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A Kaleckian Perspective on Financialisation and Distribution in Three Main Eurozone Countries before and after the Crisis: France, Germany and Spain

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ABSTRACT
The purpose of this article is twofold. First, we examine if, and to what extent, a general Kaleckian analysis of the potential effects of financialisation on income shares in advanced capitalist economies is of relevance for the three Eurozone countries under investigation—France, Germany and Spain—in the period before the recent financial and economic crisis. Second, we study changes in the financialisation–distribution nexus that have occurred in the course of and after the financial and economic crisis. We find that the countries examined here have shown broad similarities regarding redistribution before the crisis, although there are some differences in the underlying determinants. These differences have continued during the period after the crisis and have led to different results in the development of distribution since then.

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1. Introduction

Finance-dominated capitalism, or 'financialisation', led to the deep global financial and economic crisis in 2007–09.[1] The recovery from this crisis has been rather sluggish so far, and this has triggered a discussion about stagnation tendencies in mature capitalism. In the mainstream contributions to this debate, as represented by Summers' (2014, 2015) 'secular stagnation' hypothesis, for example, distributional issues are ignored or only play a marginal role. Post-Keynesian approaches, however, have focused on income distribution, as well as on the stance of macroeconomic policy, when it comes to explaining medium- to long-run stagnation tendencies following the crisis (Cynamon and Fazzari 2015, 2016; van Treeck 2015; Blecker 2016; Hein 2016, 2017; Palley 2016).

In this article we will thus try to shed some light on the development of income distribution before and after the outbreak of the crisis for three major Eurozone countries. We will examine if and to what extent the trend towards rising inequality observed for the period of finance-dominated capitalism has continued, stopped or even been

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[1]Epstein (2005, p. 3) has defined financialisation as the 'increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies'. On the (macroeconomic) features of financialisation, or finance-dominated capitalism, see Guttmann (2016), Hein (2012), Palley (2013), Sawyer (2013/14) and van der Zwan (2014).

reversed by the crisis, and, in particular, what role financialisation (and its potential reversal after the crisis) has played in all this. The focus will be on functional income distribution (wage and profit shares), although indicators for personal or household distribution of income (Gini coefficients, top-income shares) will be considered as well.

Of course, we are not the first to study the distributional consequences and effects of the crisis. There are contributions by Cynamon and Fazzari (2016) and Dufour and Orhangazi (2016) on the US, by Branston, Cowling, and Tomlinson (2014) on the US and the UK, by Schneider, Kinsella, and Godin (2016) on the Eurozone or by Grabka (2015) on Germany, for example. However, we will provide a comparative analysis for three Eurozone countries applying a consistent Kaleckian approach for the examination of the effects of financialisation on functional income shares, with a respective unique set of indicators, as proposed by Hein (2015), initially applied by Hein and Detzer (2015) for the case of Germany only and by Hein et al. (2017c) for a comparative analysis of the US, the UK and Sweden.

The contribution of the article is twofold. First, we examine if, and to what extent, a general Kaleckian analysis of the potential effects of financialisation on income shares in advanced capitalist economies—proposed by Hein (2015)—is of relevance for the three countries under investigation here in the period before the crisis. Second, we examine changes in the financialisation–distribution nexus that may have occurred in the course of and after the financial and economic crisis. In our approach the use of time series or panel econometrics is quite difficult, because we need to rely on annual data and the focus of our analysis will be on potential differences in the relationships between financialisation and distribution among countries, on the one hand, and between the time periods before and after the crisis, on the other hand. The best we can do is thus to provide qualitative interpretations of the developments in the relevant quantitative indicators suggested by our theoretical approach.

The countries included in the current study comprise a 'debt-led private demand boom' economy before the crisis, Spain, which had managed to over-compensate for the lack of investment in productive capital stock and income-financed consumption demand, each associated with 'financialisation', by credit-financed private expenditures. According to Dodig, Hein, and Detzer (2016), in the course of and after the crisis, Spain under the dominance of the Eurozone regime and the imposed austerity policies turned to an 'export-led mercantilist' economy drawing on improved net exports as a driver of meagre demand growth. Next, we have the main 'export-led mercantilist' economy before the crisis, Germany, which had (partly) compensated for the lack of investment and income-financed consumption demand by rising net exports and current account surpluses. In the course of and after the crisis Germany saw an increasing relevance of domestic demand, however, with persistently high net exports and current account surpluses, which still qualify this economy as 'export-led mercantilist', according to Dodig, Hein, and Detzer (2016). And, finally, we have France as a 'domestic demand-led' economy before the crisis, which remained so in the course of and after the crisis, according to Dodig, Hein, and Detzer (2016).

The article is structured as follows. In Section Two we briefly review the trends of distribution before and after the crisis for the three countries, looking at the development of the adjusted wage share, top income shares and the Gini coefficients for both market and disposable income. Due to data constraints, the focus will be on the period from the early 1990s until the financial and economic crisis, and then on the period since the crisis. Section Three briefly outlines a Kaleckian theory of income distribution adapted to the conditions of financialisation, as suggested by Hein (2015). Section Four presents our country studies. Finally, Section Five provides a comparison and some conclusions.

2. Trends in redistribution before and after the crisis

The era of financialisation was marked by three redistributional trends from the early 1980s until the financial and economic crisis of 2007–09.

First, from the late 1970s/early 1980s until the Great Recession of 2008–09, income was redistributed from labour to capital. Figure 1 presents the adjusted wage share as a percentage of GDP at factor costs for our countries from 1970 until 2015. All the countries considered here have seen, apart from cyclical fluctuations, a downward trend at least from the early 1980s until the financial and economic crisis of 2007–09. Our comparative analysis of the determinants of redistribution in Section Four is limited to the period starting in the early 1990s or even later, primarily due to data availability. Therefore, we need to take a closer look at distributional tendencies from the early 1990s until the Great Recession, and at the developments since then. Here, we find as well that for all three countries this period was characterised by a tendency of the adjusted wage share to fall. After the crisis, a continuation of the downward trend can be observed in Spain. In Germany the falling trend

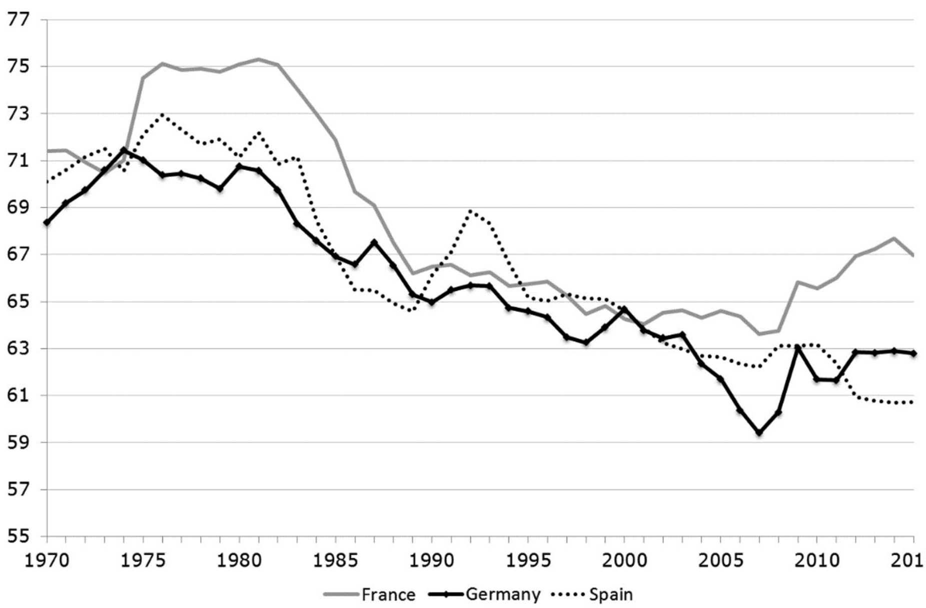

Figure 1. Adjusted wage share in France, Germany and Spain, 1970–2015 (% of GDP at factor costs). Source: European Commission (2016); authors' presentation.

Note: The adjusted wage share is defined as compensation per employee as a share of GDP at factor costs per person employed. It thus includes the labour income of both dependent and self-employed workers, and GDP at factor costs excludes taxes but includes subsidies and depreciations of the capital stock.

was halted and the adjusted wage share seems to have remained constant, and in France even a slightly upward trend can be observed after the crisis.

Figure 2 shows the development of the top 1 per cent income shares (before taxes) for our three countries, covering the years 1970 until 2012 (where data is available). In all three Eurozone countries the top 1 percent income share only started to rise in the 1990s or even in the early 2000s and increased until the 2007–09 crisis, with France showing the smallest increase. After the crisis, top income shares remained roughly constant in France, and they started to decline in Spain. For Germany, due to a lack of recent data, no statement about developments after the crisis can be made.

Figures 3 and 4 show Gini coefficients for market and disposable income, respectively, and thus demonstrate developments in personal income distribution—with some well-known middle-income bias. From the early 1990s until the crisis, the Gini coefficient for market income increased markedly in Germany, while it remained roughly constant in France and Spain, with wide fluctuations in the latter country, however. With the crisis of 2007–09, the rise in the Gini coefficient of market income was especially pronounced in Spain and this upward trend seems to have continued since then. It can also be observed slightly in Germany. In France the Gini coefficient for market income has even declined since the crisis. With regard to the Gini coefficient of disposable income, which measures personal income inequality after taxes and transfer payments, the picture is rather mixed. In France, this Gini coefficient also remained constant until 2009 when it even started to decline. In Spain, the Gini coefficient increased considerably in the early 1990s and followed a downward trend from the mid-1990s until the financial and economic crisis of 2007–09, when inequality increased again. In Germany the Gini coefficient of disposable income shows a sustained upward trend, before and after the crisis.

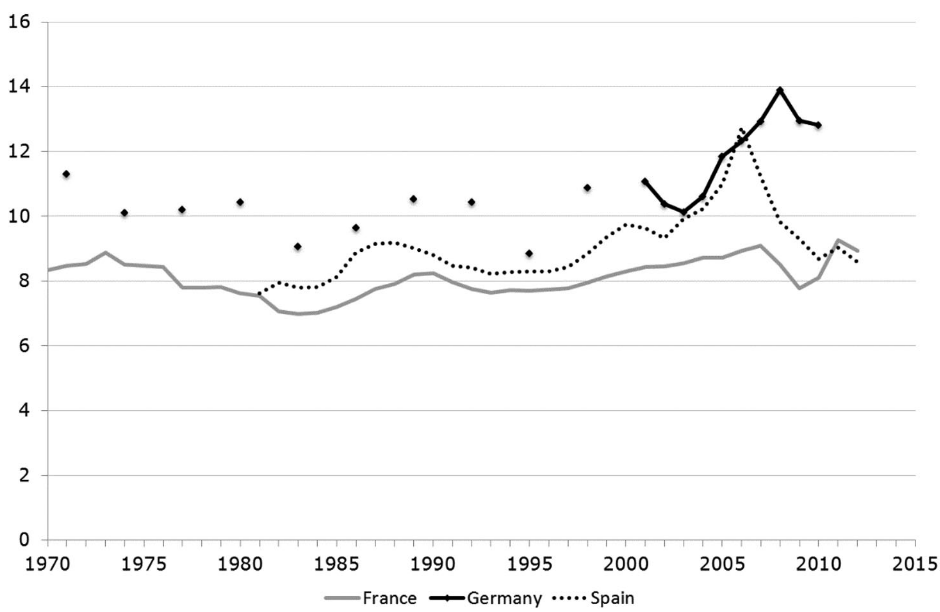

Figure 2. Top 1% income share in France, Germany and Spain, 1970–2012 (% of pre-tax fiscal income without capital gains). Source: World Wealth and Income Database (2016); authors' presentation.
Note: Top income shares relate to tax units.

