

European Economists for an Alternative  
Economic Policy in Europe

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# **"Social inequalities and Economic crisis. A comparative analysis of income inequalities of U.S.A. and European households"**

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# Social inequality

- ❑ It is a phenomenon which is characterized by universality and timelessness.
- ❑ Its causes are to a large extent identified in the way (re)distribution of socially produced goods.
- ❑ Their impact affects the whole spectrum of social structure and in this sense affects social subjects in every aspect of their social action and private life, while at the same time undermining social cohesion and development.
- ❑ In the modern world, there is an intensity of the phenomenon throughout the post-war period.
- ❑ the Pew Research Centers Global Attitudes asked responders in 2014 about “the greatest dangers to the world” it found in the US and Europe social inequalities are the most important risk faced.

# Economic crisis

- ❑ The economic crisis was largely the result of a worse moral crisis in the context of the economic social system.
- ❑ Raised the problem of social and economic inequality by significantly increasing the percentage of poor households in Europe and the US.
- ❑ It was treated differently from the US and Europe by mobilizing different budgetary mechanisms.
- ❑ At the US level, the Federal Bank financed the economy by boosting active demand and thus helping the market and households to exit faster than the crisis.
- ❑ At the level of European Union, monetary policy and low deficits have been emphasized, resulting in the difficulty of weak economies in coping with the crisis and the effects they have on household income.

