference in results between the so-called "bridging" social capital, which also appears to reduce regional income inequality, and "bonding" social capital, which is the only one that seems to increase regional income inequality.

The remainder of the paper is organised as follows: Section 2 describes the data sources and provides some descriptive statistics; Section 3 explains the empirical methodology; Section 4 show the results and Section 5 concludes.

2. Data and descriptive statistics

To run our analysis, we use data from different sources: The EU statistics on income and living conditions (EU-SILC)[1], the European Social Survey (ESS)[2] and Cambridge Econometrics. Data have been collected for years 2006, 2008, 2010, 2012, 2014 and 2016 (which correspond to ESS waves 3, 4, 5, 6, 7, 8) and collapsed using sample weights at the highest level of disaggregation simultaneously available in the aforementioned datasets[3], giving rise to 92 regions in 2006, 98 regions in 2010, 97 regions in 2010, regions in 2012 and 2014 and 97 regions in 2016.

[1] The EU-SILC is a cross-sectional and longitudinal sample survey on income, poverty, social exclusion and living conditions in the European Union coordinated by Eurostat. It is based on data collected by National Statistical Institutes of member states either from registers or from interviews.

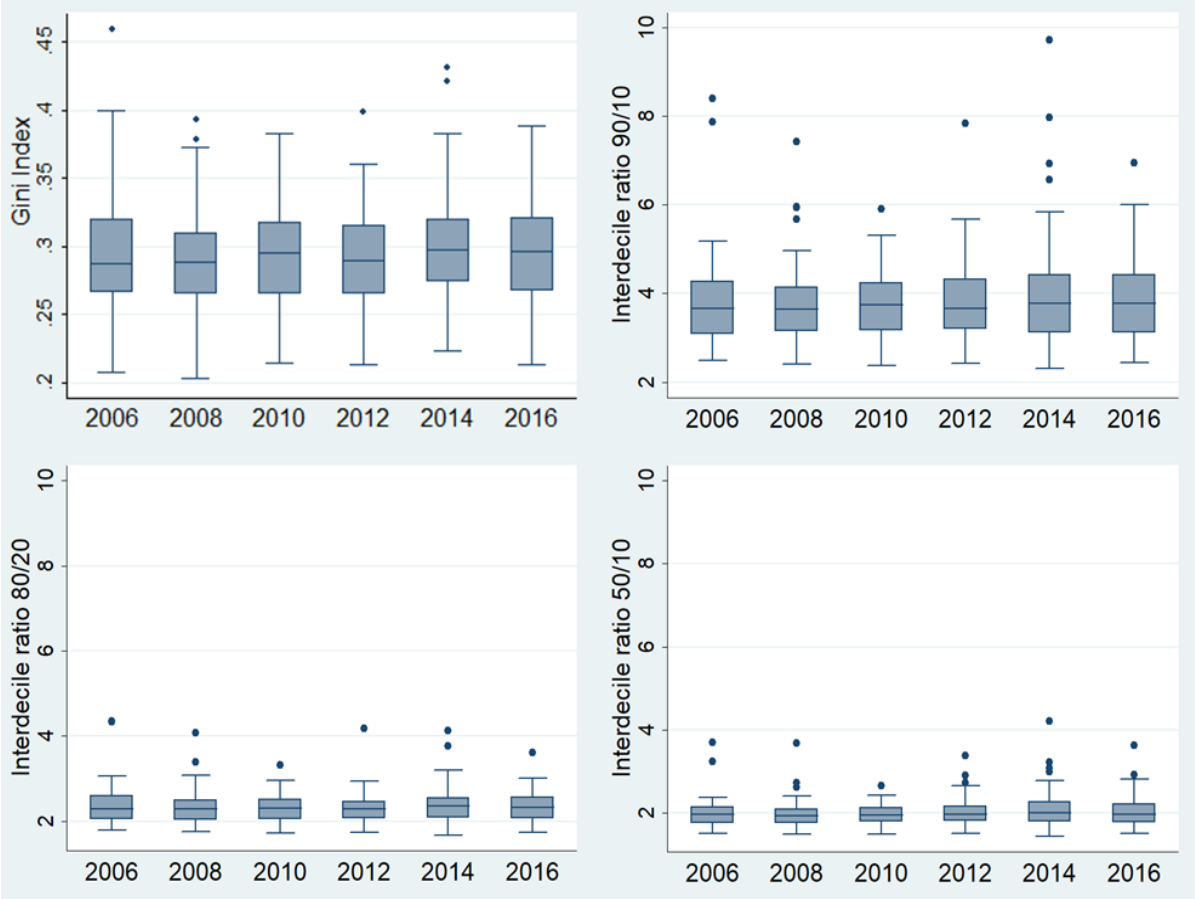
[2] The ESS provides data on attitudes, beliefs and behaviour in 30 countries and in each country, data are collected via interviews by a National Coordinator and a survey organisation.

[3] in particular: NUTS2 for Czech Republic, Spain and Finland; NUTS1 for Austria, Belgium, Bulgaria, Greece, France, Hungary, Italy, Poland, Romania, Sweden and United Kingdom; NUTS0 for Switzerland, Cyprus, Germany, Denmark, Estonia, Croatia, Ireland, Latvia, Lithuania, Netherlands, Norway, Portugal, Slovenia and Slovakia, giving rise to 92 regions in 2006, 98 regions in 2010, 97 regions in 2010, regions in 2012 and 2014 and 97 regions in 2016

In the present research, EU-SILC is the source of our income variable (*Log Income*), that is disposable equivalized household income, which has also been used to compute the inequality measures. Four different measures of income inequality have been chosen: the *Gini Index*, which is the most commonly used indicator for inequality and ranges from 0 (perfect equality) to 1 (perfect inequality); the *Interdecile Ratio 90/10* and the *Interdecile Ratio 80/20*, to measure inequality between the richest and the poorest, and the *Interdecile Ratio 50/10* to measure inequality in the lower part of the income distribution. The average regional inequality in European Union remained almost stable during the period considered, regardless of the inequality measure considered. Figure 1 shows the distribution of these four indicators from 2006 to 2016, underlining that European regions are quite different in terms of inequality. According to *Gini Index*, the maximum heterogeneity has been reached in 2006, with a minimum and a maximum of 0.2077678 and 0.4593136, respectively. The major differences are observed for the *Interdecile Ratio 90/10*, meaning that in some regions the inequality among the richest and the poorest are much larger than in other regions.