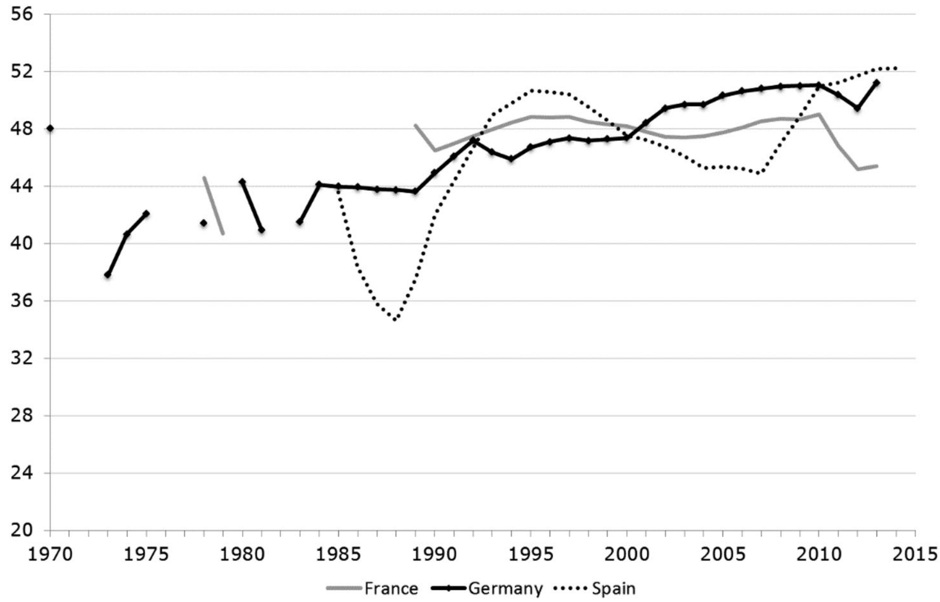

Figure 3. Gini coefficient of market income in France, Germany and Spain, 1970–2014. Source: Solt (2016); authors' presentation.

Note: The Gini coefficient is based on equivalised (square root scale) household market (pre-tax, pre-transfer) income.

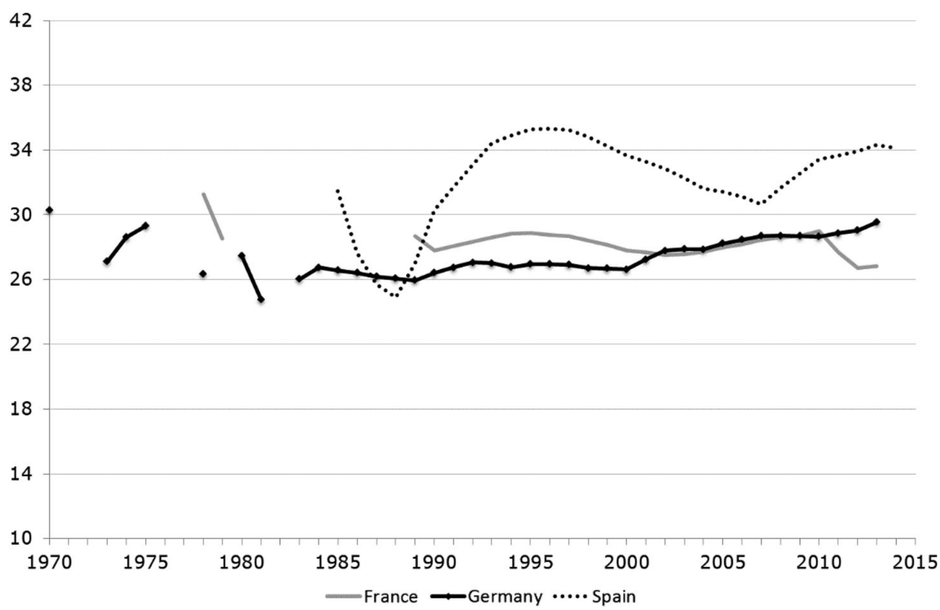

Figure 4. Gini coefficient of disposable income in France, Germany and Spain, 1970–2014. Source: Solt (2016); authors' presentation.

Note: The Gini coefficient is based on equivalised (square root scale) household disposable (post-tax, post-transfer) income.

3. The effect of financialisation on income distribution: a Kaleckian approach and empirical indicators

Hein (2015) reviewed some of the recent general empirical literature on the determinants of functional income shares against the background of the Kaleckian theory of distribution (Kalecki 1954, Part I; Hein 2014, Chapter 5), in order to identify the channels through which financialisation and neoliberalism may have affected functional income distribution. Hein contends that financialisation and neoliberalism may have contributed to the rising gross profit share, and hence to the falling labour income share since the early 1980s, through three main channels.

First, financialisation may have contributed to a shift in the sector composition of the economy which affects the overall profit and labour income shares, because sectoral income shares differ. In particular, a shift from the public sector and the non-financial business sector with higher labour income shares towards the financial business sector with a potentially lower labour income share, may have contributed to the fall in the labour income share for the economy as a whole.

Second, financialisation may affect overhead costs and profit claims, which in the Kaleckian approach determine the mark-up over unit variable costs and thus the gross profit share (including retained earnings, dividends, interest and rent, but also management salaries). Therefore, an increase in management salaries together with rising profit claims of the rentiers, i.e. rising interest and dividend payments of the corporate sector, and hence rising overhead costs from the management or firm perspective, may have contributed to a falling labour income share. The condition for this is that businesses are successful in passing these costs to labour by raising prices or compressing unit wage costs.

Third, financialisation and neoliberalism may have weakened trade union bargaining power, which also affects the mark-up in firms' pricing, according to the Kaleckian approach, and thus the gross profit share. Several channels are important here: increasing shareholder value orientation and short-term profitability orientation of management; sectoral shifts away from the public sector and the non-financial business sector with stronger trade unions in many countries to the financial sector with potentially weaker unions; liberalisation and globalisation of international trade and finance; deregulation of the labour market; and downsizing of the government as well as abandonment of government demand management and full employment policies.

Although Hein (2015) reviewed some general empirical evidence supporting the validity of the three channels of influence of financialisation and neoliberalism on income shares indicated above, it is rather likely that these channels may not apply to all developed capitalist economies to the same degree before the crisis, if at all. And it also should be examined whether the crisis of 2007–09 has affected the financialisation–distribution nexus in respective countries, and if so, to what extent and through which channels. In the following section empirical indicators for these channels are examined for our three countries, and assessed qualitatively, both before the financial and economic crisis from the early 1990s until 2007–09 and then in the course of and after the crisis.

For the first channel, the sectoral composition channel, we will study the contributions of the financial corporate, non-financial corporate, household and government sectors to gross value added of the respective economies, and the profit shares in the financial and non-financial corporate sectors, in particular. This allows us to see whether there has been the expected structural change in favour of the financial sector, whether profit shares in the financial sector have been higher than in the non-financial sectors, and whether any change in the sectoral composition of the economy as such has contributed to a rise in the profit share and hence a fall in the wage share for the economy as a whole.[2]

For the second channel, the overhead costs and rentiers' profit claims channel, we inspect more closely the functional distribution of national income and distinguish the different components of aggregate profits in order to see whether a rise in the profit share benefitted firms, in terms of retained earnings, or rentiers, in terms of distributed profits, dividends and interest, in particular. In turn, this allows us to infer whether rising income claims of rentiers—and thus overhead costs of firms—were at the expense of workers' income or at the expense of retained earnings under the control of the management of firms.[3] Thus we are only examining the distributional effects of changes in financial overheads and rentiers' profit claims on functional income shares.[4] Our data does not allow conclusions to be drawn with respect to the distributional effects of changes in (top-)management salaries as part of overheads, since management salaries are part of the compensation of employees in the national accounts and thus of the labour income share to be used below, or the adjusted wage share as shown in the previous section.[5]

For the third channel, the bargaining power channel, we study several determinants of workers' and trade unions' bargaining power, which have been found to significantly affect functional income distribution in recent (panel) econometric work.[6] A first set will be directly related to the labour market, i.e. unemployment rates, union density, wage bargaining coverage, employment protection and unemployment benefits, which should each be positively related to workers' and trade unions' bargaining power. In this context we also consider the development of trade openness to assess international competition among workers and the 'threat effect' of firms outsourcing and relocating production, which should negatively affect workers' bargaining power at national levels. Recently, it has also been argued by Barba and Pivetti (2009) and by Kim, Lima, and Setterfield (2017) that household indebtedness should negatively affect workers' bargaining power, because the cost of job loss will rise if workers need labour income to borrow and to service debt in order to sustain their level of consumption. Finally, we consider the bargaining power of workers at the non-financial corporate level, in particular. This should be affected by managers' interest in the maximisation of short-term profits in favour of shareholder value as opposed to the long-term growth of the firm. This strategy

[2]See Dünhaupt (2012) for such an analysis of the US and Germany during the pre-crisis period, and Hein and Detzer (2015) for Germany up to 2011.

[3]Ibid.

[4]See recent econometric results by Dünhaupt (2017) for a panel of 13 OECD countries, Hein and Schoder (2011) for Germany and the US and Tomaskovic-Devey and Lin (2013) for a panel of US non-financial industries for periods before the crisis.

[5]In order to examine the effects of rising top-management salaries, the labour income share from the national accounts would have to be corrected by the labour income of the top income brackets (say, the top 1 per cent), which, to our knowledge, is neither available for all the countries in our study nor for the required time periods. For the pre-crisis period, Glyn (2009) has presented such results for the US, Atkinson (2009) for the UK and Dünhaupt (2011) for the US and Germany.