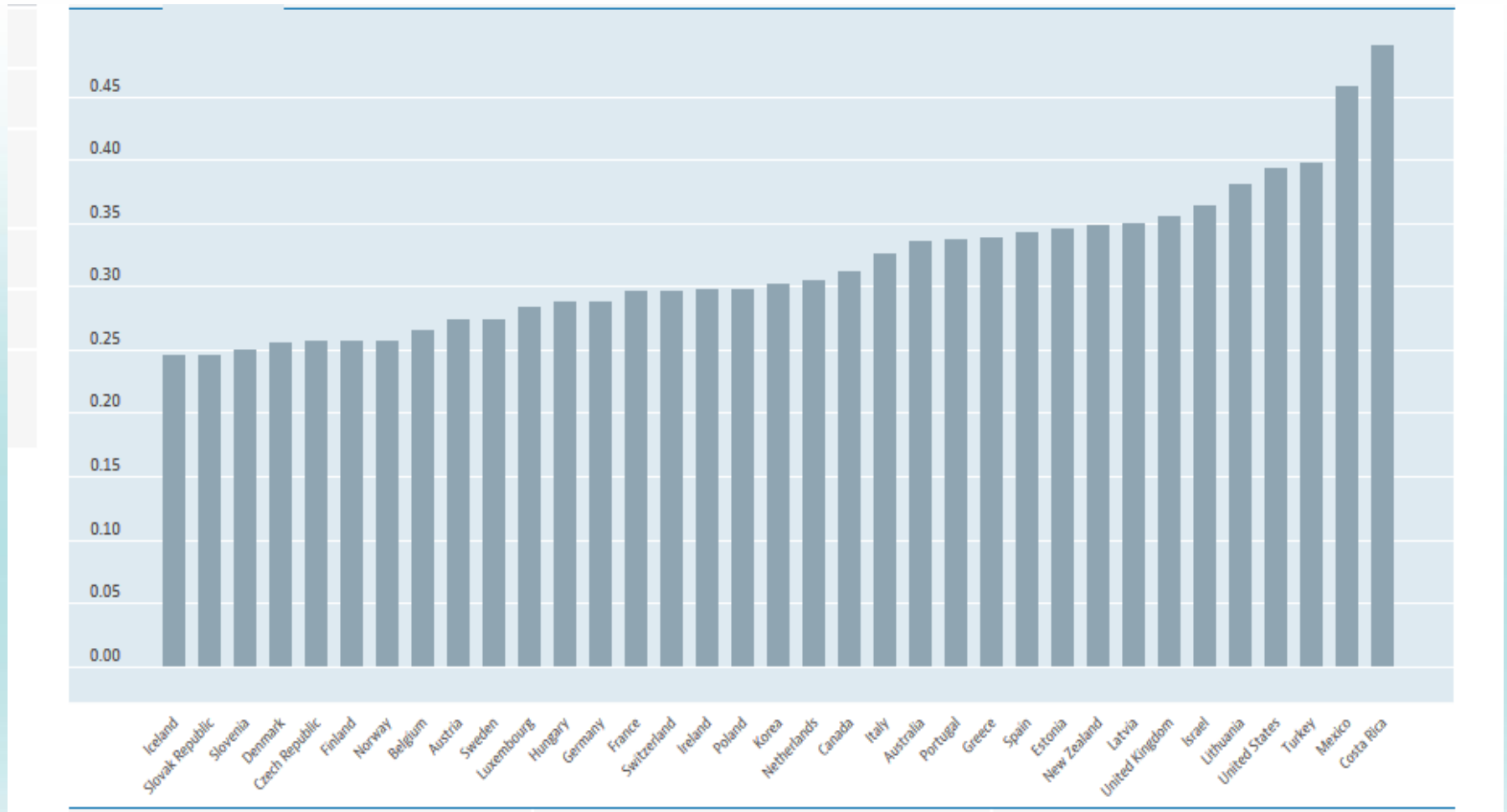
# USA and Europe

- ❑ Europe remains the largest trading and economic partner for America, but above all a continent, particularly in the form of the European Union, with which, more than any other geopolitical region in the world, America shares the same political, democratic, cultural and intellectual authorities.
- ❑ In the current period in which Europe, and in particular several countries of the 27 members of the European Union, are being tested by refugee, economic crisis, nationalism and extreme conservatism and populism, America is a world champion in the protection of freedom, democracy and principles of humanism, needs to renew its ties and sympathy on the "old" continent where all these common ideals and values began to illuminate Humanity.

