Appendix A   Additional Figures

Figure A1: IFC index in Europe. Own elaboration based on EU-SILC.
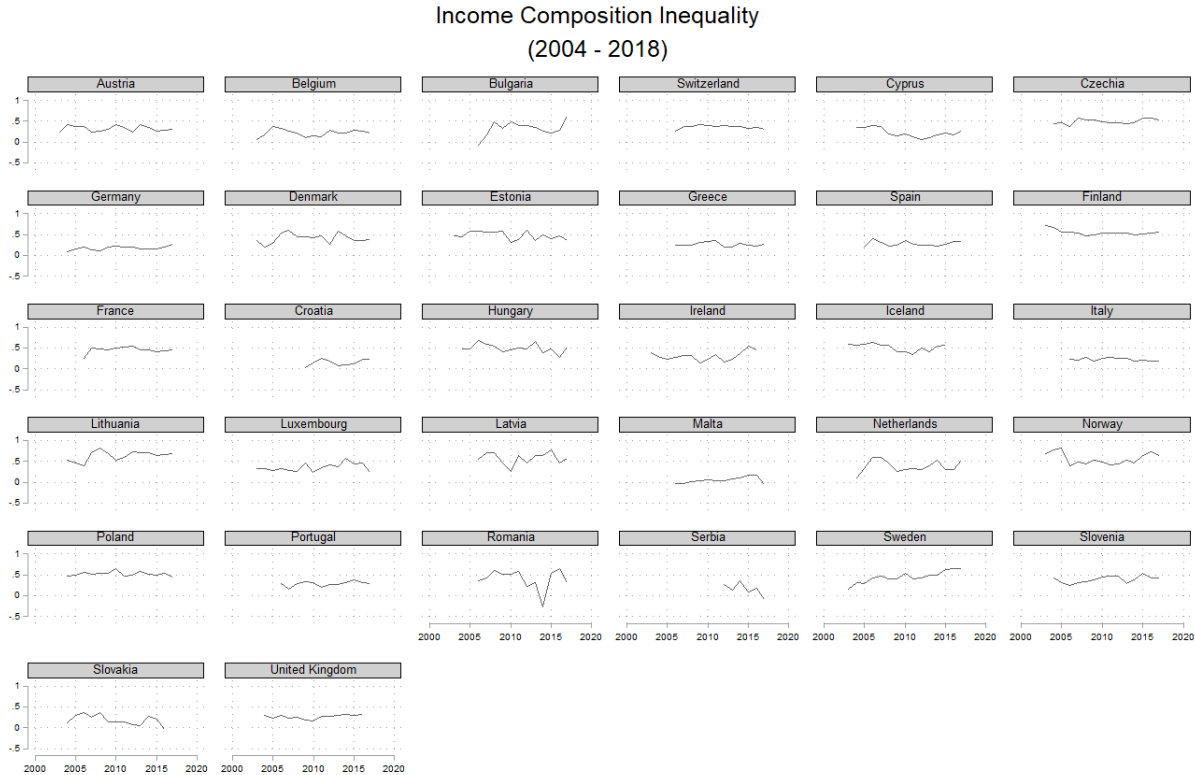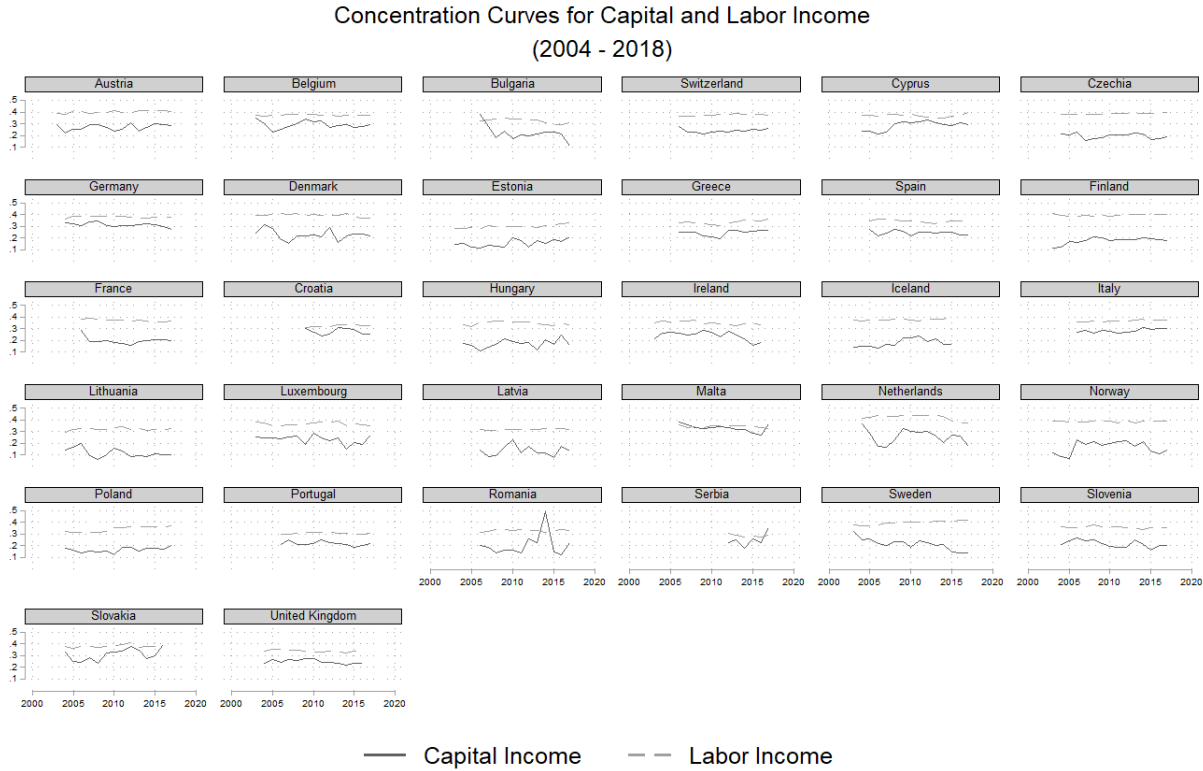