[6]See, in particular, the recent panel econometric studies on the determinants of functional income distribution, including different labour markets, wage bargaining, financialisation and globalisation indicators, and using data for large sets of countries or industries, mainly for pre-crisis periods, by Dünhaupt (2017), Godechot (2016), Guschanski and Onaran (2016), Jayadev (2007), Kristal (2010), Stockhammer (2009, 2013a, 2013b, 2017) and Tomaskovic-Devey and Lin (2013).

implies 'downsizing and distributing' instead of 'retaining and investing', as Lazonick and O'Sullivan (2000) have pointed out. Boosting share prices and/or paying out profits to shareholders by means of squeezing workers and by financial investments instead of real investments in the capital stock of the firm should thus be managers' priorities. In terms of indicators, we examine the relevance of property income received in relation to the operating surplus of non-financial corporations to assess the relevance of financial versus real investments, and we use property income paid in relation to the operating surplus to identify the distributional pressure imposed by shareholders on management and on labour. A high relevance of received financial profits and of dividend payments will each be interpreted as indicating a high shareholder value orientation of management, which should be detrimental to workers' bargaining power and hence the wage share at the corporate level.[7]

The focus of the Kaleckian approach used here is on the determination of functional income distribution. However, changes in functional distribution will also affect the personal or household distribution of income.[8] Therefore, if the labour income share is falling and the gross profit share—including retained profits, dividends, interest and rents—is rising, this should also contribute to the increasing inequality of household incomes. The major reason for this is the unequal distribution of wealth (Piketty 2014, Chapter 10), which generates access to capital income and hence gross profits. Thus, if financialisation causes a rise in the profit share, this will then also increase the inequality of household incomes to the extent that profits are distributed to households according to the unequal distribution of profit-generating wealth. Of course, if rising profits—relative to wages—are retained in the corporate sector and thus not distributed to wealthy households, the link between redistribution at the functional level and at the personal/household level will be weakened.

4. Country studies

4.1. Spain

4.1.1. Spain before the crisis

To recall our findings in Section Two, the Spanish economy before the crisis saw a tendency of the adjusted wage share to fall. This was accompanied by roughly constant Gini coefficients both for market and for disposable income of households, and by an increase in top income shares. Let us now focus on the contribution of financialisation to this development following the model outlined in the previous section.[9]

[7]Indicators representing managements' preferences for financial instead of real investment (financial profits received) and managements' ability to finance real investment (financial profits paid out) have been found to have detrimental effects on the investment of non-financial firms in the capital stock, for the US, the UK and other European countries, mainly for the pre-crisis period. See Onaran, Stockhammer, and Grafl (2011), Orhangazi (2008), Stockhammer (2004), Tori and Onaran (2017, 2018) and van Treeck (2008).

[8]As Atkinson (2009) and Glyn (2009) have explained, the development of functional income distribution is fundamental for the other dimensions of distribution as well as for the macroeconomic effects of distributional changes. For empirical evidence for 16 European Union (EU) countries, see Schlenker and Schmid (2015); for Germany, see Adler and Schmid (2013), and for Germany, the UK and the US, see Fräßdorf, Grabka, and Schwarze (2011). Dafermos and Papatheodorou (2015) provide an analysis of the interaction between functional and personal distribution in a macroeconomic stock-flow consistent framework.

[9]For a broader assessment of financialisation and the financial and economic crisis in Spain, see Ferreiro, Gálvez, and González (2016), for example.

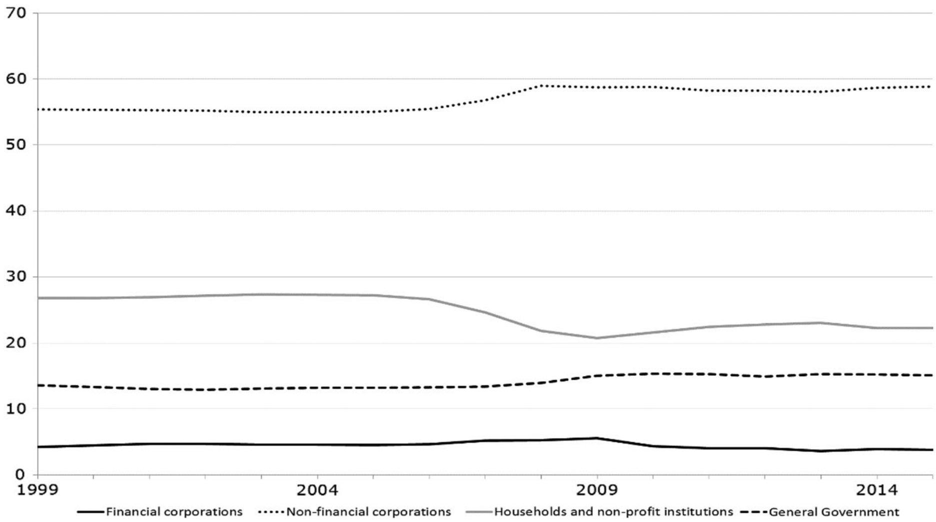

Figure 5. Sector shares in nominal gross value added, Spain, 1999–2015 (%). Source: OECD (2017); authors' calculations and presentation.

For the study of the first channel, the importance of the financial corporate sector, we first look at the sectoral shares of the total economy. Figure 5 illustrates that there was a slightly growing relevance of the financial sector in the Spanish economy during the early 2000s before the Great Recession (i.e. from 4.2 to 5.4 per cent of gross value added from 1999 to 2009). In addition, the share of the non-financial corporate sector in gross value added increased before the crisis, whereas the share of households, i.e. non-corporate business, declined, and the share of the government remained roughly constant. Simultaneously, the profit share of the financial corporate sector increasingly exceeded the profit share of the non-financial corporate sector (Figure 6). The sectoral composition channel of financialisation as such should have slightly contributed to the fall in the aggregate wage share, if we can assume that the adjusted wage share in the non-corporate sector, as part of the household sector in the national accounts, was higher than in the financial corporate sector.[10]

Looking at the financial overheads/rentiers' profit claims channel for the Spanish economy, we find a slight decline of the net property income share in national income in the 2000s before the crisis (Figure 7). Therefore, from this perspective, no upward pressure on the mark-up, and hence no downward pressure on the wage share, was imposed. Rather, falling financial overheads/rentiers' profit claims allowed for a rise in the (unadjusted) wage share in national income and also the share of retained earnings in the years immediately before the crisis.[11] However, as can be seen in Figure 8, this

[10]To support this claim, we would have needed data on sectoral labour income shares that include the income of the self-employed.

[11]At first sight, this rise in the wage share in net national income in the years before the crisis seems to contradict the fall in the adjusted wage share in GDP at factor costs, which we have seen in Section Two and which we are trying to explain here. The difference is, of course, that the adjusted wage share in GDP at factor costs eliminates the effects of structural changes in the labour force from self-employment to dependent employment that would otherwise increase the wage share without indicating an improvement of the distributional position of the average worker. Furthermore, it relates the adjusted wage income to GDP at factor costs, which includes depreciation allowances received by capitalists. These are not included in net national income. For these reasons, the adjusted wage share in GDP at factor costs is more

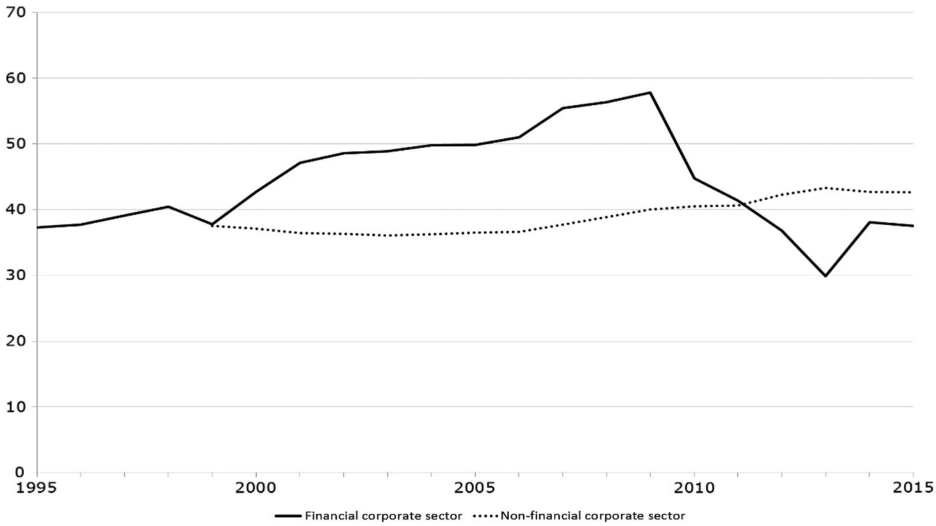

Figure 6. Sector gross operating surplus as a share of sector gross value added, Spain, 1995–2015 (%). Source: OECD (2017); authors' calculations and presentation.

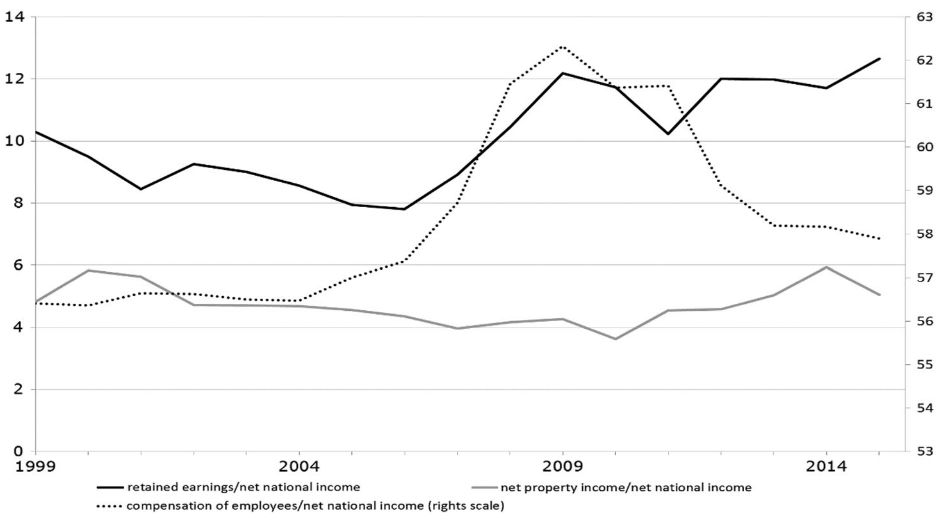

Figure 7. Income shares in net national income, Spain, 1999–2015 (%). Source: OECD (2017); authors' calculations and presentation.

Note: Income shares do not add up to 100%, because the government sector is left out. For a detailed discussion, compare Dünhaupt (2012).

was only possible because the increase in the share of dividend incomes associated with increasing financialisation and shareholder value orientation of management was more than compensated by a simultaneous fall in the share of net interest incomes.

appropriate when examining the changes in distribution between labour and capital. However, here we are also interested in the distribution of actual profits between retained earnings and distributed profits. Therefore it is appropriate to look at the actual and unadjusted distribution of net national income at this stage.