# Income inequality

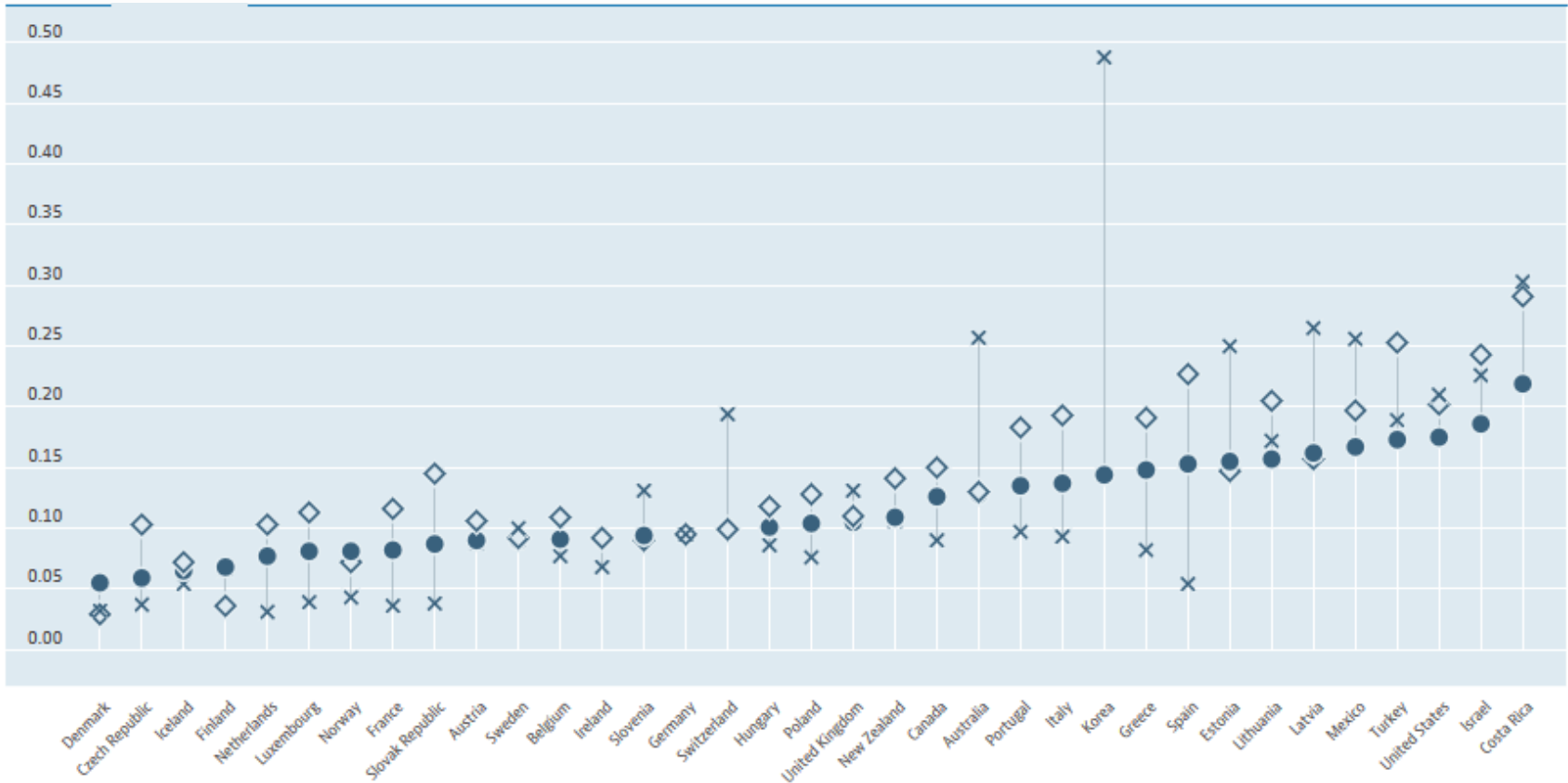
- ❑ Whereas a number of studies highlight the importance of the relationship among income inequalities and financial crises as well as the predictive power of the first, other studies invalidate this inequality-crisis nexus by highlighting the importance of low interest rates and typical business cycles.
- ❑ The root causes of large global imbalances coincide with those of the financial crisis.
- ❑ Although inequality is generally increasing, national savings rates have increasingly diverged across countries.
- ❑ Income inequality can lead to increase leverage. Rising inequality leads specific social classes to borrow to maintain their consumption as their real income decline. The trigger for a financial crisis occurs when debt begins to be perceived as unsustainable.
- ❑ Rising income inequality can be followed by political interventions that do not address the sources and simply delay the consequences of the inequality by facilitating credit and temporarily maintain living standards.