EU-SILC is also the source of the following variables, used as controls: the percentage of people with a permanent-job contract (*Permanent Job*), the percentage of people working part-time (*Part Time Job*), the percentage of self-employed people (*Self-Employed*) and the percentage of people living in areas with intermediate population density (*Density*).

Figure1. The distribution of the inequality measurements



Source:Authors'elaboration on EU-SILC data

The ESS is the source of our social capital variables. We have chosen six variables as a proxy of each dimension of social capital proposed by Van Oorschot et al. (2006), as described in detail in Table 2.

Table 2. The dimensions of Social Capital

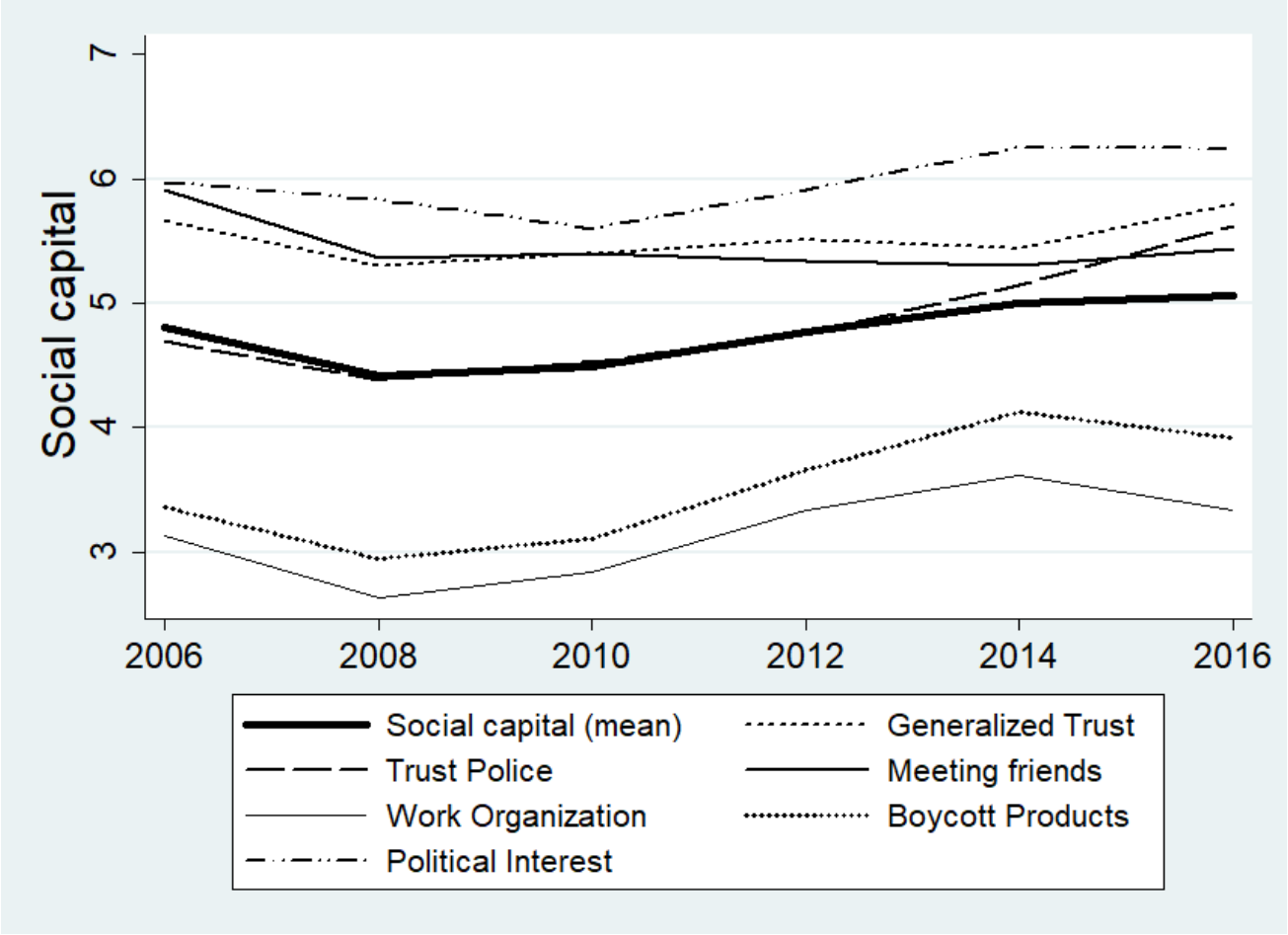
DIMENSION	ESS VARIABLE NAME	QUESTION	CLASSIFICATION
Trust			
Generalized trust	Generalized trust	Most people can be trusted or you can't be too careful	relational social capital
Trust in institutions	Trust in the police	Trust in country's political parties	relational social capital
Networks			
Sociability with family and friends	Meeting friends	How often socially meet with friends, relatives or colleagues	structural bonding social capital
Participation in voluntary organizations	Work association	Worked in organisation or association last 12 months	structural bridging social capital
Civism			
Civic committment	Boycott products	Boycott certain products in last 12 months	cognitive social capital
Political engagement	Poltical interest	How interested in politics	cognitive social capital

We also computed the mean and the composite indicator of social capital, once using all the six aforementioned variables, and once excluding the bonding social capital (*Meet Friends*), which in the literature has often been found to have opposite sign with respect to all the other dimensions (Vergati, 2000; De Blasio and Nuzzo, 2012). Therefore, we end up with four measures of aggregated social capital: the simple mean of the "full" social capital (*Full SC mean*), the composite indicator of the "full" social capital (*Full SC indicator*), the simple mean of the "reduced" social capital (*Reduced SC mean*) and the composite indicator of the "reduced" social capital (*Reduced SC indicator*)[4]. Figure 2 shows the evolution of social capital from 2006 to 2016. Some dimensions of social capital are more developed than others, for example people are very interested in politics, while there is little engagement in voluntary activities. The different dimensions do not follow the same pattern, reaching

[4] The two composite indicators have been computed using the Factor Analysis. For the *Full SC Composite Indicator*, the KMO (Kaiser-Meyer-Olkin Measure of Sampling Adequacy) is 0.809 and the alpha of each component is above 0.79. For the *Reduced SC Composite Indicator*, the KMO (Kaiser-Meyer-Olkin Measure of Sampling Adequacy) is 0.801 and the alpha of each component is above 0.80.

the maximum heterogeneity after 2014. Overall, starting from 2006, social capital[5] first decreased until 2008, and then experienced a slow but constant increase.