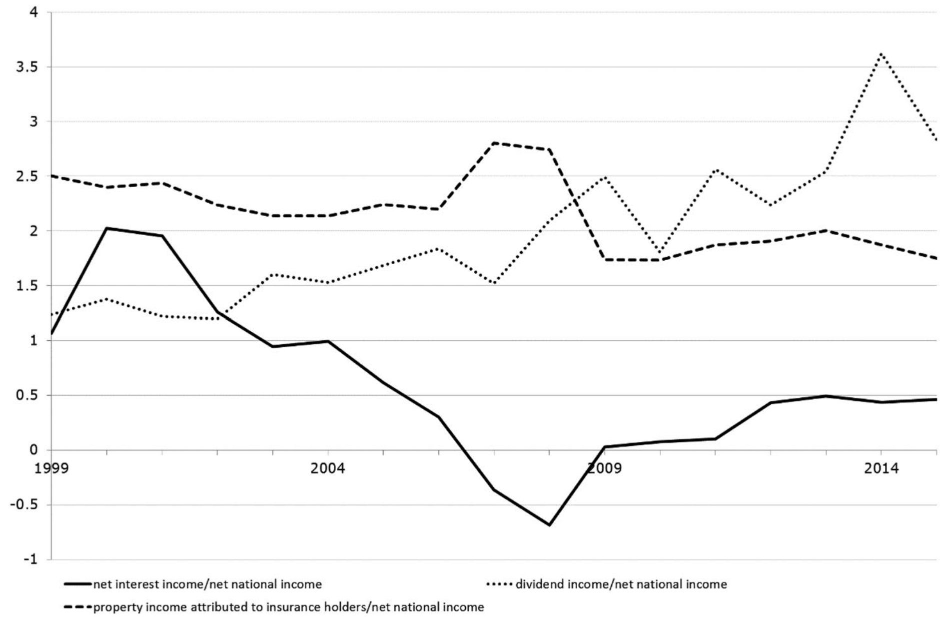

Figure 8. Components of rentiers' income as a share in net national income, Spain, 1999–2015 (%). Source: OECD (2017); authors' calculations and presentation.

With regard to the bargaining power channel at the economy-wide level, we see a pronounced improvement in the rate of unemployment in the early 2000s (Table 1). However, the already very low union density rate fell further in the early 2000s, and particularly the initially quite high bargaining coverage rate deteriorated considerably. Employment protection and replacement rates did not see much of a change. On the other hand, household indebtedness more than doubled in the early 2000s, and trade openness increased tremendously from the mid-1990s until the crisis putting pressure on the wage bargaining power of workers.

Finally, at the non-financial corporate level, looking at property income received and paid in relation to the operating surplus of non-financial corporations, we see a remarkable shift towards shareholder value orientation and short-termism of management, which was detrimental to the bargaining power of workers. With regard to property income received, we see a considerable rise, driven mainly by the increase in distributed income of other corporations, i.e. dividends, indicating a rising relevance of financial investments as compared to real investment (Figure 9). In turn, regarding the property income paid, the relevance of total distributed property income increased vigorously in the early 2000s until the crisis, driven by dividend and interest payments, indicating both rising shareholder value orientation and rising indebtedness of corporations (Figure 10). Therefore, although unemployment rates in Spain decreased in the years before the crisis, several other criteria indicate a falling bargaining power of workers in this period, both economy-wide and in the non-financial corporate sector, explaining the tendency of the adjusted wage share to fall from the early 1990s until the crisis.

Summing up, the fall in the adjusted wage share in Spain before the crisis can thus be related to a change in the sectoral composition towards the financial corporate sector and

Table 1. Indicators for workers' and trade unions' bargaining power, Spain, 1990–2013.

	1990–1994	1995–1999	2000–2004	2005–2009	2010–2013
Unemployment rate (%)	18.16	17.80	11.30	11.02	23.05
Trade unions					
Union density rate: union membership as a per centage of wage and salary earners in employment	16.05	16.97	16.08	15.85	17.03
Bargaining (or union) coverage: employees covered by collective (wage) bargaining agreements as a percentage of all wage and salary earners, adjusted for occupations and sectors without right for bargaining	87.06	91.35	79.94	77.87	77.50
Employment protection (index: 0–6)					
Strictness of employment protection: individual dismissals (regular contracts)	3.55	2.36	2.36	2.36	2.21
Strictness of employment protection: collective dismissals (additional restrictions)		3.75	3.75	3.75	3.66
Strictness of employment protection: temporary contracts	3.75	3.25	3.25	3.10	2.70
Unemployment benefits					
Gross replacement rate (% of average production worker wage)	32.58	35.24	35.38	35.14	
Gross replacement rate (% of average wage)			32.91	32.56	31.39
Net replacement rate summary measure of benefit entitlements (excl. social assistance and housing benefits) (% of previous net income)			42.03	41.85	41.26
Net replacement rate summary measure of benefit entitlements (incl. social assistance and housing benefits) (% of previous net income)			50.30	50.14	49.31
Households' debt (% of GDP)	30.54	34.35	50.70	77.39	81.29
Trade openness (% of GDP)	37.17	50.01	56.12	53.93	55.48

Notes: Averages were calculated for the five-year periods indicated. Sometimes data was not available for all years in the five-year periods. Household debt contains credit from all sectors to households and NPISHs, market value, adjusted for breaks. Trade openness is calculated as the sum of exports and imports of goods and services as a share of GDP.
Sources: BIS (2016), European Commission (2016), OECD (2016), Visser (2016), World Bank (2016); authors' calculations and presentation.

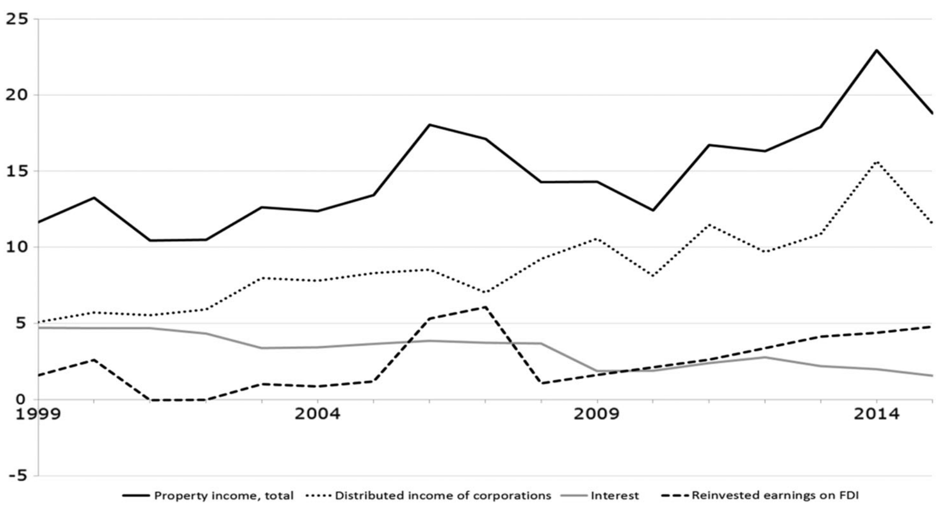

Figure 9. Property income received by non-financial corporations, Spain, 1999–2015 (% of sector gross operating surplus). Source: OECD (2017); authors' calculations and presentation.

Note: Total property income also includes property income attributed to insurance policy holders and rents.

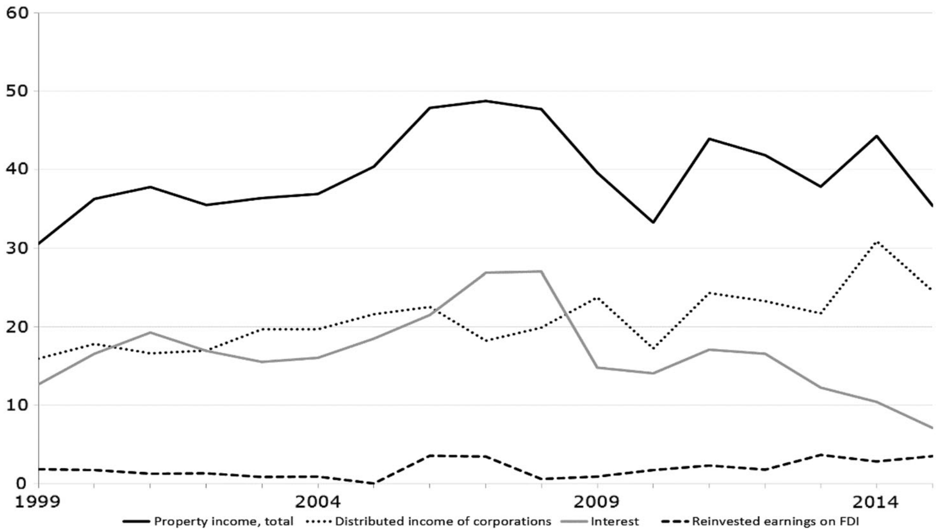

Figure 10. Property income paid by non-financial corporations, Spain, 1999–2015 (% of sector gross operating surplus). Source: OECD (2017); authors' calculations and presentation.

Note: Total property income also includes rents.

to the fall of workers' and trade unions' bargaining power, whereas there is no indication of the financial overheads/rentiers' profit claims channel having had an effect.

4.1.2. Spain in the course of and after the crisis

Since the crisis the tendency of the wage share to decline in Spain has continued, whereas top income shares have fallen, but Gini coefficients have continued to rise indicating that inequality in the middle and at the bottom of household distribution has increased.

Looking at the three channels through which financialisation may affect income shares, we find that, after the crisis, the share of financial corporations in gross value added has declined, as has the profit share in this sector, which has even fallen below the profit share of the non-financial corporations (Figures 5 and 6). The sectoral composition channel would thus have allowed for an increase in the adjusted wage share in national income.

However, the share of net property income in net national income started to rise again after the crisis (Figure 7), driven in particular by an increase in the share of dividend income (Figure 8). Simultaneously, the share of retained earnings has remained constant and even slightly increased, which means that labour has borne the burden of rising overheads and rentiers' profit claims.

This has been made possible by a further spectacular decline in the bargaining power of workers and trade unions, as our indicators show, both at the aggregate and corporate levels. Unemployment has more than doubled in the course of the crisis, employment protection has decreased, in particular for temporary contracts, and household debt–GDP ratios and trade openness have slightly increased (Table 1). Furthermore, the shareholder value orientation of management of non-financial corporations has also risen considerably since the crisis: the relevance of property income received has gone up, driven by dividends received (Figure 9), and dividends paid have also risen (Figure 10).

The deterioration in workers' bargaining power can be related in particular to the crisis and to the policies implemented by the Spanish government in order to overcome the economic recession. On the one hand, Spain has been under the corrective arm of the Excessive Deficit Procedures of the European Commission, and between 2010 and 2013 the Spanish government undertook fiscal consolidation efforts of around 1.5 per cent of GDP for each year (European Commission 2009, 2010, 2012a). This fiscal tightening further exacerbated GDP contraction and employment losses (Ferreiro, Gálvez, and González 2015). On the other hand, labour market reforms in 2010 and 2012 aiming at the reduction of dualism between permanent and temporary workers and at fostering job creation (IMF 2015) undermined the bargaining power of employed workers. These reforms gave priority to firm-level bargaining agreements; they extended the duration of temporary contracts from 6 to 12 months, under which workers can be dismissed without any reason and no compensation; and they worsened employment protection by means of weakening conditions for dismissals and reducing monetary compensation of workers for both fair and unfair dismissals (Horwitz and Myant 2015).[12]

Summing up the case of Spain, we can say that the sectoral composition channel would have allowed for a rise in the adjusted wage share and an improvement of overall distribution after the crisis. However, this distributional space could not be exploited by labour, because the bargaining power of workers and trade unions has been further depressed, in particular by austerity policies, labour market reforms and high unemployment, as well as by rising shareholder value orientation at the non-financial corporate level. Therefore, the adjusted wage share has continued to fall, and it has been the distributional position of rentiers but also retained earnings of firms that have benefitted so far.