Income Composition Inequality
(2004 - 2018)

Figure A2: Area under the concentration curves for capital and labor income. Own elaboration based on EU-SILC.

Concentration Curves for Capital and Labor Income
(2004 - 2018)

A.1 Summary Statistics

Table A1: Summary Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
IFC index	421	36.75927	17.39361	-26.13257	81.89689
Left parties' seat share	501	35.66581	36.38462	0	100
Veto points	496	5.561492	1.941245	2.5	11
Polyarchy index	558	.8504211	.0660392	.485	.924
Union density	360	33.36424	21.09447	6.531088	99.06912
GDP per capita (Log)	544	10.37426	.4347542	9.099432	11.49134
GDP growth	544	2.061109	3.631233	-14.26877	23.98551
Unemployment	576	8.441634	4.592145	1.933	27.466
Trade	544	114.0804	62.44458	45.41876	408.362
FDI inflows	539	11.77182	38.75526	-58.32288	451.6393
Capital account openness	480	1.943321	.8327716	-1.210019	2.346708
Industrial employment	576	25.5465	6.118649	10.763	40.526
Tertiary education	566	24.2242	7.961278	7.9	41
Female labor force participation	576	45.45179	2.853789	29.5426	50.62991
Stock market capitalization	431	55.18286	47.41433	2.138581	263.7472
GINI index	421	.2884863	.0626701	.1269734	.445073
Capital income share	421	.0267098	.0203486	.0005322	.1206202
Financial reform	325	.9432473	.0622657	.6903377	1
Distributed profits tax rate	546	24.91058	6.628472	9	46.10033
Top marginal tax rate	520	41.97034	11.84006	15	62.28
Social spending	483	21.85469	4.855662	10.3	32.458
MU_P	421	.2262654	.0647087	.0607149	.4880551
MU_W	421	.359766	.0331884	.2777864	.4401322

Table A2: Coverage

Country	Years	Period
Austria	15	2003 - 2017
Belgium	15	2003 - 2017
Bulgaria	12	2006 - 2017
Croatia	9	2009 - 2017
Cyprus	12	2006 - 2017
Czechia	14	2004 - 2017
Denmark	15	2003 - 2017
Estonia	15	2003 - 2017
Finland	15	2003 - 2017
France	12	2006 - 2017
Germany	14	2004 - 2017
Greece	12	2006 - 2017
Hungary	14	2004 - 2017
Iceland	13	2003 - 2015
Ireland	14	2003 - 2016
Italy	12	2006 - 2017
Latvia	12	2006 - 2017
Lithuania	14	2003 - 2016
Malta	12	2006 - 2017
Netherlands	14	2004 - 2017
Norway	15	2003 - 2017
Poland	14	2004 - 2017
Portugal	12	2006 - 2017
Romania	12	2006 - 2017
Slovakia	13	2004 - 2016
Slovenia	14	2004 - 2017
Spain	15	2003 - 2017
Sweden	15	2003 - 2017
Switzerland	12	2006 - 2017
United Kingdom	13	2004 - 2016

Appendix B   Income-Factor Concentration Index

In order to measure income composition inequality, Ranaldi (2020) develops the income-factor concentration (IFC) index. The IFC index measures the concentration of a given income source, such as capital or labor income, across the total income distribution. The IFC index is constructed by means of specific concentration curves for income source, constructed as follows. Denote by Π, W and Y the capital, labor and total income in the economy, and by Π_i, W_i and Y_i the capital, labor and total income of individual i $\forall i$. Consider the following decomposition of individual i's *relative* income:

