

Guest Editors Introduction

The papers included in this special issue of *Panoeconomicus* come from the 14th International Conference Developments in Economic Theory and Policy, held on 29th and 30th of June 2017 in Bilbao (Spain). This is an annual conference organized by the Department of Applied Economics V of the University of the Basque Country UPV/EHU in collaboration with the Cambridge Centre for Economic and Public Policy, University of Cambridge.

The papers selected to be published at this special issue focus on the themes of inequality and distribution, their determinants and their consequences.

The paper by Srinivas Raghavendra extends the traditional theoretical Kaleckian-Keynesian analysis of the relationship between the functional income distribution and the possible aggregate demand regimes in the context of a closed economy by including a financial sector formed by bank and non-bank financial institutions. The interactions between real and financial sectors makes that, in the context of financialisation processes, consumption driven regimes are highly vulnerable, leading to a higher macroeconomic instability.

The paper by Franz J. Prante analyzes the macroeconomic effects of changes in personal and functional income distribution. Developing a post-Kaleckian model, Prante shows that the actual aggregate effect of increasing personal inequality on saving and consumption behaviour depend on the specific consumption and financial norms prevailing in the model economy. The model shows in an easily accessible manner how personal and functional income inequality can potentially have contrary effects on aggregate demand and growth. This theoretical indeterminacy is confirmed in a empirical analysis of the effects of personal and functional distribution on aggregate consumption in the US and Germany: while for the US, significant positive long-run effects of personal income inequality on consumption are found, in Germany only very weak evidence for negative effects of personal income distribution on aggregate consumption is found.

The paper by Kosta Josifidis and Novica Supić analyses the impact of income distribution on economic progress. The hypothesis that the authors want to test is whether income inequality, by affecting aggregate savings, has an impact on investment and economic progress. By analyzing the determinants of aggregate savings and economic progress in 35 OECD countries over the 1980-2015 period, the authors conclude that although concentration at the upper end of income distribution has a positive impact on aggregate savings, however, instead of aggregate savings, technological progress and human capital are the key factors in determining economic progress.

The paper by Manuel Carlos Nogueira and Óscar Afonso analyzes whether the recent increase detected in developed countries in intra-country wage inequality in favour of high-skilled labour is explained by skill-biased technological change or international trade liberalisation. In particular, the paper analyses which factors con-

tribute the most to explain the differences between wage rates of workers who have completed higher education (skilled labour) and those who have only secondary level education (unskilled labour). Analyzing OECD countries over the period 2001-2015, the authors conclude that, though there are differences among individual countries, international trade is the most significant contributor to the observed wage gap between skilled and unskilled workers, when taken together the OECD countries.

Finally, the paper by Philip Arestis, Elena Bárcena-Martín, and Salvador Pérez-Moreno analyzes the determinant of the differences registered in the institutional quality of Euro countries. Institutions are considered as a key determinant of economic performance and the income distribution of developed and developing economies, and therefore, the differences in these results are explained by the differences in the institutional environment of the economies. Focusing on Euro economies, the authors argue that since the onset of the global financial crisis the institutional quality has decreased in Euro countries, with these worsening coming with a higher inequality in institutional quality. For the authors, these results support the call for structural reforms to reduce the institutional gap among Euro area countries, as large differences in institutional quality endangers the sustainability of the EMU and puts its long-term prosperity at risk.

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