4.2. Germany[13]

4.2.1. Germany before the crisis

As we observed in Section Two, the German economy before the crisis saw a tendency of the adjusted wage share to fall. This was accompanied by a rise in top income shares, in particular in the period immediately before the crisis, and increasing Gini coefficients both for market income and for disposable income of households. We now examine the contribution of financialisation to this development following the model from Section Three.[14]

Checking the relevance of the channels of influence of financialisation on functional income shares before the crisis, with respect to the first channel we find that neither the profit share of the financial corporate sector was higher than the profit share in the non-financial corporate sector in the period of the increasing dominance of finance starting in the early/mid-1990s, nor was there a shift of the sectoral shares in gross value added towards the financial sector, which remained roughly constant at a low level (Figures 11 and 12). However, the share of the government sector in value added saw a tendency to decline, from close to 12 per cent in the mid-1990s to below 10 per cent in 2007. Similarly, the share of the household sector, containing non-corporate business, declined from

[12]For austerity policies in Spain, see also Febrero and Bermejo (2013) and Ferreiro and Gomez (2015).
[13]This section draws on and updates what has been presented in Hein and Detzer (2015).
[14]For a broader assessment of financialisation and the financial and economic crisis in Germany, see Detzer and Hein (2016), for example.

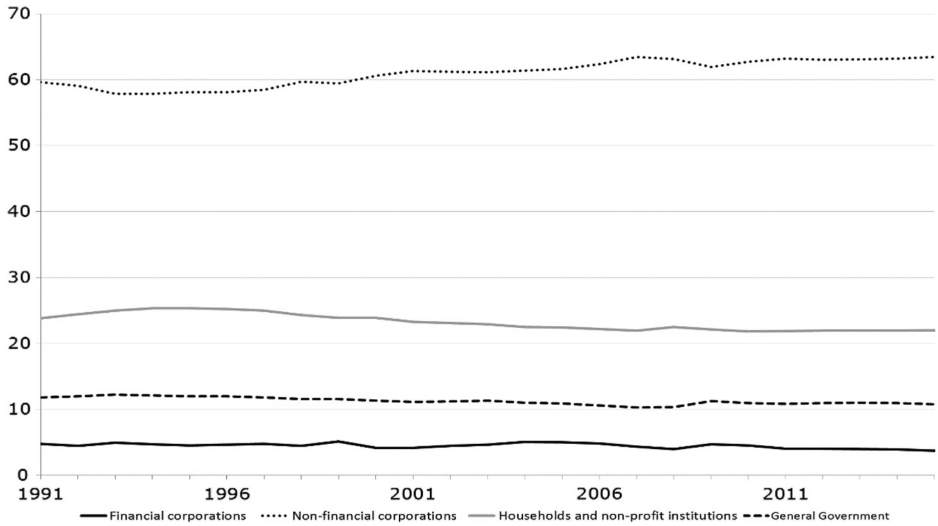

Figure 11. Sector shares in nominal gross value added, Germany, 1991–2015 (%). Source: Statistisches Bundesamt (2017); authors' calculations and presentation.

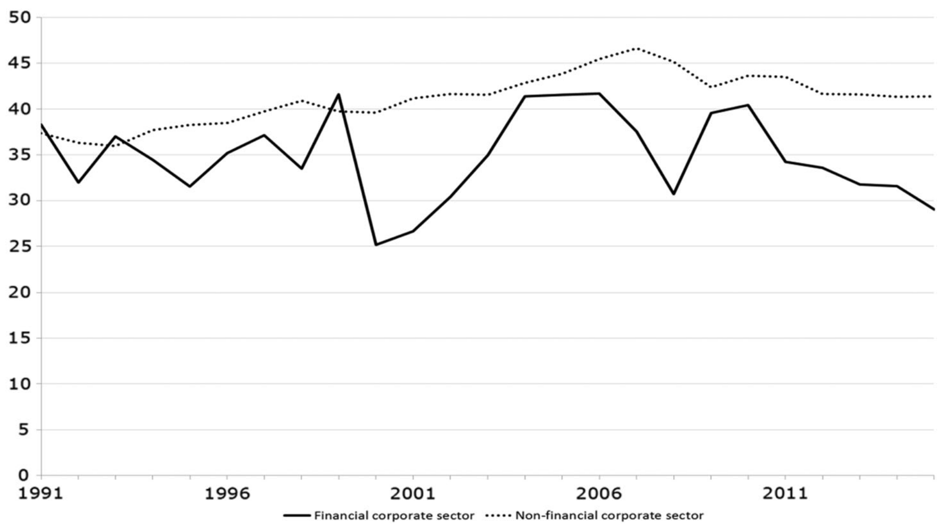

Figure 12. Sector gross operating surplus as a share of sector gross value added, Germany, 1991–2015 (%). Source: Statistisches Bundesamt (2017); authors' calculations and presentation.

around 25 per cent in the early 1990s to below 22 per cent in 2007, whereas the share of the non-financial corporate sector increased by 5 percentage points in the same period. Ceteris paribus, this change in sectoral composition means a fall in the aggregate wage share and a rise in the aggregate profit share, because the government sector is a non-profit sector in the national accounts, and the adjusted wage share in the household sector should be higher than in the corporate sector. However, the financial corporate sector was not involved in this channel of redistribution.

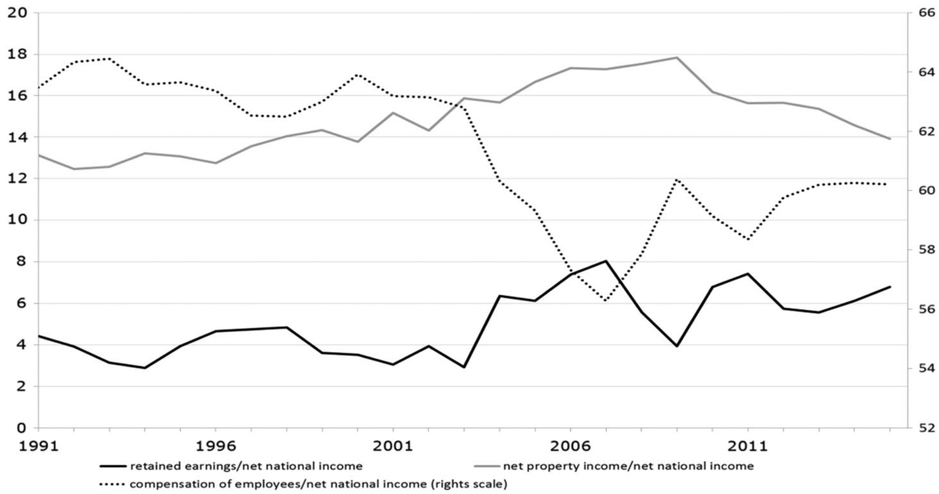

Figure 13. Income shares in national income, Germany, 1991–2015 (%). Source: Statistisches Bundesamt (2017); authors' calculations and presentation.

Note: Income shares do not add up to 100%, because the government sector is left out. For a detailed discussion, compare Dünhaupt (2012).

Regarding the second channel, the financial overheads/rentiers' profit claims channel, we have several indicators supporting its validity in the case of Germany. There is substantial evidence that the increase in the profit claims of rentiers came at the expense of the workers' share in national income (Figure 13). From the 1990s, after German re-unification, until the Great Recession, the fall in the wage share benefitted mainly the rentiers' income share. Only during the short upswing before the Great Recession did the share of retained earnings also increase. Decomposing the rentiers' income share, it becomes clear that the increase was exclusively driven by a rise in the share of dividends, starting in the mid-1990s, when we observed an increasing dominance of finance and shareholders in the German economy (Figure 14).

With respect to the third channel, the depression of workers' and trade unions' bargaining power, we find that several indicators apply to developments in Germany before the crisis. Starting in the early/mid-1990s, downsizing of the government sector, as shown above, and the switch towards restrictive macroeconomic policies focusing exclusively on achieving low inflation, high international price competitiveness and (close to) balanced public budgets meant low growth and rising unemployment (Table 2).[15] Policies of deregulation and liberalisation of the labour market (Hartz laws, Agenda 2010) explicitly and successfully aimed at weakening trade union bargaining power through lowering unemployment benefits (replacement rates and also duration), establishing a large low-paid sector, as well as reducing trade union membership, collective wage bargaining coverage, and coordination of wage bargaining across sectors and regions (Hein and Truger 2005). As a result of the reforms, unemployment benefits were drastically reduced, so

[15]Bibow (2005), Hein and Truger (2005, 2009) and Herr and Kazandziska (2011) present extensive analyses of the restrictive macroeconomic policies that have dominated the German economy since the mid-1990s, and during the trade cycle of the early 2000s until the Great Recession in particular.

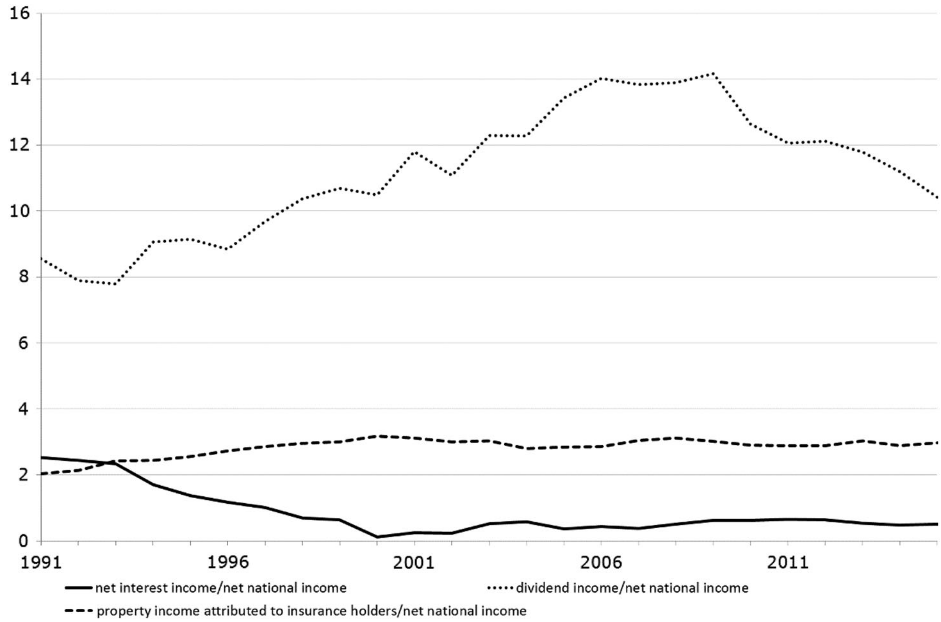

Figure 14. Components of rentiers' income as a share in net national income, Germany, 1991–2015 (%). Source: Statistisches Bundesamt (2017); authors' calculations and presentation.