$$y_i = \frac{Y_i}{Y} = \alpha_i \pi + \beta_i w, \tag{8}$$

where $\alpha_i = \frac{\Pi_i}{\Pi}$ and $\beta_i = \frac{W_i}{W}$ are the *relative* shares of capital and labor income of individual i, such that $\sum_{i=1}^{n} \alpha_i = \sum_{i=1}^{n} \beta_i = 1$, whilst $\pi = \frac{\Pi}{Y}$ and $w = \frac{W}{Y}$ are the capital and labor shares of income, respectively. Assume that $y_i \leq y_{i+1}$ $\forall i = 1, \ldots, n-1$ and $y_0 = 0$, so that individuals are indexed by their income ranking. We can define $p = \frac{i}{n}$ as the proportion of the population with income less than or equal to y_p. Let $\mathscr{L}(\mathbf{y}, p) = \sum_{j=1}^{i} y_j$, with $i = 1, \ldots, n$, be the Lorenz curve for income corresponding to the distribution $\mathbf{y}$. We can define the concentration curve for capital income, $\mathscr{L}(\boldsymbol{\pi}, p)$, corresponding to the distribution $\boldsymbol{\pi}$, as follows:

$$\mathscr{L}(\boldsymbol{\pi}, p) = \pi \sum_{j=1}^{i} \alpha_j \quad \forall i = 1, \ldots, n. \tag{9}$$

Similarly, the concentration curve for labor, $\mathscr{L}(\mathbf{w}, p)$, corresponding to the distribution $\mathbf{w}$, is:

$$\mathscr{L}(\mathbf{w}, p) = w \sum_{j=1}^{i} \beta_j \quad \forall i = 1, \ldots, n. \tag{10}$$

These two curves describe the cumulative distribution of capital and labor income across the population with individuals being indexed by their income ranking. The area of these curves can be seen as a rough measure of income-factor concentration: the higher the area, the more concentrated at the bottom (of the total income distribution) the given income source. Conversely, the lower the area, the more concentrated at the top the given income source.

In the remainder of this section, we will focus on the concentration curve for capital income only. In fact, given the interdependence between these two curves (i.e., when one source is concentrated at the top the other is concentrated at the bottom), a single curve is sufficient to analyze the joint distribution of capital and labor income.

To precisely assess the degree of concentration of capital and labor incomes across the income distribution (and, hence, of income composition inequality), two additional curves need to be defined: the zero-, and maximum-concentration curves. These two curves represent the benchmarks of minimal, and maximal inequality in income composition. The zero-concentration curve for capital income, $\mathscr{L}^e(\pi, p)$, is defined as follows:

$$\mathscr{L}^e(\pi, p) = \pi \sum_{j=1}^{i} y_j \quad \forall i = 1, \dots, n. \tag{11}$$

This curve is the Lorenz curve for total income, multiplied by the capital share π. It describes a distribution of income sources where the composition of capital and labor income is the same for all individuals. Notice that this curve is function of both the Lorenz curve for income and the capital share. Therefore, differently from the egalitarian line used to construct the Gini coefficient, which is the same for all populations, this curve is specific to each population.

The maximum-concentration curve for capital income, $\mathscr{L}^{max}(\pi, p)$, can have two shapes, depending on whether the concentration curve for capital income lies below, or above

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the zero-concentration curve. In the former case, it can be defined as follows:

$$\mathscr{L}^{max}(\pi, p) = \mathscr{L}^{m}(\pi, p) = \begin{cases} 0 & \text{for } p \leq p^{''} \\ \mathscr{L}(\mathbf{y}, p) - z_{-} & \text{for } p > p^{''}, \end{cases} \qquad (12)$$

whilst in the latter case, as follows:

$$\mathscr{L}^{max}(\pi, p) = \mathscr{L}^{M}(\pi, p) = \begin{cases} \mathscr{L}(\mathbf{y}, p) & \text{for } p \leq p^{'} \\ z & \text{for } p > p^{'}, \end{cases} \qquad (13)$$

with $p^{'}$ s.t. $\mathscr{L}(\mathbf{y}, p^{'}) = \pi$, $p^{''}$ s.t. $\mathscr{L}(\mathbf{y}, p^{''}) = 1 - \pi$. In the first case, the maximum-concentration curve equals zero up to a given income percentile $p^{''}$, and then takes the shape of the Lorenz curve. In the second case, the maximum-concentration curve takes the shape of the Lorenz curve up to a given income percentile $p^{'}$, and then it remains constant. The choice of the percentiles $p^{'}$ and $p^{''}$ depends on the shape of the Lorenz curve and on the capital share.[85]

To construct the IFC index, we proceed as follows. Let us denote by $\mathscr{A}$ the area between the zero-concentration curve and the concentration curve for capital income, and by $\mathscr{B}$ the area between the zero-concentration curve and the appropriate maximum-concentration curve. We define the income-factor concentration index, $\mathscr{I}_f$, as follows:

$$\mathscr{I}_f = \frac{\mathscr{A}}{\mathscr{B}}. \qquad (14)$$

Furthermore, it can be shown that:

$$\frac{\partial G}{\partial \pi} \approx \mathscr{A}, \qquad (15)$$

hence that the IFC index is a measure of the link between the functional and personal distribution of income.