# Income inequality (continuity)



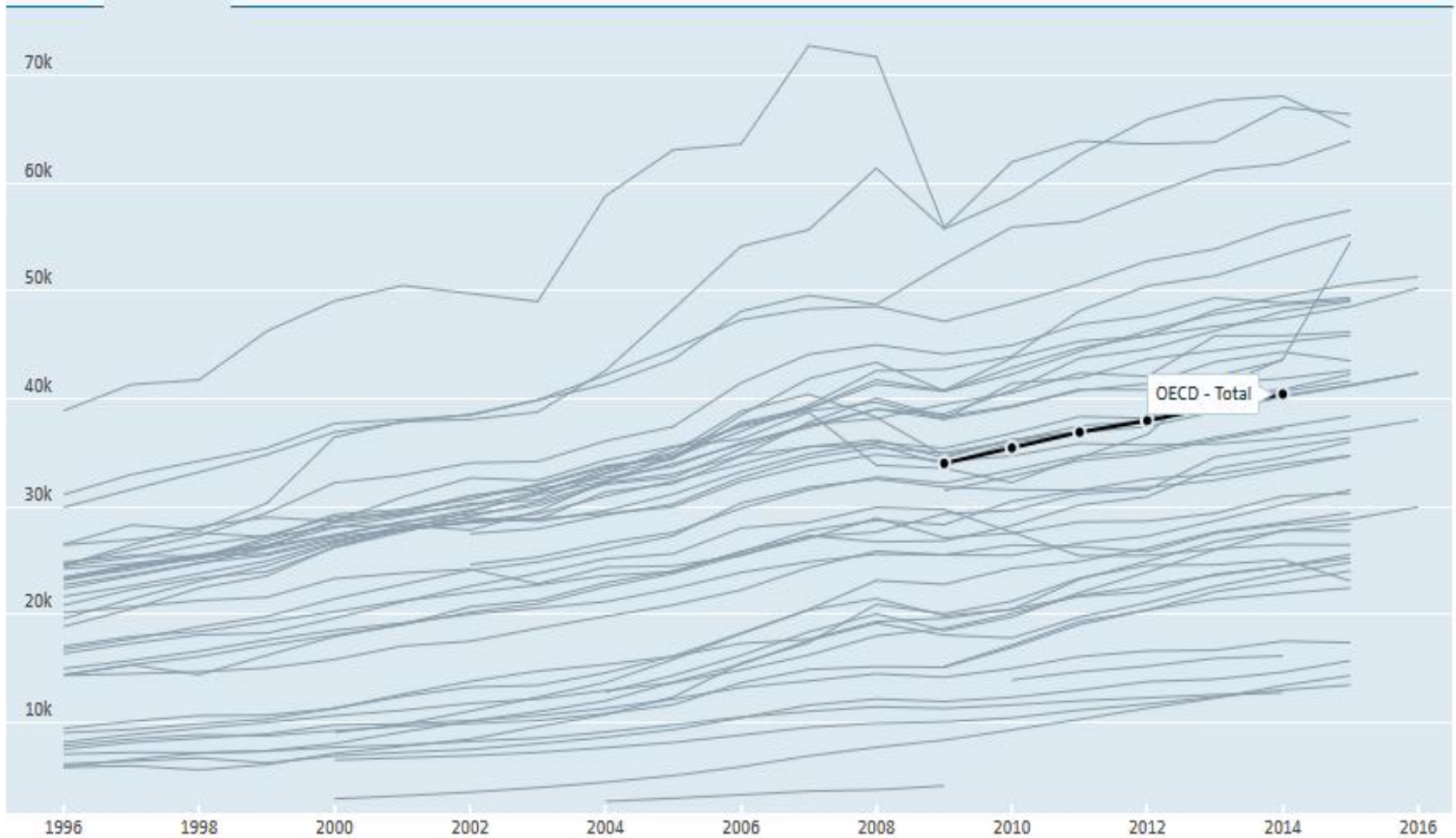
Income inequality Gini coefficient, 0 = complete equality; 1 = complete inequality, 2014, OECD