Table 2. Indicators for workers' and trade unions' bargaining power, Germany, 1990–2013.

	1990–1994	1995–1999	2000–2004	2005–2009	2010–2013
Unemployment rate (%)	7.10	8.94	8.88	8.96	5.85
Trade unions					
Union density rate: union membership as a percentage of wage and salary earners in employment	32.65	27.04	23.40	20.07	18.37
Bargaining (or union) coverage: employees covered by collective (wage) bargaining agreements as a percentage of all wage and salary earners, adjusted for occupation and sector without right for bargaining	85.00	75.10	67.52	62.60	58.64
Employment protection (index: 0–6)					
Strictness of employment protection: individual dismissals (regular contracts)	2.60	2.68	2.68	2.68	2.68
Strictness of employment protection: collective dismissals (additional restrictions)		3.63	3.63	3.63	3.63
Strictness of employment protection: temporary contracts	3.25	2.55	1.70	1.00	1.03
Unemployment benefits					
Gross replacement rate (% of average production worker wage)	28.28	26.24	29.20	24.17	
Gross replacement rate (% of average wage)			32.28	22.57	20.80
Net replacement rate summary measure of benefit entitlements (excl. social assistance and housing benefits) (% of previous net income)			60.07	45.34	41.96
Net replacement rate summary measure of benefit entitlements (incl. social assistance and housing benefits) (% of previous net income)			63.11	57.58	53.64
Households' debt (% of GDP)	52.94	63.85	69.70	63.48	57.45
Trade openness (% of GDP)	44.35	48.62	62.30	75.70	81.12

Notes: Averages were calculated for the five-year periods indicated. Sometimes data was not available for all years in the five-year periods. Household debt contains credit from all sectors to households and NPISHs, market value, adjusted for breaks. Trade openness is calculated as the sum of exports and imports of goods and services as a share of GDP.

Sources: BIS (2016), European Commission (2016), OECD (2016), Visser (2016), World Bank (2016); authors' calculations and presentation.

that both net- and gross-replacement rates declined considerably in the early 2000s. While indicators for employment protection show a slight increase in employment protection for regular contracts from 2000 onwards, temporary contracts were heavily deregulated, contributing to the emergence of a dual labour market in Germany. The weakening of trade unions since the mid-1990s can be seen in the decline in membership, i.e. union density, but in particular in the decline in bargaining coverage, which fell from 74 per cent in the mid to late 1990s to only 64 per cent until the crisis. Furthermore, both trade and financial openness of the German economy increased considerably and put pressure on trade unions through international competition in the goods and services markets and through the delocalisation threat. Trade openness increased by more than 30 percentage points of GDP from the early 1990s until the crisis. However, household debt–GDP ratios remained low by international comparison and only slightly increased before the crisis.

Looking at shareholder value orientation and bargaining power at the non-financial corporate level, we find that shareholder value orientation and short-termism of management of non-financial corporations increased significantly in the period before the crisis, thus increasing the pressure on workers and trade unions and constraining their bargaining power. A rising importance of financial profits for non-financial corporations indicates an increased preference of management for short-term profits obtained from financial investment, as compared to profits from real investment, which might only pay off in the medium to long run (Figure 15). This increase was driven by growing interest payments received in a period of low interest rates and by an increase in dividend payments obtained, and furthermore by reinvested profits from foreign direct investment (FDI; which may or may not have been in the expansion of capital stock abroad).

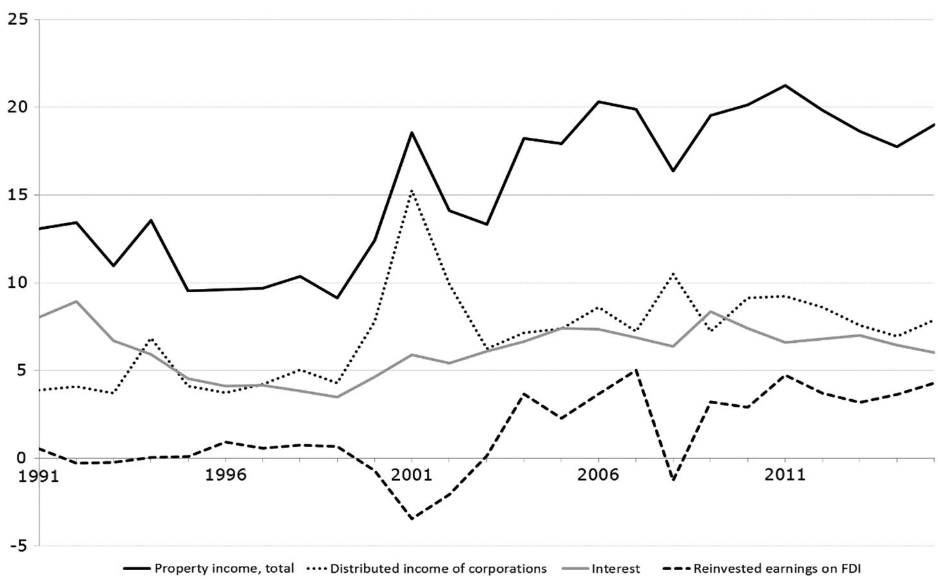

Figure 15. Property income received by non-financial corporations, Germany, 1991–2015 (% of sector gross operating surplus). Source: Statistisches Bundesamt (2017); authors' calculations and presentation.

Note: Total property income also includes property income attributed to insurance policy holders and rents.

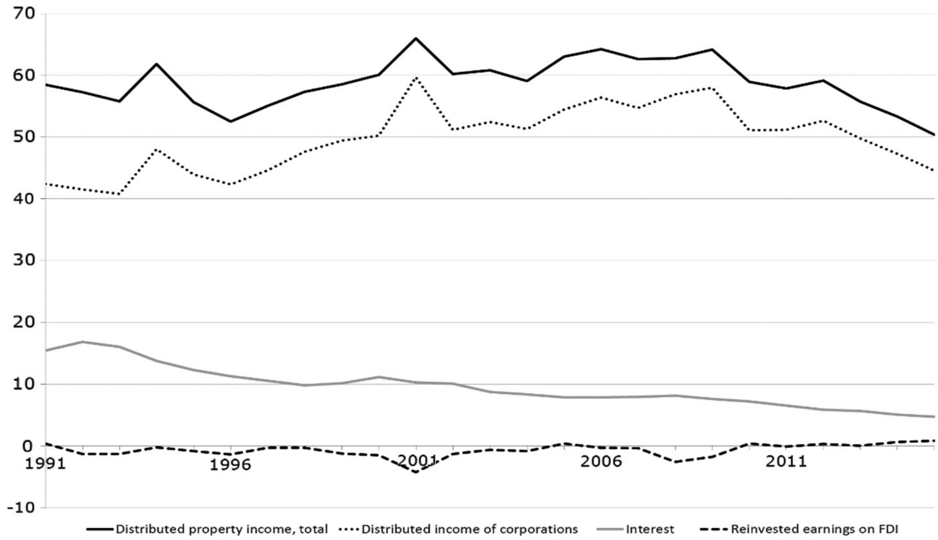

Figure 16. Property income paid by non-financial corporations, Germany, 1991–2015 (% of sector gross operating surplus). Source: Statistisches Bundesamt (2017); authors' calculations and presentation.
Note: Total property income also includes rents.

Turning to distributed profits, we see a rise in the importance of distributed property income in the period before the crisis (Figure 16). This increase was driven almost exclusively by an increase in the distributed income of corporations, i.e. dividends, whereas interest payments in relation to the gross operating surplus stagnated or even declined.

Summing up the German case before the crisis, it can be argued that the fall in the wage share was mainly caused by the rise in financial overheads and rentiers' profit claims and, in particular, by the significant fall in workers' and trade unions' bargaining power. There was no change in the sectoral composition in favour of the financial sector; however, the changes at the expense of the government and maybe the household sector have also contributed to the fall in the wage share of the economy as a whole.

4.2.2. Germany in the course of and after the crisis

In the course of and after the crisis, the wage share in Germany remained roughly constant, whereas Gini coefficients for households' market and disposable income continued to rise slightly. Lack of data does not permit any conclusion regarding the post-crisis tendency of top income shares. Reviewing the three channels through which financialisation may affect income shares, we find the following.

First, the sectoral composition of the German economy has remained roughly stable, and the profit share in the financial sector has remained below that of the non-financial corporate sector, with an increasing gap between the two (Figures 11 and 12). This should have contributed to a rising wage share for the economy as a whole.

Second, the pressure via the financial overheads/rentiers' profit claims channel on the wage share has declined and the property income share, as well as the share of income going to rentiers in terms of dividends, has remained constant (Figures 13 and 14). This has allowed the wage share to remain stable and the share of retained earnings to rise.

Third, looking at the workers' bargaining power channel, labour market indicators signal mixed results (Table 2). Unemployment rates fell significantly after the crisis, due to the quick recovery of the German economy from the crisis (Detzer and Hein 2016). According to Grabka (2015), there are four main factors that can be held accountable for this development: first, massive layoffs due to a decrease in demand were prevented by work-sharing schemes. Work hours were reduced and the government stepped in and provided short-time working compensation; second, in the course of the crisis, the German labour market benefitted from flexible labour market arrangements; third, in order to revive the economy, the German government launched two stimulus packages in 2008 and 2009 (OECD 2010); and, fourth, the German economy benefitted from an increase in world demand for German exports.

However, several labour market indicators have changed to the disadvantage of workers and trade unions. Trade union density and wage bargaining coverage have further declined, unemployment benefit replacement rates have fallen further and employment protection legislation has remained constant. Trade openness further increased after the crisis, but the already low household debt–GDP ratio has fallen. Furthermore, the introduction of a legal minimum wage in 2015 (Amlinger, Bispinck, and Schulten 2016) should have had a positive impact on workers' and trade unions' bargaining power. At the non-financial corporate level, shareholder value orientation has fallen and the pressure on labour has been relieved, as the fall in the relevance of both financial profits received and paid out indicates, and in dividends paid out in particular (Figures 15 and 16).

Summing up, during and after the crisis, the pressure through the financial overheads/rentiers' profit claims channel on the wage share has relaxed and workers' bargaining power has somewhat recovered as a result of the reduction of shareholder value orientation at the non-financial corporate level and, in particular, the rapid recovery of the German economy from the crisis providing falling unemployment rates (Detzer and Hein 2016; Dodig, Hein, and Detzer 2016). Therefore, redistribution at the expense of the wage share has come to a halt. However, this neither implies that the trend towards a falling wage share has actually been reversed nor that rising inequality of household incomes, as indicated by the Gini coefficients for market and disposable income, has come to a stop.

