

1. INCOME INEQUALITIES IN THE SPOTLIGHT

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Income inequalities in the spotlight

COMMENTARY | BY MANOS MATSAGANIS *

During an interview with Le Monde in late August, former prime minister Alexis Tsipras made the following statement, verbatim: "Between 2015 and 2019, the incomes of the poorest 10% increased by 45%, while they decreased by 2.7% for the richest 10%. [...] On the contrary, between 2019 and 2023, the income of the poorest 10% decreased by 8.1%, while the income of the richest 10% increased by 13%."

It is somewhat simplistic to entirely credit – or blame – a government for the course of the economy, and its effects on income distribution. But such a spectacular redistribution, initially in favor of the economically weak and then in favor of the economically strong, can neither be ignored nor attributed (entirely) to developments beyond the government's control. The question is whether what the former prime minister said is true.

If one analyzes the same data (EU-SILC Statistics on Income and Living Conditions) but deflated, with the General Index of Consumer Prices, the picture that emerges is quite different: In the period 2015-2019, (real) incomes increased by 31.7% in the lowest decile of the income distribution and by 2.3% in the highest. In the period 2019-2023, the increase was 15.5% for the poorest decile and 9.7% for the highest.

Given that Tsipras' intention was to reap the benefits of the redistribution during his time in favor of the poorest, it is a bit strange that he compares 2019 with 2015. After all, he governed the whole year in 2015. According to the same data, in the turbulent 2015, the income of the poorest decreased by 6.2%, while those of the richest increased by 1.4%. Isn't Tsipras responsible for this redistribution to the detriment of the poorest?

In any case, even so, the data show that income inequality did indeed decrease significantly in the second half of the last decade. On the contrary, the second part of Tsipras' claim is not confirmed; there is no evidence that the real incomes of the poorest decreased, nor that inequality increased significantly, after 2019.

For the record: The ratio of the incomes of the richest 10% to the poorest 10% continued to decrease under New Democracy, while the ratio of the incomes of the richest 20% to the poor-

est 20% (Eurostat/ELSTAT index) increased during the Covid-19 pandemic, then decreased, and has since stabilized – at least for now – slightly above the 2019 level.

It makes sense that the real incomes of the poorest have improved since 2019. Wages remain desperately low, but a few hundred thousand who were previously unemployed are now working. Minimum wages have increased significantly. Benefits have not been reduced.

Is the issue closed? Not exactly. High prices do not affect everyone the same. The poor devote a larger share of their family budget to energy and food, so the recent inflationary surge is costing them more. Also, income is not everything: Our country is the European champion in the percentage of citizens who declare that they do not have access to the healthcare they need. Indifference to the decline of the National Healthcare System has consequences. The same applies for public schools, public transportation, and other services.

The government is not turning against the poor. If one can blame it for anything, it is for how it deals (or not) with the side effects of developments that it does not fully control but only partially: The reintroduction of a deeply problematic model for economic growth adds problems, overtourism undermines the (environmental, social, economic) sustainability of the country, Golden Visa and Airbnb make housing unaffordable, and so on.

Sometimes, of course, the government turns directly in favor of the wealthy. For example, with the planned abolition of the so-called personal difference in pensions – i.e. the difference between pensions issued before and after the May 2016 cutoff date – it is preparing to distribute hundreds of millions of euros to pensioners who, even after the bailout cuts, receive much more than they had contributed (themselves and their employers), carelessly mortgaging the future of the younger generations. As if we didn't go bankrupt in 2010. But that's a topic for another article.

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Elderly women leave an Athens farmer's market with their shopping in their shopping trolley, in a September 2024 file photo. The government is planning a measure that will benefit pensioners at the expense of the country's future finances, the writer suggests.