Mechanisms of distributing national income: a comparative SAM analysis of Canada, Germany, and Portugal

Topic: SAM applications
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Modern income studies are firmly rooted in, and restricted to, the micro-approach. Following economic theory of the household they begin by defining a concept of “personal income” observable in household surveys, and end by correlating this variable to other variables of the same households. Households are thus the one, and only, object of inquiry.
While such focussing on one specific type of economic institution may be sensible for certain purposes it also has its short-comings for others. It seems, for example, that the current trend of income distribution towards social polarisation cannot be explained by looking at households alone, but that other institutional units, by their participation in the distribution process, also exert an important influence. As a consequence, it may be warranted to enlarge the scope of research to including all institutional units of an economy, thus adding a macro-economic perspective to the micro approach.
The means for carrying out such endeavour is being provided by social accounting matrices (SAMs), in that they follow through each type of income from its source to its use through the whole economic circuit. Based on the assumption of constant column coefficients the effect of different mechanisms of distributing and redistributing national income to households may then be studied. The paper compares three countries, namely, Canada, Germany, and Portugal in this respect.