Appendix C   Properties of the IFC Index

Country	Observations	Phillips–Perron Z(t)	Dickey–Fuller Z(t)
Austria (AT)	14	-4.000 ***	-3.946***
Belgium (BE)	14	-3.120**	-3.118**
Bulgaria (BG)	11	-2.820 *	-2.785 *
Switzerland (CH)	11	-3.106 **	-3.226 **
Cyprus (CY)	13	-1.448	-1.444
Czech Republic (CZ)	13	-2.684*	-2.712 *
Germany (DE)	13	-2.048	-2.029
Denmark (DK)	14	-2.816*	-2.884**
Estonia (EE)	14	-3.244**	-3.224**
Greece (EL)	11	-2.422	-2.481
Spain (ES)	11	-3.366 **	-3.365 **
Finland (FI)	14	-3.954 ***	-3.241 **
France (FR)	11	-4.680 ***	-5.460 ***
Croatia (HR)	8	-2.057	-2.025
Hungary (HU)	13	-3.265 **	-3.246 **
Ireland (IE)	13	-1.845	-1.799
Iceland (IS)	12	-1.737	-1.681
Italy (IT)	11	-2.357	-2.307
Lithuania (LT)	13	-2.076	-2.187
Latvia (LV)	11	-3.060 **	-3.066 **
Malta (MT)	11	-1.896	-2.007
Netherlands (NL)	13	-2.926 **	-2.925 **
Norway (NO)	14	-2.107	-2.185
Poland (PL)	13	-4.098***	-3.976 ***
Portugal (PT)	11	-2.627 *	-2.659 *
Romania (RO)	11	-2.872 **	-2.883 **
Sweden (SE)	14	-1.951	-1.942
Slovenia (SI)	13	-2.277	-2.258
Slovakia (SK)	12	-2.046	-1.962
United Kingdom (UK)	12	-2.131	-2.049

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Appendix D   Left Parties

Our indicator of left partisanship comes from Armingeon et al's Comparative Political Data Set (2020). We use *govleft2*. Armingeon et al. (2020) code the following parties as belonging to the political left:

Austria: Socialist Party (Sozialdemokratische Partei Österreichs, SPÖ).

Belgium: Socialist Party Different (Socialistische Partij Anders, SP.a/SPIRIT) (until 2001: Flemish Socialist Party, in 2003 and 2007: electoral coalition with SPIRIT), Francophone Socialist Party (Parti Socialiste, PS), AGALEV (Greens, francophone), ECOLO (Greens, flemish).

Bulgaria: Bulgarian Socialist Party (Bulgarska Socialističeska Partija, BSP), Coalition for Bulgaria (Koalitsiya za Bulgaria, KB), Alternative for Bulgarian Revival/Renaissance (Alternativa za balgarsko vazrazhdane, ABV).

Switzerland: Social Democrats (Sozialdemokratische Partei der Schweiz Parti Socialiste Suiss/, SPS/ PSS).

Cyprus: Social Democrats Movement (Kinima Socialdemokraten, KISOS), former EDEK (United Democratic Union of Cyprus, The Socialist Party), Progressive Party of the Working People, The Communist Party, (Anorthotiko Komma tou Ergazomenou Laou, AKEL).

Czechia: Czechoslovak Party of Social Democracy (Ceská strana sociálne demokratiká CSSD), Green Party (SZ).

Germany: Social Democrats (Sozialdemokratische Partei Deutschlands, SDP), Greens (Bündnis 90/Die Grünen).

Denmark: Social Democrats (Socialdemokratiet, SD), Left Socialist Party (LSP), Socialist People's Party (Socialistisk Folkeparti, SF).

Estonia: Social Democratic Party (SDE) [Formerly: Moderates (Mõõdukad) [merger of People's Party (Estonian Social Democratic Party + Rural Centre Party) with Moderates; from 1999 known as the People's Party Moderates (Rahvaerakond Mõõdukad)], KMU - Estonian Coalition Party (Eesti Koonderakond, EK) and Rural Union (Eesti Maaliit, EM)- [formed from Estonian Coalition Party (KE or KMU-K), Estonian Rural Union (EM or KMU-M), Estonian Country People's Party (EME), Estonian Pensioners' and Families' League (EPPL) and Farmers' Assembly (PK)].

Greece: Pan-Hellenic Social Movement (Panellinio Sosialistiko Kinima, PASOK), Communist Party (Kommunistiko Komma Elladas, KKE), Democratic Left (Dimokratiki Aristera, DIMAR), Coalition of the Radical Left (SYRIZA; former Coalition of Left and

Progress).

Spain: Socialist Party (Partido Socialista Obrero Español, PSOE).

Finland: Social Democrats (Suomen Sosialidemokraattinen Puolue, SDP), Finnish People's Democratic Union (SKDL), Social Democratic League (TPSL), Left-Wing Alliance (Vasemmistoliitto, VAS), Green League (Vihreä Liitto, VIHR).

France: Socialist Party (Parti Socialiste, PS), Communist Party (Parti Communiste Français, PCF), Greens (Les Verts), Movement for Citizens (Mouvement des Citoyens, MDC), Generation Ecology (Génération Écologie, GE), Left Radicals (Parti Radical de Gauche, PRG (since 1998)) (former: Mouvement des radicaux de gauche, MRG (until 1996) and Parti Radical Socialiste, PRS (until 1998)).

Croatia: Social Democratic Party of Croatia (Socijaldemokratska Partija Hrvatska, SDP).