Figure 2: The evolution of social capital



Source:Authors'elaboration on ESS data

The ESS is also the source of the two control variables, namely the years of education (*Education*) and the percentage of firms with more than 100 employees (*Large Firm*). The variable used as instrument, the linguistic homogeneity of the region (*Linguistic Homogeneity*), has been calculated as the Hirschmann-Herfindal concentration index of the ESS variable on the first language spoken by respondents.

Cambridge Econometrics is the source of the data on the share of the financial sector (*Financial Sector*) and share of the non-financial sector (*Non-financial sector*).

For more details about the variables, see Table 3 (Variable Legend) and Table 4 (Descriptive statistics).

[5] In this case we use the simple mean of the six dimensions of social capital

3. Empirical Methodology

To investigate the effect of social capital (both as an aggregate measure and through its different dimensions), we first start with a simple analysis using OLS, with the following specification:

$$(1)\ Inequality_{i,t,j} = \alpha_0 + \alpha_1 SocialCapital_{i,t,k} + \alpha_2 LogIncome_{i,t} + \alpha_3 LogIncomeSquared_{i,t} + \alpha_4 Education_{i,t} + \alpha_5 FinancialSector_{i,t} + \alpha_6 NonFinancialSector_{i,t} + \alpha_7 LargeFirm_{i,t} + \alpha_8 SelfEmployment_{i,t} + \alpha_9 PartTimeJob_{i,t} + + \alpha_{10} PermanentJob_{i,t} + \alpha_{11} Density_{i,t} + \sum_s \varphi_s DWave_s + \varepsilon_{i,t}$$

Where the dependent variables are the *j* different measures of inequality for the region *i* at time *t*: the *Gini Index*, the ratio between the 90th and the 10th percentile (*Interdecile Ratio 90/10*), the ratio between the 80th and the 20th percentile (*Interdecile Ratio 80/20*) and the ratio between the 50th and the 10th percentile.

Our main variable of interest is social capital, first considered as an aggregate measure (*Full SC mean, Full SC indicator, Reduced SC mean, Reduced SC indicator*) and then exploring its different dimensions represented by generalized trust (*Generalized trust*), trust in the police (*Trust Police*), frequency of meeting friends (*Meet Friends*), work in organizations (*Work Organization)*, boycott of certain products (*Boycott Products*) and level of interest in politics (*Political Interest*).

In the estimates we also add controls, coherent with the relevant literature: income in logarithm (*Log Income*) and income in logarithm squared (*Log Income Squared*) to test for the U-shaped Kuznets hypothesis, years of education (*Education*), the share of the financial sector (*Financial Sector*), the share of the non-financial sector (*Non-financial Sector*), the percentage of firms with more than 100 employees (*Large Firm*), the percentage of self-employed people (*Self-Employed*), the percentage of people working part-time (*Part Time Job*), the percentage of people with a permanent-job contract (*Permanent Job*), and the percentage of people living in areas with intermediate population density (*Density*).

We also use year dummies for 2006, 2008, 2010, 2012, 2014 and 2016.

Due to the possible reverse causality relationships between some dimensions of social capital and income inequality[6], the estimates of the coefficients obtained with the OLS regression may be biased. Therefore, in order to rule out concerns about endogeneity and provide consistent estimates, we repeat the estimates using an instrumental variable model:

$$(2)\ Inequality_{i,t,j} = \alpha_0 + \alpha_1 SocialCapital_{i,t,k} + \alpha_2 LogIncome_{i,t} + \alpha_3 LogIncomeSquared_{i,t} + \alpha_4 Education_{i,t} + \alpha_5 FinancialSector_{i,t} + \alpha_6 NonFinancialSector_{i,t} + \alpha_7 LargeFirm_{i,t} + \alpha_8 SelfEmployment_{i,t} + \alpha_9 PartTimeJob_{i,t} + + \alpha_{10} PermanentJob_{i,t} + \alpha_{11} Density_{i,t} + \sum_s \varphi_s DWave_s + \varepsilon_{i,t}$$

$$(3)\ SocialCapital_{i,t,k} = \pi_0 + \pi_1 LinguisticHomogeneity_{i,t} + v_{i,t}$$

[6] In the literature there are studies investigating the impact of income inequality on social capital which also find associations between the two phenomena, i.e. Hake and Belabed (2018), Barone and Mocetti (2016).

