Income Inequality and Income Sources:
Towards a SAM Based Analysis of Income Distribution

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In ordinary growth models a national economy is treated as one homogeneous unit which decides coherently about production, consumption, saving, and capital formation, maximizing some target function under given resource restrictions. It is well known and has often been often criticised that such "one agent" approach ignores the problem of distribution. In reverse, distributional studies take income generated in production as given and homogeneous regardless of its actual source. The paper attempts to bridge the two fields by asking the question of whether or not an unequal distribution of income may originate in an unequal distribution of the sources of income, labor on the one hand, and property on the other.

Following a model developed by Luigi Pasinetti two separate collective agents of employed people, on the one hand, and capital owners, on the other, are being defined, and their saving and wealth accumulation potentials are analysed separately. The empirical basis is provided by a social accounting matrix as developed by Susana Santos for Portugal where households are grouped, not along social criteria (size, or age, or area of household) but according to their main source of income (employees, employers and owners of capital, recipients of pensions, others). Consumption and saving of these different groups are studied, and it is shown that in spite of the fact that employee households contribute a large share to national saving they do not arrive at building up a stock of wealth in proportion to it. The reason, so our hypothesis, may be an institutional difference in the form of payment. While income from property is determined by means of a percentage rate applied to capital stock, and income form property, therefore, increases automatically as the stock grows, corresponding wage increases have no such built in mechanism of sharing the gains from growth, but must be bargained about regularly between the two parties of employers and employees.