Hungary: Hungarian Socialist Party (Magyar Szocialista Párt, MSzP), Independent Smallholders Party (Független Kisgazdapárt, FKGP).

Ireland: Labour Party (LAB), Democratic Left (DL), Green Party (GP).

Iceland: Social Democratic Party (SDP) (Althýduflokkur), People's Alliance (PA, USP) (Althýdubandalag), Social Democratic Alliance (SDA) (Samfylkingin), Left-Greens (LG) (Vinstri græn).

Italy: Socialist Party of Proletarian Unity (PSIU), Communist Party (Partito dei Comunisti Italiani, PDCI), Socialist Party (Partito Socialista Italiano, PSI), United Socialist Party (PSU), Social Democratic Party (Socialisti Democratici Italiani, PSDI), Greens (Verdi), Party of the Democratic Left (Democratici di Sinistra, PDS), (in 2006, the DS ran together with Daisy (Margherita) in the Olive Tree Coalition (Ulivo)), The Democrats (I Democratici, DEM), Di Pietro List (Lista di Pietro/Italia dei Valori, IdV), Socialists and Radicals (former Rose in the Fist, Rosa nel Pugno, RnP), Democratic Party (Partito Democratico, PD).

Lithuania: Lithunian Democratic Labour Party (Lietuvos Demokratine Darbo Partija, LDDP), Lithuanian Farmers and Greens Union (Lietuvos valstieçiu sajunga LVŽS) [former Lithuanian Peasants People Union (Lietuvos valstieçiu liaudininku sajunga, LPPU), Union of Farmers and New Democratic Party (Valstieçiu ir naujosios Demokratijos partiju sajunga, VNDPS)], Lithuanian Social-Democratic Party (Lietuvos Socialdemokratu Partija, LSDP), Social-Democratic Coalition of Algirdas Brazauskas [comprised of Lithuanian Democratic Labour Party; Lithuanian Social Democratic Party; Union of Lithuanian Russians; Party of New Democracy], For a Working Lithuania (LSDP and NU), Labour Party (DP), Civic Democratic Party (CDP).

Luxembourg: Socialist Workers' Party (Parti Ouvrier socialiste luxembourgeois/Letzemburger Sozialistisch Arbechterpartei, POSL/LSAP), The Greens (Déi Gréng, GLEI-GAP).

Latvia: Democratic Centre Party (since 1995, Democratic Party "Master" (DPS Saimnieks), Latvian Social-Democratic Alliance (Latvijas Sociāldemokrātu Apvienība, LSDA), New Party (Jauna partija, JP), Latvia's Unity Party (Latvijas Vienības Partija, LVP), Latvian Farmers' Union (Latvijas Zemnieku Savienība, LZS).

Malta: Socialist Workers' Party (Parti Ouvrier socialiste luxembourgeois/Letzemburger Sozialistisch Arbechterpartei, POSL/LSAP), The Greens (Déi Gréng, GLEI-GAP).

Netherlands: Labour Party (Partij van der Arbeid, PvdA), Political Party of the Radicals (PPR).

Norway: Labour Party (Det Norske Arbeiderparti DNA, AP), Socialist Left Party (Sosialistisk Venstreparti, SV).

Poland: Alliance of the Democratic Left (Sojusz Lewicy Demokratycznej, SLD) [formed of Social Democracy of the Republic of Poland; All-Polish Accord of Trade Unions; Polish Socialist Party], Labour Union (Unia Pracy, UP), Polish Peasant Party (Polskie Stronnictwo Ludowe, PSL), Self Defence of Polish Republic (Samoobrona Rzeczypospolitej Polskiej, SRP), Polish Social Democracy (Socjaldemokracia Polska, SdPL).

Portugal: Socialist Party (Partido Socialista Portuguêsa, PSP), Communist Party (PCP).

Romania: National Salvation Front = Democratic National Salvation Front = Party of Social Democracy from Romania (Partidul Democratiei Sociale din Romania PDSR) = Social Democratic Party (Partidul Social Democrat PSD), Ecological Movement from Romania (Mişcarea Ecologistă din România), National Salvation Front - Democratic Party = Democratic Party (Partidul Democrat PD), Democratic Agrarian Party from Romania (Partidul Democrat Agrar din România), National Union for Romania's Progress (Uniunea Nationala pentru Progresul Romaniei, UNPR).

Sweden: Social Democrats (Socialdemokraterna, S), Green Party (Miljöpartiet de gröna, MP.

Slovenia: Social Democrats (Socialni demokrati, SD) (until 2008: United List of Social Democrats (Združena Lista Socialnih Demokratov, ZLSD)), Social Democratic Party of Slovenia (Socialdemokratska Stranka Slovenije, SDS), Greens of Slovenia (Zeleni Slovenije, ZS), Slovenian People's Party (Slovenska Ljudska Stranka, SLS), Coalition of the Slovenian People's Party and the Slovenian Christian Democrats (SLS/SKD), Democratic Party of Pensioners (DeSUS), Social Democrats (Socialni demokrati, SD), Positive Slovenia (Pozitivna Slovenija, PS).