4.3. France

4.3.1. France before the crisis

As we noted in Section Two, before the crisis the French economy witnessed a tendency of the adjusted wage share to fall and of the top income shares to rise slightly, whereas the Gini coefficients for households' market and disposable incomes remained roughly stable.[16] Again, we apply our model from Section Three in order to assess the effects of financialisation on functional income shares.

Reviewing the sectoral composition channel for the distributional effects of financialisation, we find that the share of the financial corporate sector in gross value added slightly declined from the early 1990s until the crisis, which was associated with a slight increase in

[16]For a broader assessment of financialisation and the financial and economic crisis in France, see Cournilleau and Creel (2016), for example.

the share of non-financial corporations (Figure 17). The profit share in the financial corporate sector decreased from the 1990s until the years before the crisis, when it reached the level of the non-financial corporate sector (Figure 18). Therefore, we can state that there is no relevance of the sectoral composition channel for the fall in the aggregate adjusted wage share in France.

For the financial overheads/rentiers' profits claim channel, we also find no effect on the aggregate wage share. From the early 1990s until the crisis, the share of rentiers' income (net property income) in net national income saw a slight tendency to fall, which allowed

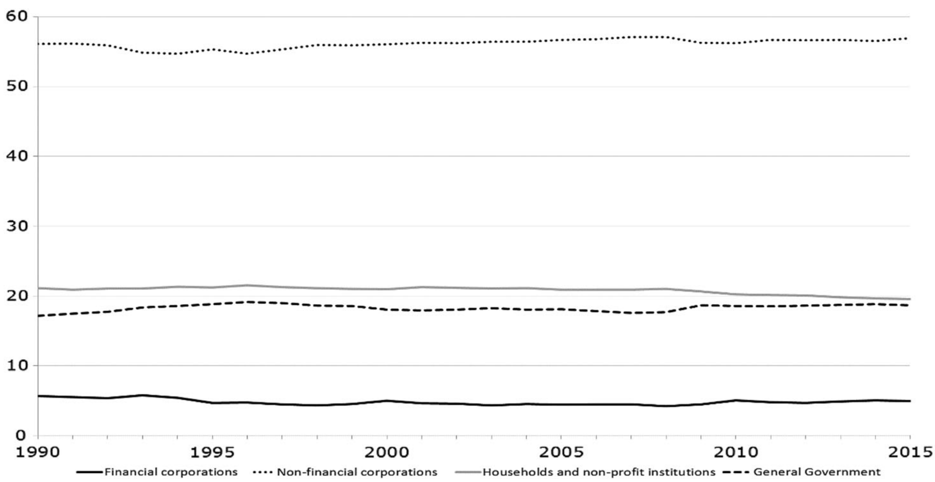

Figure 17. Sector shares in nominal gross value added, France, 1990–2015 (%). Source: OECD (2017); authors' calculations and presentation.

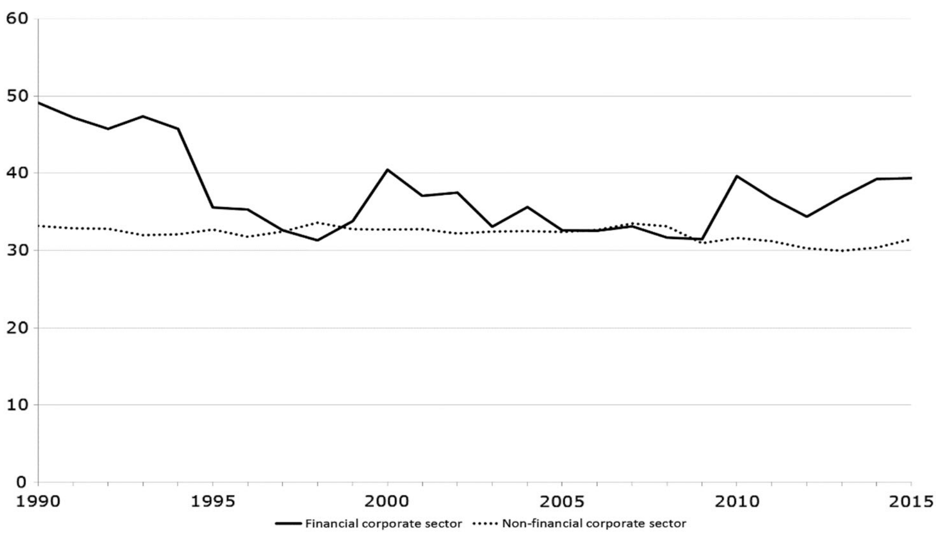

Figure 18. Sector gross operating surplus as a share of sector gross value added, France, 1990–2015 (%). Source: OECD (2017); authors' calculations and presentation.

for a slight increase in the share of retained earnings, associated with only a very modest fall in the wage share (Figure 19). Looking at the composition of rentiers' income, we can see a rise in the share of dividend incomes, which, however, was overcompensated by a fall in the share of net interest income in net national income (Figure 20).

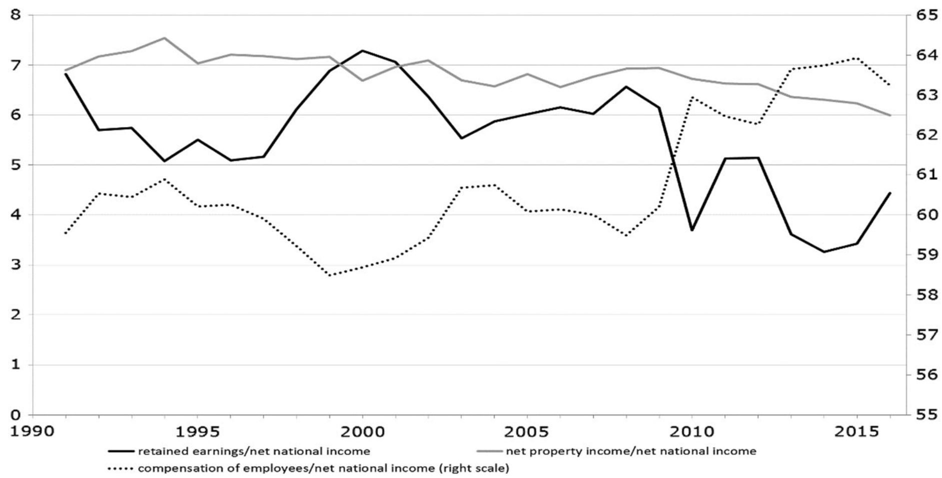

Figure 19. Income shares in net national income, France, 1990–2015 (%). Source: OECD (2017); authors' calculations and presentation.

Note: Income shares do not add up to 100%, because the government sector is left out. For a detailed discussion, compare Dünhaupt (2012).

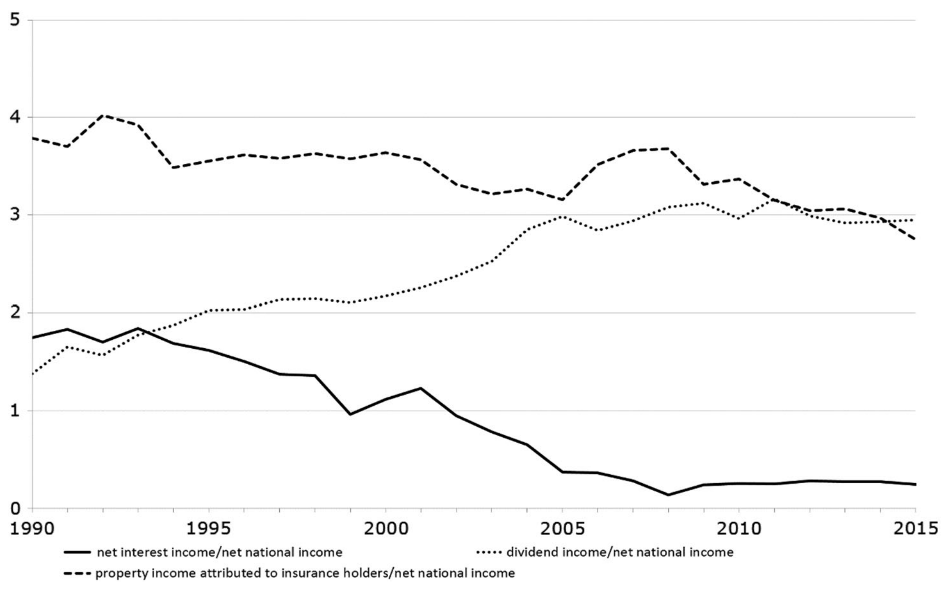

Figure 20. Components of rentiers' income as a share in net national income, France, 1990–2015 (%). Source: OECD (2017); authors' calculations and presentation.

Regarding the bargaining power channel, we find mixed results for the period from the early 1990s until the crisis (Table 3). Unemployment rates had a tendency to fall before the crisis. Union density was particularly low and even slightly decreased before the crisis. However, bargaining coverage was rising and almost reached 100 per cent before the crisis, due to the French legal extensions of bargaining agreements. Employment protection decreased somewhat, although only for temporary employment. Unemployment benefit replacement rates also slightly decreased. Trade openness modestly increased and household debt–GDP ratios increased somewhat, but from a very low level by international comparison.

Finally, looking at our two indicators for the shareholder value orientation of management in non-financial corporations, we find strong support for both in the run-up to the crisis. The share of property incomes received relative to the operating surplus strongly increased, indicating a rising relevance of financial investment as compared to investments in the real capital stock of the firm (Figure 21). The property incomes distributed in relation to the operating surplus also increased, driven in particular by rising dividend payments to shareholders (Figure 22). Each of these developments was detrimental to workers' and trade unions' bargaining power at the corporate level, and thus put pressure on the wage share. This finding is confirmed by Alvarez's (2015) study, using firm-level data of the French non-financial corporate sector for the period 2004 to 2013. According

Table 3. Indicators for workers' and trade unions' bargaining power, France, 1990–2013.