where, as instrument for social capital, we use population homogeneity. In the literature, the most common used measures of population homogeneity are ethnic homogeneity and linguistic homogeneity. They measure different aspects of diversity and cannot be used as substitutes. In this paper we use linguistic homogeneity (*Linguistic Homogeneity*) since in most countries of West Europe, information on ethnicity cannot be collected, due to legal prohibitions attached to data protection provisions and by a political reluctance to recognize and emphasize ethnic diversity in official statistics (Simon, 2012). We measure linguistic homogeneity through Hirschmann-Herfindal concentration index, which ranges from 0 (perfect heterogeneity) to 1 (perfect homogeneity). The relevance of our instrument is supported by the literature. Many scholars find positive association between population homogeneity and social capital or, which is equivalent, negative association between population heterogeneity and social capital: Alesina and La Ferrara (2000) report that individuals who live in racially mixed communities are less willing to participate in social activities; Alesina and La Ferrara (2002) show that individuals living in racially more fragmented communities have a lower propensity to trust other people; Costa and Kahn (2003) report that citizens in more racially mixed communities have lower rates of civic participation, voting, and trust; Putnam (2007) shows the negative effect of ethnic diversity on trust and willingness to participate in collective life; Hero (2007) finds that racial and ethnic diversity in the United States is negatively related to social capital; Wang and Steiner (2015) provide global evidence that linguistic diversity explains cross-country differences in social capital. The mechanism through which homogeneity fosters higher levels of social capital can be explained by conflict theory or by the "hunkering down" theory. The conflict theory predicts that due to a variety of factors including conflict over scarce resources, members of each group feel threatened by "outsiders," leading to lower levels of cooperative and trusting behaviours in more heterogeneous communities (see Bahry et al. 2005; Sniderman et al. 2000; Giles and Evans, 1985). The conflict theory is consistent with a body of sociological literature which has remarked on the propensity for people to feel more secure among others of a similar ethnic or racial background (McPherson et al., 2001) and with the psychology literature on in- and out-groups (Brewer 1981; Dovidio and Gaertner 1999; Tajfel 1982). The "hunkering down" theory by Putnam (2007), says that it is not only trust of people of other ethnic groups which is affected by heterogeneity, but also trust of one's own group. Therefore, according to this view, people living in diverse communities withdraw from collective life, distrust their neighbours, engage less in public life, place less trust in their local leaders and volunteer less.

4. Results

The OLS estimates provide a first support that social capital may have a role in reducing income inequality. Indeed, the four aggregate measures of social capital have negative association with income inequality and this relationship holds for each of the inequality measures used (see Table 5, Table 6, Table 7, Table 8) By contrast, the results for the single dimensions are mixed: while *Generalized Trust*, *Boycott* and *Work Association* are always significant and negatively associated with income inequality, for the other dimensions the results change as the inequality measure varies (Table 9, Table 10, Table 11, Table 12).

Since these estimates, as confirmed by the Durbin and Wu-Hausman tests, are affected by endogeneity, their coefficient may be biased and it is better to rely on IV estimate, which will be commented more extensively.

The IV estimates for aggregate social capital are presented in Tables from 13 to 16. Social capital has a negative impact on income inequality, which means that an increase in social capital would reduce income inequality. This result holds with all the different measures of income inequality.

Regarding the control variables, our findings of a negative coefficient on income and a positive one on the quadratic term indicates that the relationship between income inequality and growth from 2006 to 2016 is U-shaped. This would confirm the theories according to which, the inverted U-shaped pattern originally formulated by Kuznets (1955) it is actually N-shaped: income inequality in a society grows as economies initially transition from agricultural to industrial societies, falls later as they develop further and then rise again as societies continue developing, probably due to the increasing wage gaps between skilled and unskilled workers (Guilera, 2011); therefore, using recent data of developed countries, which have already concluded the transition, we only observe the last part, which is U-shaped. Education seems to be not very important for Gini Index, while it drives up the other measures of inequality, since the more the average regional education increases, the larger would be the wage differential between highly educated workers, who would be the majority, and less-educated ones, who would be most probably located in the lowest part of the income distribution. The importance of the financial sector is positively associated with Gini Index, and negatively opportunities also to low-income people. The non-financial sector has a low but significant negative effect on all the measures of inequality. A high percentage of large firms reduces inequality, probably since they can guarantee equal wages to numerous workers, while a large presence in the region of self-employed is associated with higher inequality, especially between the richest 10% and the poorest 10% of the population. Part-time contracts have a positive (but not always significant) correlation with income inequality, while permanent contract seem to be very important in reducing income inequality, since it provides stability and breaks the vicious circle of precariousness.

In Tables from 17 to 20 the coefficients for the single dimensions of social capital are reported. First of all, with IV estimates, contrary to what happens with OLS, all the dimensions of social capital are significantly correlated with all the measures of income inequality, and their signs are constant across them: *Meet Friends* is the only variable which have a positive sign, while all the other five variables have negative signs. This is in line with the literature, since bonding social capital has already been found to have a positive correlation with inequality, in contrast with all the other dimensions, that have usually been documented to have a negative correlation with inequality. Therefore, our main result is that cognitive social capital (*Boycott Products* and *Political Interest*), relational social capital (*Generalized Trust* and *Trust Police*) and structural bridging social capital (*Work Association*) seem to have a role in reducing income inequality, while structural bonding social capital may increase it. As regards the relative importance of the different dimensions, *Trust Police* has the greater coefficient and *Work Association* the lowest within all the regressions, meaning that trust in institutions and the participation in voluntary activities have the highest and the lowest impact in the reduction of inequality, respectively.

5. Concluding Remarks

The aim of this paper is to see whether social capital has a role in reducing regional income inequality in European regions. Our main finding is that, when considered as an aggregate measure, social

capital has a negative correlation with income inequality, meaning that it may have a role in reducing income inequality in European regions.

We also find that all the cognitive and relational aspects of social capital have a negative correlation with income inequality, and the same is true for the structural bridging social capital, while for structural bonding social capital it arises a positive correlation with income inequality. These results seem to suggest that the crucial dimensions of social capital for the reduction of income inequality are in shared values and reciprocity, but also in broad relationships that pull people beyond their comfort-zone to construct ties and broader identities based on shared objectives and views, as voluntary activities. This evidence underlines that networks and positive shared behaviours may constitute a valid bottom-up mechanism to achieve inequality reduction and provides support for policies that aim to incentivize gathering places and associationism in European regions.