# Poverty Rate



Poverty rateTotal / 0-17 year-olds / 66 year-olds or more, Ratio, 2014, OECD

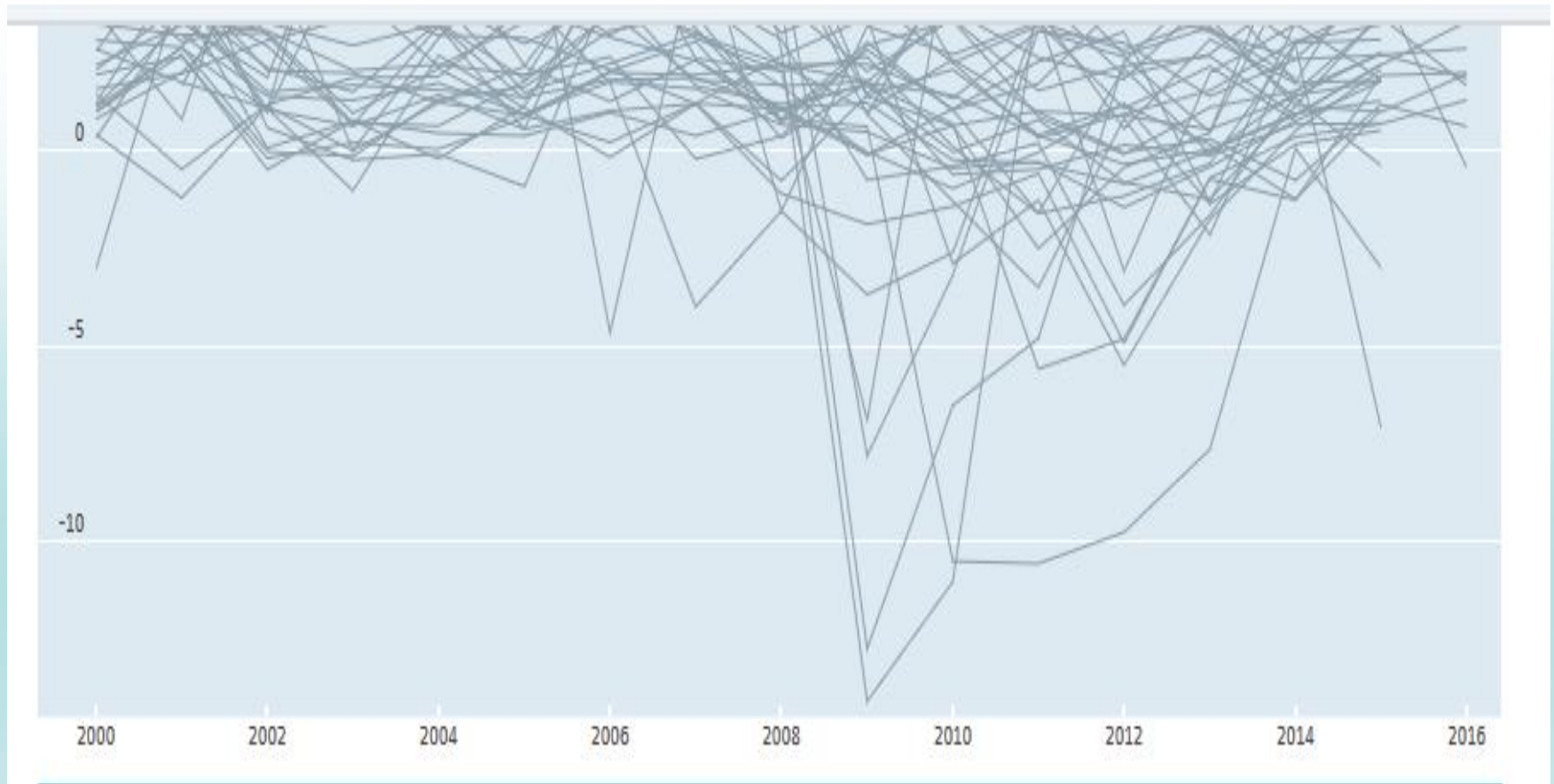
# Gross national income



Total, US dollars/capita, 1996 – 2016, OECD



# Household disposable income



Net, Annual growth rate (%), 2000 – 2016, OECD

# Conclusion

- ❑ Social Inequality it is a phenomenon which is characterized by universality and timelessness.
- ❑ In the modern world, there is an intensity of the phenomenon of social inequality throughout the post-war period.
- ❑ The economic crisis was largely the result of a worse moral crisis In the context of the economic social system.
- ❑ Raised the problem of social and economic inequality by significantly increasing the percentage of poor households in Europe and the US.
- ❑ Income inequality can lead to increase leverage. Rising inequality leads specific social classes to borrow to maintain their consumption as their real income decline. The trigger for a financial crisis occurs when debt begins to be perceived as unsustainable.