Slovakia: Party of the Democratic Left (Strana Demokratickej Ĺavice, SDL') since 96 Association of Slovak Workers (Združenie Robotníkov Slovenska, ZRS), Direction – Social Democracy (Smer-SD, S).

United : Labour Party (LAB).

D.1 Exploring Lags

The effect of left-wing parties on ICI might take time to crystallize. In an attempt to model this, we replicate model 5 (two-way fixed effects, main specification) with the 1st-, 2nd-, and 3rd-year lag of the left-wing seat share variable. Our results confirm that past values of left strength matter for compositional inequality. The relationship between the partisan composition of the government and ICI might therefore be dynamic.

Table A4: Temporal Lags

	1-Year Lag b/se	2-Year Lag b/se	3-Year Lag b/se
L.Left-wing seats	-0.052**		
	(0.02)		
L2.Left-wing seats		-0.041*	
		(0.02)	
L3.Left-wing seats			-0.044*
			(0.02)
Veto points	3.996	5.254	4.789
	(8.67)	(8.70)	(8.68)
Electoral democracy index	36.551	32.207	30.345
	(41.01)	(41.17)	(41.10)
Union density	0.587*	0.611*	0.646**
	(0.33)	(0.33)	(0.33)
GDP per capita	53.466***	56.270***	60.406***
	(18.73)	(18.73)	(18.51)
GDP pc growth	-0.115	-0.034	-0.014
	(0.28)	(0.28)	(0.28)
Unemployment	0.162	0.295	0.337
	(0.36)	(0.36)	(0.37)
Trade	-0.137	-0.160	-0.155
	(0.10)	(0.10)	(0.10)
FDI inflows	-0.054**	-0.055**	-0.052**
	(0.02)	(0.02)	(0.02)
Capital openness	-1.455	-1.195	-1.204
	(2.29)	(2.31)	(2.30)
Crisis	5.741	5.342	4.484
	(5.02)	(5.04)	(5.03)
Constant	388.847	279.968	135.325
	(778.06)	(778.81)	(768.43)
R-squared	0.161	0.153	0.156

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N	274	274	274
Country FE	Yes	Yes	Yes
Year FE		Yes	Yes
Yes			

Appendix E   Cumulative and Average Left Power

To explore the cumulative and long-term effect of left parties, we calculate a ten-year average (models 1 and 3 below) and a 20-year cumulative measure (models 2 and 4) of left strength. Models 1 and 2 are Prais Winsten regressions. Models 3 and 4 are fixed effects models.

Table A5: Cumulative and Average Left Power

	Av PR b/se	Cu PR b/se	Av FE b/se	Cu FE b/se
0-year average	-0.093*		-0.139**	
	(0.05)		(0.06)	
20-year cumulative		-0.001		-0.015**
		(0.00)		(0.01)
Veto points	-2.452***	-1.795***	1.958	6.919
	(0.67)	(0.62)	(8.82)	(8.13)
Electoral democracy index	43.880	-37.163	37.444	-62.117
	(35.92)	(43.60)	(40.93)	(51.57)
Union density	-0.064	0.027	0.576*	0.711*
	(0.06)	(0.06)	(0.33)	(0.38)
GDP per capita	-4.858	4.269	68.655***	30.114
	(6.30)	(7.94)	(18.70)	(36.58)
GDP pc growth	0.514***	0.675***	-0.064	-0.303
	(0.20)	(0.26)	(0.28)	(0.47)
Unemployment	-1.093***	-0.476*	0.415	0.071
	(0.32)	(0.28)	(0.37)	(0.47)
Trade	-0.094***	-0.093***	-0.137	-0.009
	(0.02)	(0.02)	(0.10)	(0.12)
FDI inflows	-0.050***	-0.066***	-0.043**	-0.035
	(0.02)	(0.01)	(0.02)	(0.02)
Capital openness	-1.987	-3.484*	-1.890	1.814
	(1.64)	(1.79)	(2.29)	(2.72)
Crisis	2.295*	2.295	2.171	3.741
	(1.37)	(1.77)	(5.14)	(5.84)
Constant	90.115	52.404	75.573	24.484
	(57.54)	(57.62)	(763.76)	(861.39)
R-squared	0.191	0.289	0.165	0.174
N	274	214	274	214

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Appendix F Government Policy Full Tables

The table below presents the full output of the models included in Table 3 in the main body of the paper.

Table A6: Government Policy and Income Composition Inequality (Double Fixed Effects and Prais Winsten Models)