	1990–1994	1995–1999	2000–2004	2005–2009	2010–2013
Unemployment rate (%)	9.10	10.34	8.34	8.44	9.65
Trade unions					
Union density rate: union membership as a percentage of wage and salary earners in employment	9.46	8.31	7.92	7.61	7.73
Bargaining (or union) coverage: employees covered by collective (wage) bargaining agreements as a percentage of all wage and salary earners, adjusted for occupation and sector without right for bargaining		93.44	97.72	98.00	98.00
Employment protection (index: 0–6)					
Strictness of employment protection – individual dismissals (regular contracts)	3.55	2.36	2.36	2.36	2.21
Strictness of employment protection: collective dismissals (additional restrictions)		3.75	3.75	3.75	3.66
Strictness of employment protection: temporary contracts	3.75	3.25	3.25	3.10	2.70
Unemployment benefits					
Gross replacement rate (per cent of average production worker wage)	37.64	36.96	41.46	39.01	
Gross replacement rate (% of average wage)			37.9	35.37	35.61
Net replacement rate summary measure of benefit entitlements (excl. social assistance and housing benefits) (% of previous net income)			52.13	49.07	49.22
Net replacement rate summary measure of benefit entitlements (incl. social assistance and housing benefits) (% of previous net income)			60.25	57.33	57.09
Households' debt (% of GDP)	33.75	33.44	35.52	45.53	54.46
Trade openness (% of GDP)	41.56	46.61	52.66	54.00	56.00

Notes: Averages were calculated for the five-year periods indicated. Sometimes data was not available for all years in the five-year periods. Household debt contains credit from all sectors to households and NPISHs, market value, adjusted for breaks. Trade openness is calculated as the sum of exports and imports of goods and services as a share of GDP.

Sources: BIS (2016), European Commission (2016), OECD (2016), Visser (2016), World Bank (2016); authors' calculations and presentation.

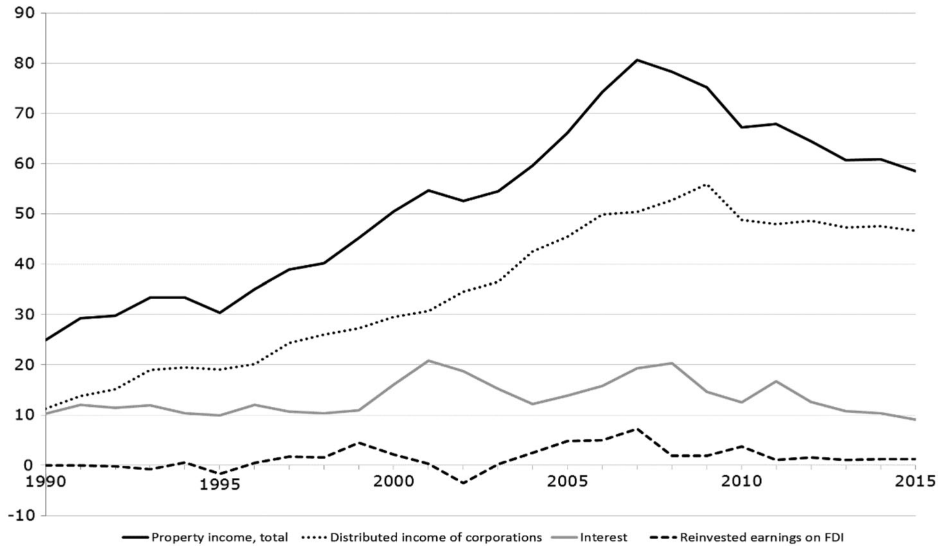

Figure 21. Property income received by non-financial corporations, France, 1990–2015 (% of sector gross operating surplus). Source: OECD (2017); authors' calculations and presentation.

Note: Total property income also includes property income attributed to insurance policy holders.

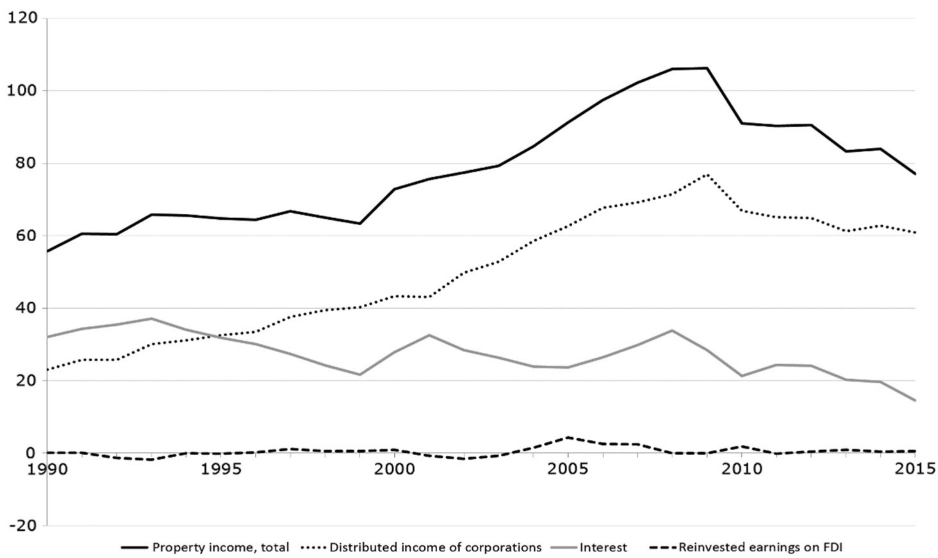

Figure 22. Property income paid by non-financial corporations, France, 1990–2015 (% of sector gross operating surplus). Source: OECD (2017); authors' calculations and presentation.

Note: Total property income also includes rents.

to this study, the dependence on financial profits is likely to decrease the wage share in non-financial corporations because of the dampening effects on labour's bargaining power.

Summing up the French case before the crisis, we can argue that neither any sectoral composition channel nor any financial overheads/rentiers' profit claims channel contributed to the fall in the wage share. The latter can only be related to a fall in workers' bargaining power, in particular due to a rising shareholder value orientation in non-financial corporations.

4.3.2. France in the course of and after the crisis

France is the only country among the three Eurozone countries examined here that has seen a tendency of the adjusted wage share to increase in the course of and after the crisis. Furthermore, the top income share has remained constant, and the Gini coefficients for households' market and disposable incomes have even seen a tendency to fall.

Examining our channels through which financialisation might affect income shares, we find that the sectoral composition has remained roughly constant in the period after the crisis (Figure 17). For the profit share of financial corporations a slight recovery can be observed so that it has again exceeded the profit share of non-financial corporations since 2010 (Figure 18). This should have put some downward pressure on the adjusted aggregate wage share, but the sectoral composition channel as such has had no effect on the development of income shares after the crisis.

Regarding the financial overheads/rentiers' profit claims channel, the share of financial profits in national income has declined considerably (Figure 19), indicating a fall in financial overheads/rentiers' profit claims, and the share of dividends has also fallen slightly (Figure 20). The wage share has risen considerably, associated with a fall in the share of retained earnings. This is pointing to improvements in workers' and trade unions' bargaining power.

Looking at our indicators for bargaining power (Table 3), we see that unemployment rates have slightly increased, but bargaining coverage has remained at a level close to 100 per cent, while employment protection has been downsized somewhat, and the unemployment benefit replacement rates have remained constant. Furthermore, the trade openness of the French economy has only slightly increased, and the household debt–GDP ratio has increased somewhat, but is still the lowest in our Eurozone countries. More importantly, however, the degree of shareholder value orientation of the management of non-financial corporations has declined considerably. The relevance of property income received has decreased (Figure 21), as has the importance of property incomes paid out, in particular the dividends (Figure 22).

Compared to other EU and Eurozone countries, France was able to resist harsh austerity measures that many peripheral countries, e.g. Spain, were forced to apply in the course of the crisis. Although France implemented some fiscal consolidation policies, the increases in income taxes that took place between the outbreak of the crisis and 2013 can be considered to be somewhat progressive as they mainly targeted those at the top of the income distribution (De Agostini et al. 2014). Moreover, an additional contribution of 3 per cent on distributed earnings of corporations was introduced in 2012 (European Commission 2012b), which may have contributed to the decrease in shareholder orientation since the crisis. On the expenditure side, there was less effort to make cuts as compared to other Eurozone countries. France avoided a public sector pay freeze and did not reduce its public investment (Schneider, Kinsella, and Godin 2016); on the contrary, there was a strong increase in the share of transfer income during the recent crisis (Cournilleau and Creel 2016), which helps to explain the observed fall in Gini coefficients for disposable income and also the stabilisation of workers' bargaining power.

Taken together, the decline in financial overheads and rentiers' profit claims and the stabilisation and partial improvement of workers' and trade unions' bargaining power, associated with government interventions and a fall in shareholder value orientation of non-financial corporations, seem to have allowed the wage share to increase after the crisis—and also income inequality at the individual or household level to decrease somewhat.

5. Comparison and conclusions

Applying a Kaleckian approach, in this article we have analysed the effects of financialisation on income distribution before and after the financial crisis and the Great Recession for three major Eurozone countries, France, Germany and Spain. Table 4 summarises our country-specific findings.

All three countries saw a decline in the wage share in the period from the early 1990s until the crisis, but the underlying driving forces seem to have differed somewhat. In the 'debt-led private demand boom' Spanish economy, the sectoral change towards the financial corporate sector with higher profit shares was a slight contributor, as was the fall in workers' and trade unions' bargaining power. For 'export-led mercantilist' Germany and for 'domestic demand-led' France, changes in the sectoral composition of the economy were irrelevant in explaining the falling wage share, and also the financial overheads/rentiers' profit claims channel was only relevant for Germany. What seems to have been most important for the falling wage share in the finance-dominated capitalism in these two countries was the deterioration of workers' and trade unions' bargaining power.

These differences seem to have carried through to the period after the crisis. The former 'debt-led private demand boom' Spanish economy has seen a further fall in the wage share, mainly driven by deteriorating workers' and trade unions' bargaining power, as part of austerity policies after the crisis also delaying economic recovery, and as well by rising financial overheads and rentiers' profit claims. In the 'export-led mercantilist' German economy and the 'domestic demand-led' French economy, however, the wage shares

Table 4. Distribution trends and effects of financialisation on these trends before and after the financial and economic crisis of 2007–09.

			Spain	Germany	France
Distribution trends	Adjusted wage share	Before	–	–	–
		After	–	0	+
	Top income share	Before	+	+	+
		After	–	?	0
	Gini coefficients	Before	0	+	0
		After	+	+	–
Channels for the effects of financialisa-tion	Sectoral composition	Before	+	0	0
		After	–	0	0
	Financial overheads	Before	–	+	–
		After	+	–	–
	Bargaining power	Before	–	–	0/–
		After	–	–/+	0/+

Notes: + tendency to increase, – tendency to decrease, 0 no tendency, ? no data, –/+ or 0/– or 0/+ ambiguous tendencies for different indicators.
Before: early 1990s until the crisis of 2007–09. After: after the crisis of 2007–09.
Source: Authors' presentation.

stopped falling and have even increased in France. The major reason for this seems to have been improved bargaining power of workers and trade unions, reduced financial overheads and rentiers' profit claims, as well as a constant sectoral composition of the economy. Whether these improvements, related to slight 'de-financialisation' and a (partial) recovery of workers' bargaining power in the course of the general economic recovery after the crisis, can be sustained remains to be seen.

Generally, we can conclude that, although financialisation has been a general phenomenon in the three major Eurozone economies, the articulation and in particular the distributional effects have been at least partially country-specific. A general theory of financialisation and income distribution, as posited by Hein (2015), might therefore be considered a necessary initial step to outline the principal channels of transmission. However, country- and time period-specific analyses are required to fully understand the link between financialisation and income distribution.

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