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Table 3. Variable Legend

Variable	Description	Source
	Dependent Variables	
Gini Index	Gini index computed using equivalized disposable income	EU SILC
Interdecile Ratio 90/10	Interdecile Ratio 90/10 computed using equivalized disposable income	EU SILC
Interdecile Ratio 80/20	Interdecile Ratio 80/20 computed using equivalized disposable income	EU SILC
Interdecile Ratio 50/10	Interdecile Ratio 50/10 computed using equivalized disposable income	EU SILC
	Social capital	
Generalized trust	Generalized trust in other people, in ascending scale 0 to 10	ESS
Trust Police	Trust in the police in ascending scale 0 to 10	ESS
Meet Friends	Socially meeting with friends in a scale from 1 (never) to 7 (every day), rescaled to a 0-10 ascending scale	ESS
Work Association	Dummy variable = 1 if the respondent has worked in association in last 12 months, rescaled to a 0-10 ascending scale	ESS
Political Interest	How interested in politics in a scale from 1 to 4, where 1= very interested and 4= not at all interested, rescaled to a 0-10 ascending scale	ESS
Boycott Products	Dummy variable = 1 if the respondent has boycotted certain products in last 12 months, rescaled to a 0-10 ascending scale	ESS
Full SC mean	Simple mean of the six dimensions of social capital	Constructed from ESS
Full SC indicator	Composite indicator of the six dimensions of social capital, computed as a weighted average, where weights are obtained with the factor analysis	Constructed from ESS
Reduced SC mean	Simple mean of five out of six dimensions of social capital (excluded dimension: meeting friends)	Constructed from ESS
Reduced SC indicator	Composite indicator of five out of six dimensions of social capital (excluded dimension: meeting friends), computed as a weighted average, where weights are obtained with the factor analysis	Constructed from ESS
	Controls	
Log Income	Equivalized disposable household income transformed in logarithms	Constructed from EU-SILC
Log Income Squard	Equivalized disposable household income squared transformed in logarithms	Constructed from EU-SILC
Education	Years of full-time education completed	ESS
Financial Sector	Financial Services share: proportion of employed persons working in financial & business services over total employed persons	Cambridge Econometrics
Non-Financial Sector	Non-Financial Services share: sum of the proportions of employed persons working in tradable services, agriculture, industry and construction over total employed persons	Cambridge Econometrics
Large Firm	Percentage of firms with more than 100 employees	ESS
Self-Employment	Dummy variable = 1 if the respondent is self-employed with employees	EU SILC
Part-time Job	Dummy variable = 1 if the respondent has a part-time job	EU SILC
Permanent Job	Dummy variable = 1 if the respondent has a permanent job	EU SILC
Density	Dummy variable = 1 for areas of intermediate density	EU SILC
	Instrument	
Linguistic Homogeneity	Hirschmann-Herfindal concentration index, ranging from 0 (perfect heterogeneity) to 1 (perfect homogeneity), computed using the variable on the first language spoken by the respondents	constructed from ESS

Table 4. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Gini Index	548	.292	.038	.203	.459
Interdecile Ratio 90/10	548	3.786	.931	2.309	9.718
Interdecile Ratio 80/20	548	2.319	.368	1.680	4.343
Interdecile Ratio 50/10	548	1.995	.332	1.440	4.213
Generalized trust	490	5.510	1.807	0	10
Trust Police	490	4.842	1.435	0	10
Meeting Friends	490	5.450	1.608	0	10
Work in Association	495	3.136	2.312	0	10
Political interest	490	5.961	1.772	0	10
Boycott products	490	3.505	2.311	0	10
Full SC mean	485	4.745	1.415	1.679	8.505
Full SC indicator	485	4.675	1.455	1.654	8.586
Reduced SC mean	485	3.835	1.273	1.405	7.348
Reduced SC indicator	485	4.676	1.503	1.405	8.788
Log Income	548	9.485	.675	7.676	10.846
Education	490	12.467	1.184	7.493	20.533
Financial Sector	432	13.267	4.827	3.239	32.820
Non-financial sector	432	57.595	9.305	31.955	85.288
Large Firm	490	.254	.105	0	.546
Self-Employment	548	.033	.016	0	.096
Part-time job	548	.068	.044	.007	.242
Permanent job	548	.810	.116	.452	1
Density	534	.239	.150	0	.697
Linguistic Homogeneity	490	.010	.029	.000	.318

Table 5. OLS estimates

VARIABLES	Gini Index	Gini Index	Gini Index	Gini Index
Full SC mean	-0.009***			
	(0.002)			
Full SC indicator		-0.009***		
		(0.002)		
Reduced SC mean			-0.010***	
			(0.002)	
Reduced SC indicator				-0.009***
				(0.002)
Log Income	-0.517***	-0.523***	-0.532***	-0.518***
	(0.100)	(0.099)	(0.099)	(0.098)
Log Income Squared	0.026***	0.027***	0.027***	0.026***
	(0.006)	(0.006)	(0.005)	(0.005)
Education	0.000	0.000	0.000	0.000
	(0.003)	(0.002)	(0.002)	(0.002)
Financial sector	0.002***	0.002***	0.002***	0.002***
	(0.001)	(0.001)	(0.001)	(0.001)
Non financial sector	-0.002***	-0.002***	-0.002***	-0.002***
	(0.000)	(0.000)	(0.000)	(0.000)
Large Firm	-0.101***	-0.099***	-0.095***	-0.095***
	(0.019)	(0.019)	(0.019)	(0.019)
Self-employment	0.117	0.137	0.144	0.140
	(0.136)	(0.136)	(0.135)	(0.136)
Part-Time Job	0.247***	0.247***	0.255***	0.256***
	(0.058)	(0.057)	(0.056)	(0.056)
Permanent job	-0.136***	-0.134***	-0.130***	-0.128***
	(0.019)	(0.019)	(0.019)	(0.019)
Density	-0.058***	-0.058***	-0.059***	-0.060***
	(0.011)	(0.011)	(0.011)	(0.011)
Year dummies	Yes	Yes	Yes	Yes
	(0.005)	(0.005)	(0.005)	(0.005)
Constant	3.045***	3.065***	3.102***	3.035***
	(0.452)	(0.448)	(0.446)	(0.441)
Observations	390	390	390	390
R-squared	0.476	0.480	0.482	0.482