	Prais b/se	Prais b/se	Prais b/se	Prais b/se	FEM b/se	FEM b/se	FEM b/se	FEM b/se
Left seats	-0.149***	-0.133**	-0.132***	-0.145***	-0.143***	-0.132***	-0.118***	-0.113**
	(0.05)	(0.05)	(0.05)	(0.05)	(0.04)	(0.05)	(0.04)	(0.05)
Social expenditures	-0.079				0.531**			
	(0.09)				(0.21)			
Top tax rate		-0.254**				0.034		
		(0.12)				(0.13)		
Distributed profits tax rate			-0.298***				-0.289**	
			(0.10)				(0.14)	
Financial reform				-0.028				-0.126
				(0.10)				(0.12)
Veto points	-0.236***	-0.148**	-0.141*	-0.174**	0.143	0.464	0.183	0.513
	(0.06)	(0.07)	(0.08)	(0.08)	(0.95)	(0.94)	(0.94)	(0.92)
Democracy	0.182	-0.008	0.027	0.033	0.128	0.113	0.109	0.064
	(0.13)	(0.14)	(0.14)	(0.15)	(0.15)	(0.17)	(0.17)	(0.17)
Union density	-0.057	0.175**	0.080	0.101	0.335	0.331	0.392	-0.081
	(0.07)	(0.07)	(0.07)	(0.07)	(0.42)	(0.50)	(0.50)	(0.53)
GDP per capita	-0.094	-0.274*	-0.317**	-0.344**	1.480***	0.708	0.794	-0.117
	(0.15)	(0.16)	(0.15)	(0.15)	(0.46)	(0.52)	(0.49)	(0.59)
GDP growth	0.095**	0.059	0.060	0.057	0.033	-0.020	-0.031	0.011
	(0.04)	(0.04)	(0.04)	(0.04)	(0.06)	(0.06)	(0.06)	(0.06)
Unemployment	-0.287***	-0.303***	-0.326***	-0.332***	-0.052	-0.069	-0.057	-0.155
	(0.08)	(0.07)	(0.08)	(0.07)	(0.10)	(0.10)	(0.10)	(0.11)
Trade	-0.334***	-0.241*	-0.337**	-0.165	-0.593	-0.348	-0.204	-0.423
	(0.08)	(0.13)	(0.15)	(0.12)	(0.36)	(0.41)	(0.41)	(0.42)
FDI inflows	-0.114***	0.268	0.206	0.246	-0.127***	0.428**	0.407**	0.472**

	(0.03)	(0.20)	(0.20)	(0.20)	(0.05)	(0.20)	(0.20)	(0.20)
Capital openness	-0.104	-0.036	0.003	-0.052	-0.084	-0.074	-0.071	0.175
	(0.08)	(0.07)	(0.09)	(0.10)	(0.11)	(0.13)	(0.13)	(0.20)
Crisis	0.068	0.069	0.042	0.052	-0.132	0.060	-0.041	0.134
	(0.04)	(0.04)	(0.04)	(0.04)	(0.14)	(0.13)	(0.14)	(0.14)
Constant	-0.028	0.078**	0.050	0.060	-0.106**	-0.022	-0.026	0.000
	(0.03)	(0.04)	(0.04)	(0.04)	(0.05)	(0.08)	(0.08)	(0.10)
R-squared	0.185	0.202	0.209	0.162	0.194	0.148	0.167	0.150
N	274	239	239	230	274	239	239	230

[***] $p < 0.01$, [**] $p < 0.05$, [*] $p < 0.1$

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Appendix G   Capital Ownership

The table below shows four reduced-form double fixed-effects models which look into the determinants of capital ownership. Because some of the variables included in our main specification - GDP growth, trade, FDI inflows, veto points - are less relevant here, we drop them from this analysis. Our results are robust to their inclusion. Although we recognize that stock market capitalization might introduce post-treatment bias, we add it to account for relevant dynamics in the stock market.

Left parties are linked to a higher proportion of individuals holding capital income, rental income, and capital gains. Although the size of this effect is small, it is not negligible. Additional analyses presented below indicate that capital income ownership rises among the bottom three quintiles - those situated below the 40% most affluent people. This suggests that the lower and the middle classes acquire more capital income when left parties are in power. As previously discussed, this might be due to the policies that the former pursue while in office or to any behavioral changes that their presence induces.

Table A7: Determinants of Capital Ownership

	Capital Inc	Pensions	Rents	Dividends
Left seats	0.031**	-0.034	0.047**	0.031**
	(0.01)	(0.03)	(0.02)	(0.01)
Union density	-0.266**	0.395	0.739***	-0.301**
	(0.13)	(0.25)	(0.20)	(0.13)
Democracy	-0.078	0.406***	0.034	-0.080
	(0.05)	(0.10)	(0.08)	(0.05)
GDP per capita	0.722***	-0.293	-0.024	0.697***
	(0.15)	(0.29)	(0.23)	(0.15)
Unemployment	0.072**	-0.095*	-0.064	0.073**
	(0.03)	(0.06)	(0.04)	(0.03)
Capital openness	-0.067	0.073	-0.117*	-0.059
	(0.04)	(0.08)	(0.06)	(0.04)
Stock market capitalization	-0.150***	-0.154*	-0.052	-0.150***
	(0.05)	(0.09)	(0.07)	(0.05)
Crisis	0.019	0.315***	0.304***	0.011
	(0.04)	(0.08)	(0.06)	(0.04)
Constant	0.015	-0.035	-0.022	0.017

		(0.01)	(0.03)	(0.02)	(0.01)
R-squared		0.385	0.179	0.229	0.377
N		266	266	266	266

