

**Abstract for “Capital Income Shares and Income Inequality in the European Union”**

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In this paper, we measure the effect of changing capital income shares upon inequality of gross household income. Using EU-SILC data covering 17 EU countries from 2005 to 2011 we find that capital income shares are positively associated with the concentration of gross household income. Moreover, we show that the transmission of a shift in capital income shares into the personal distribution of income depends on the concentration of capital income in an economy. Using panel data methods we find that changing capital income shares play an important role for the development of household income inequality. Hence, in many industrialized countries income inequality has by no means evolved independently from the observed structural shift in factor income towards a higher capital income share over the last decades.