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 6. OLS estimates

VARIABLES	Interdecile ratio 90/10	Interdecile ratio 90/10	Interdecile ratio 90/10	Interdecile ratio 90/10
Full SC mean	-0.221***			
	(0.048)			
Full SC indicator		-0.222***		
		(0.046)		
Reduced SC mean			-0.262***	
			(0.051)	
Reduced SC indicator				-0.224***
				(0.044)
Log Income	-9.728***	-9.935***	-10.350***	-9.979***
	(2.560)	(2.539)	(2.522)	(2.494)
Log Income Squared	0.485***	0.497***	0.519***	0.500***
	(0.141)	(0.140)	(0.139)	(0.137)
Education	0.107	0.112	0.118	0.118
	(0.085)	(0.084)	(0.082)	(0.082)
Financial sector	0.001	-0.001	-0.002	-0.003
	(0.020)	(0.020)	(0.020)	(0.020)
Non financial sector	-0.057***	-0.057***	-0.057***	-0.056***
	(0.013)	(0.013)	(0.013)	(0.013)
Large Firm	-2.530***	-2.482***	-2.390***	-2.393***
	(0.445)	(0.443)	(0.443)	(0.444)
Self-employment	8.523***	9.033***	9.306***	9.212***
	(3.122)	(3.104)	(3.066)	(3.083)
Part-Time Job	5.927***	5.915***	6.076***	6.119***
	(1.440)	(1.425)	(1.390)	(1.390)
Permanent job	-3.294***	-3.247***	-3.153***	-3.097***
	(0.417)	(0.411)	(0.402)	(0.399)
Density	-0.948***	-0.957***	-0.974***	-1.002***
	(0.243)	(0.242)	(0.242)	(0.243)
Year dummies	Yes	Yes	Yes	Yes
Constant	58.045***	58.783***	60.492***	58.734***
	(11.654)	(11.547)	(11.469)	(11.338)
Observations	390	390	390	390
R-squared	0.524	0.530	0.537	0.536

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 7.OLS estimates

VARIABLES	Interdecile ratio 80/20	Interdecile ratio 80/20	Interdecile ratio 80/20	Interdecile ratio 80/20
Full SC mean	-0.094***			
	(0.019)			
Full SC indicator		-0.094***		
		(0.018)		
Reduced SC mean			-0.111***	
			(0.020)	
Reduced SC indicator				-0.094***
				(0.017)
Log Income	-3.707***	-3.782***	-3.947***	-3.780***
	(0.986)	(0.978)	(0.975)	(0.964)
Log Income Squared	0.185***	0.189***	0.198***	0.189***
	(0.055)	(0.054)	(0.054)	(0.053)
Education	0.045**	0.047**	0.049***	0.049***
	(0.020)	(0.019)	(0.019)	(0.019)
Financial sector	0.003	0.002	0.001	0.001
	(0.008)	(0.008)	(0.008)	(0.008)
Non financial sector	-0.022***	-0.022***	-0.022***	-0.022***
	(0.005)	(0.005)	(0.005)	(0.005)
Large Firm	-1.031***	-1.011***	-0.972***	-0.974***
	(0.194)	(0.193)	(0.193)	(0.193)
Self-employment	2.770**	2.982**	3.092**	3.047**
	(1.326)	(1.308)	(1.287)	(1.301)
Part-Time Job	2.754***	2.752***	2.822***	2.841***
	(0.600)	(0.593)	(0.580)	(0.581)
Permanent job	-1.235***	-1.215***	-1.175***	-1.151***
	(0.179)	(0.177)	(0.175)	(0.174)
Density	-0.399***	-0.403***	-0.410***	-0.422***
	(0.105)	(0.105)	(0.105)	(0.105)
Year dummies	Yes	Yes	Yes	Yes
Constant	23.067***	23.326***	24.002***	23.215***
	(4.470)	(4.431)	(4.411)	(4.361)
Observations	390	390	390	390
R-squared	0.508	0.513	0.520	0.519

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 8.OLS estimates

VARIABLES	Interdecile ratio 50/10	Interdecile ratio 50/10	Interdecile ratio 50/10	Interdecile ratio 50/10
Full SC mean	-0.059***			
	(0.018)			
Full SC indicator		-0.060***		
		(0.017)		
Reduced SC mean			-0.073***	
			(0.020)	
Reduced SC indicator				-0.063***
				(0.017)
Log Income	-3.599***	-3.660***	-3.813***	-3.713***
	(0.884)	(0.883)	(0.882)	(0.874)
Log Income Squared	0.182***	0.186***	0.194***	0.189***
	(0.048)	(0.048)	(0.048)	(0.048)
Education	0.047	0.048	0.050	0.050
	(0.031)	(0.031)	(0.031)	(0.031)
Financial sector	-0.007	-0.007	-0.008	-0.008
	(0.008)	(0.008)	(0.008)	(0.008)
Non financial sector	-0.019***	-0.018***	-0.018***	-0.018***
	(0.005)	(0.005)	(0.005)	(0.005)
Large Firm	-0.852***	-0.839***	-0.814***	-0.814***
	(0.175)	(0.174)	(0.174)	(0.175)
Self-employment	3.559***	3.699***	3.793***	3.769***
	(1.203)	(1.199)	(1.188)	(1.192)
Part-Time Job	2.109***	2.105***	2.142***	2.154***
	(0.529)	(0.524)	(0.511)	(0.511)
Permanent job	-1.067***	-1.054***	-1.029***	-1.013***
	(0.147)	(0.145)	(0.143)	(0.142)
Density	-0.209**	-0.212**	-0.216**	-0.224**
	(0.088)	(0.088)	(0.088)	(0.088)
Year dummies	Yes	Yes	Yes	Yes
Constant	21.403***	21.625***	22.258***	21.783***
	(4.046)	(4.033)	(4.032)	(3.984)
Observations	390	390	390	390
R-squared	0.456	0.460	0.466	0.466

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 9.OLS estimates

VARIABLES	Gini Index	Gini Index	Gini Index	Gini Index	Gini Index	Gini Index
Generalized trust	-0.005***					
	(0.001)					
Trust Police		-0.003**				
		(0.001)				
Meeting friends			0.000			
			(0.001)			
Work Association				-0.005***		
				(0.001)		
Boycott products					-0.005***	
					(0.001)	
Political interest						0.001
						(0.001)
Observations	390	390	390	390	390	390
R-squared	0.464	0.440	0.433	0.493	0.478	0.434

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 10. OLS estimates

VARIABLES	Interdecile ratio 90/10	Interdecile ratio 90/10	Interdecile ratio 90/10	Interdecile ratio 90/10	Interdecile ratio 90/10	Interdecile ratio 90/10
Generalized trust	-0.117***					
	(0.031)					
Trust Police		-0.052				
		(0.038)				
Meeting friends			0.051*			
			(0.031)			
Work Association				-0.114***		
				(0.023)		
Boycott products					-0.135***	
					(0.027)	
Political interest						-0.024
						(0.032)
Observations	390	390	390	390	390	390
R-squared	0.513	0.481	0.482	0.531	0.541	0.479

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, *
p<0.1

Table 11. OLS estimates

VARIABLES	Interdecile ratio 80/20	Interdecile ratio 80/20	Interdecile ratio 80/20	Interdecile ratio 80/20	Interdecile ratio 80/20	Interdecile ratio 80/20
Generalized trust	-0.043***					
	(0.009)					
Trust Police		-0.030*				
		(0.015)				
Meeting friends			0.017			
			(0.013)			
Work Association				-0.048***		
				(0.009)		
Boycott products					-0.053***	
					(0.011)	
Political interest						-0.021
						(0.013)
Observations	390	390	390	390	390	390
R-squared	0.484	0.460	0.456	0.513	0.517	0.458

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 12.OLS estimates

VARIABLES	Interdecile ratio 50/10	Interdecile ratio 50/10	Interdecile ratio 50/10	Interdecile ratio 50/10	Interdecile ratio 50/10	Interdecile ratio 50/10
Generalized trust	-0.030**					
	(0.013)					
Trust Police		-0.008				
		(0.016)				
Meeting friends			0.022**			
			(0.010)			
Work Association				-0.029***		
				(0.009)		
Boycott products					-0.049***	
					(0.010)	
Political interest						-0.002
						(0.012)
Observations	390	390	390	390	390	390
R-squared	0.447	0.429	0.435	0.456	0.497	0.428

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 13. IV estimates

VARIABLES	Gini Index	Gini Index	Gini Index	Gini Index
Full SC mean	-0.025***			
	(0.006)			
Full SC indicator		-0.021***		
		(0.005)		
Reduced SC mean			-0.021***	
			(0.005)	
Reduced SC indicator				-0.018***
				(0.004)
Log Income	-0.779***	-0.737***	-0.715***	-0.691***
	(0.134)	(0.122)	(0.116)	(0.113)
Log Income Squared	0.042***	0.040***	0.038***	0.037***
	(0.008)	(0.007)	(0.007)	(0.006)
Education	0.003*	0.003	0.003	0.003
	(0.002)	(0.002)	(0.002)	(0.002)
Financial sector	0.001*	0.001**	0.001**	0.001**
	(0.001)	(0.001)	(0.001)	(0.001)
Non financial sector	-0.002***	-0.002***	-0.002***	-0.002***
	(0.000)	(0.000)	(0.000)	(0.000)
Large Firm	-0.104***	-0.098***	-0.091***	-0.091***
	(0.021)	(0.020)	(0.020)	(0.020)
Self-employment	0.214	0.240*	0.235*	0.231*
	(0.138)	(0.134)	(0.131)	(0.131)
Part-Time Job	0.194***	0.205***	0.229***	0.232***
	(0.068)	(0.065)	(0.062)	(0.062)
Permanent job	-0.147***	-0.140***	-0.131***	-0.126***
	(0.019)	(0.018)	(0.017)	(0.017)
Density	-0.055***	-0.056***	-0.058***	-0.060***
	(0.011)	(0.011)	(0.011)	(0.011)
Year dummies	Yes	Yes	Yes	Yes
Constant	4.175***	3.980***	3.882***	3.764***
	(0.598)	(0.545)	(0.516)	(0.501)
Observations	390	390	390	390
IV F-test	36.3	45.6	57.5	55.8

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 14. IV estimates

VARIABLES	Interdecile Ratio 90/10	Interdecile Ratio 90/10	Interdecile Ratio 90/10	Interdecile Ratio 90/10
Full SC mean	-1.043***			
	(0.184)			
Full SC indicator		-0.891***		
		(0.145)		
Reduced SC mean			-0.896***	
			(0.134)	
Reduced SC indicator				-0.778***
				(0.118)
Log Income	-23.402***	-21.640***	-20.716***	-19.702***
	(4.158)	(3.616)	(3.244)	(3.172)
Log Income Squared	1.310***	1.201***	1.137***	1.086***
	(0.240)	(0.207)	(0.184)	(0.181)
Education	0.278***	0.266***	0.255***	0.259***
	(0.061)	(0.055)	(0.050)	(0.051)
Financial sector	-0.050**	-0.046**	-0.043**	-0.047***
	(0.021)	(0.019)	(0.017)	(0.018)
Non financial sector	-0.067***	-0.063***	-0.062***	-0.062***
	(0.010)	(0.009)	(0.009)	(0.009)
Large Firm	-2.698***	-2.473***	-2.161***	-2.167***
	(0.646)	(0.593)	(0.550)	(0.555)
Self-employment	13.594***	14.678***	14.483***	14.295***
	(4.266)	(3.971)	(3.658)	(3.684)
Part-Time Job	3.144	3.625*	4.631***	4.742***
	(2.116)	(1.923)	(1.744)	(1.757)
Permanent job	-3.890***	-3.588***	-3.198***	-3.005***
	(0.579)	(0.523)	(0.479)	(0.483)
Density	-0.775**	-0.844***	-0.925***	-1.020***
	(0.348)	(0.319)	(0.294)	(0.297)
Year dummies	Yes	Yes	Yes	Yes
Constant	116.902***	108.703***	104.557***	99.614***
	(18.513)	(16.093)	(14.453)	(14.117)
Observations	390	390	390	390
IV F-test	36.3	45.6	57.5	55.8

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 15. IV estimates

VARIABLES	Interdecile Ratio 80/20	Interdecile Ratio 80/20	Interdecile Ratio 80/20	Interdecile Ratio 80/20
Full SC mean	-0.467***			
	(0.080)			
Full SC indicator		-0.399***		
		(0.062)		
Reduced SC mean			-0.401***	
			(0.057)	
Reduced SC indicator				-0.348***
				(0.050)
Log Income	-9.899***	-9.110***	-8.697***	-8.243***
	(1.798)	(1.555)	(1.386)	(1.359)
Log Income Squared	0.558***	0.509***	0.480***	0.458***
	(0.104)	(0.089)	(0.079)	(0.077)
Education	0.122***	0.117***	0.112***	0.114***
	(0.027)	(0.024)	(0.021)	(0.022)
Financial sector	-0.020**	-0.019**	-0.017**	-0.019**
	(0.009)	(0.008)	(0.007)	(0.008)
Non financial sector	-0.027***	-0.025***	-0.025***	-0.025***
	(0.004)	(0.004)	(0.004)	(0.004)
Large Firm	-1.108***	-1.007***	-0.867***	-0.870***
	(0.279)	(0.255)	(0.235)	(0.238)
Self-employment	5.067***	5.552***	5.464***	5.380***
	(1.844)	(1.708)	(1.563)	(1.579)
Part-Time Job	1.494	1.709**	2.160***	2.209***
	(0.915)	(0.827)	(0.745)	(0.753)
Permanent job	-1.505***	-1.370***	-1.196***	-1.109***
	(0.250)	(0.225)	(0.205)	(0.207)
Density	-0.320**	-0.351**	-0.388***	-0.430***
	(0.151)	(0.137)	(0.126)	(0.127)
Year dummies	Yes	Yes	Yes	Yes
Constant	49.719***	46.049***	44.194***	41.982***
	(8.003)	(6.920)	(6.177)	(6.050)
Observations	390	390	390	390
IV F-test	36.3	45.6	57.5	55.8

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 16. IV estimates

VARIABLES	Interdecile Ratio 50/10	Interdecile Ratio 50/10	Interdecile Ratio 50/10	Interdecile Ratio 50/10
Full SC mean	-0.351***			
	(0.067)			
Full SC indicator		-0.300***		
		(0.053)		
Reduced SC mean			-0.302***	
			(0.049)	
Reduced SC indicator				-0.262***
				(0.043)
Log Income	-8.450***	-7.856***	-7.545***	-7.204***
	(1.507)	(1.324)	(1.194)	(1.166)
Log Income Squared	0.475***	0.438***	0.416***	0.399***
	(0.087)	(0.076)	(0.068)	(0.066)
Education	0.107***	0.103***	0.099***	0.101***
	(0.022)	(0.020)	(0.018)	(0.019)
Financial sector	-0.025***	-0.024***	-0.023***	-0.024***
	(0.008)	(0.007)	(0.006)	(0.006)
Non financial sector	-0.022***	-0.021***	-0.020***	-0.020***
	(0.004)	(0.003)	(0.003)	(0.003)
Large Firm	-0.912***	-0.836***	-0.731***	-0.733***
	(0.234)	(0.217)	(0.202)	(0.204)
Self-employment	5.358***	5.723***	5.657***	5.594***
	(1.546)	(1.454)	(1.347)	(1.354)
Part-Time Job	1.122	1.284*	1.622**	1.660**
	(0.767)	(0.704)	(0.642)	(0.646)
Permanent job	-1.278***	-1.176***	-1.045***	-0.980***
	(0.210)	(0.192)	(0.176)	(0.178)
Density	-0.148	-0.171	-0.198*	-0.230**
	(0.126)	(0.117)	(0.108)	(0.109)
Year dummies	Yes	Yes	Yes	Yes
Constant	42.281***	39.522***	38.126***	36.462***
	(6.710)	(5.892)	(5.322)	(5.188)
Observations	390	390	390	390
IV F-test	36.3	45.6	57.5	55.8

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 17. IV estimates

VARIABLES	Gini Index	Gini Index	Gini Index	Gini Index	Gini Index	Gini Index
Generalized trust	-0.020***					
	(0.005)					
Trust Police		-0.029***				
		(0.009)				
Meeting friends			0.025***			
			(0.008)			
Work Association				-0.011***		
				(0.003)		
Boycott products					-0.017***	
					(0.004)	
Political interest						-0.021***
						(0.006)
Observations	390	390	390	390	390	390
IV F-test	20.8	18.3	18.6	42.7	20.6	25.4

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 18. IV estimates

VARIABLES	Interdecile Ratio 90/10	Interdecile Ratio 90/10	Interdecile Ratio 90/10	Interdecile Ratio 90/10	Interdecile Ratio 90/10	Interdecile Ratio 90/10
Generalized trust	-0.823***					
	(0.183)					
Trust Police		-1.227***				
		(0.312)				
Meeting friends			1.061***			
			(0.267)			
Work Association				-0.467***		
				(0.077)		
Boycott products					-0.710***	
					(0.151)	
Political interest						-0.896***
						(0.205)
Observations	390	390	390	390	390	390
IV F-test	20.8	18.3	18.6	42.7	20.6	25.4

Table 19. IV estimates

VARIABLES	Interdecile Ratio 80/20	Interdecile Ratio 80/20	Interdecile Ratio 80/20	Interdecile Ratio 80/20	Interdecile Ratio 80/20	Interdecile Ratio 80/20
Generalized trust	-0.368***					
	(0.082)					
Trust Police		-0.549***				
		(0.135)				
Meeting friends			0.475***			
			(0.118)			
Work Association				-0.209***		
				(0.033)		
Boycott products					-0.318***	
					(0.067)	
Political interest						-0.401***
						(0.088)
Observations	390	390	390	390	390	390
IV F-test	20.8	18.3	18.6	42.7	20.6	25.4

Table 20. IV estimates

VARIABLES	Interdecile Ratio 50/10	Interdecile Ratio 50/10	Interdecile Ratio 50/10	Interdecile Ratio 50/10	Interdecile Ratio 50/10	Interdecile Ratio 50/10
Generalized trust	-0.277***					
	(0.065)					
Trust Police		-0.413***				
		(0.109)				
Meeting friends			0.357***			
			(0.090)			
Work Association				-0.157***		
				(0.028)		
Boycott products					-0.239***	
					(0.051)	
Political interest						-0.301***
						(0.072)
Observations	390	390	390	390	390	390
IV F-test	20.8	18.3	18.6	42.7	20.6	25.4