$^{***}p < 0.01, ^{**}p < 0.05, ^{*}p < 0.1$

Table A8: Capital Ownership by Quintiles

	Quintile 1 b/se	Quintile 2 b/se	Quintile 3 b/se	Quintile 4 b/se	Quintile 5 b/se
Left seats	0.062***	0.054***	0.032**	0.018	-0.002
	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)
Union density	-0.330**	-0.205	-0.261*	-0.272**	-0.236*
	(0.13)	(0.14)	(0.14)	(0.14)	(0.14)
Democracy	-0.072	-0.118**	-0.090	-0.089	-0.024
	(0.05)	(0.06)	(0.06)	(0.06)	(0.06)
GDP per capita	0.798***	0.814***	0.733***	0.693***	0.527***
	(0.15)	(0.16)	(0.16)	(0.16)	(0.16)
Unemployment	0.075**	0.093***	0.062*	0.077**	0.047
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Capital openness	-0.117***	-0.090**	-0.074	-0.030	-0.032
	(0.04)	(0.04)	(0.05)	(0.04)	(0.04)
Stock market capitalization	-0.216***	-0.190***	-0.169***	-0.131***	-0.061
	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Crisis	-0.091**	-0.012	0.030	0.041	0.084*
	(0.04)	(0.04)	(0.05)	(0.04)	(0.04)
Constant	0.020	0.024	0.017	0.009	0.004
	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)
R-squared	0.432	0.365	0.360	0.342	0.343
N	266	266	266	266	266

$^{***}p < 0.01, ^{**}p < 0.05, ^{*}p < 0.1$

Appendix H   Fixed Effects

The table below replicates our main analysis (model 5, full specification) dropping the country or the year fixed effects.

Table A9: Determinants of ICI without Country or Year FEs, Fixed Effects Models, Full Specification

	No Country FEs b/se	No Year FEs b/se
Left seats	-0.119***	-0.163***
	(0.04)	(0.05)
Veto points	0.557	-0.215***
	(0.90)	(0.06)
Democracy	0.154	0.099
	(0.15)	(0.10)
Union density	0.686*	-0.031
	(0.36)	(0.07)
GDP per capita	1.411***	-0.171
	(0.41)	(0.14)
GDP growth	0.010	0.132*
	(0.05)	(0.08)
Unemployment	0.016	-0.281***
	(0.09)	(0.08)
Trade	-0.304	-0.298***
	(0.31)	(0.08)
FDI inflows	-0.098**	-0.195***
	(0.04)	(0.05)
Capital openness	-0.062	-0.109
	(0.11)	(0.07)
Crisis	-0.031	0.088
	(0.06)	(0.14)
Constant	-0.085**	0.005
	(0.04)	(0.05)
R-squared	0.159	0.283
N	274	274
Country FE	No	Yes
Year FE	Yes	No

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Appendix I   Multiple Imputation

Our dataset is characterized by unbalanced panels. Some countries enter and exit the EU-SILC database after 2003 and before 2017. In other cases, data are missing for some of the independent covariates that we include in our model specification. This raises the question of whether our findings are a function of missing data patterns.

We can begin to answer this question by performing multiple imputation. We do not feel fully comfortable imputing our dependent variable. The IFC index is calculated based on high-quality, nationally-representative household surveys. If an observation is missing for a particular country-year, such a survey was not conducted in that particular year or the information available for that year does not allow us to compute the IFC index. Imputing the IFC will require us to assume a particular income distribution, which would be problematic. A closer examination of our dataset indicates that our DV is missing for 50 country-years. Most of them are located at the beginning and toward the end of the period we focus on (2003-2017). The table below shows how big our panels are and for which country-years the IFC index is not available.

Country	Observations	Missing
Austria (AT)	15	
Belgium (BE)	15	
Bulgaria (BG)	12	2003, 2004, 2005
Switzerland (CH)	12	2003, 2004, 2005
Cyprus (CY)	14	2003
Czech Republic (CZ)	14	2003
Germany (DE)	14	2003
Denmark (DK)	15	
Estonia (EE)	15	
Greece (EL)	12	2003, 2004, 2005
Spain (ES)	13	2003, 2004
Finland (FI)	15	
France (FR)	12	2003, 2004, 2005

Croatia (HR)	9	2003, 2004, 2005, 2006, 2007, 2008
Hungary (HU)	14	2003
Ireland (IE)	14	2017
Iceland (IS)	13	2016, 2017
Italy (IT)	12	2003, 2004, 2005
Lithuania (LT)	14	2003
Latvia (LV)	12	2003, 2004, 2005
Malta (MT)	12	2003, 2004, 2005
Netherlands (NL)	14	2003
Norway (NO)	15	
Poland (PL)	14	2003
Portugal (PT)	12	2003, 2004, 2005
Romania (RO)	12	2003, 2004, 2005
Sweden (SE)	15	
Slovenia (SI)	14	2003
Slovakia (SK)	13	2003, 2017
United Kingdom (UK)	13	2003, 2017

The variable that is responsible for the highest number of missing observations in our dataset is *union density*. Our analysis indicates that it is statistically significantly related to income composition inequality (in both the Prais Winsten and the fixed effects framework). Stock market capitalization is the only other covariate characterized by high levels of missingness. It, however, never returns a statistically significant coefficient. *Union density* follows a noticeable downward trend in time.

To make sure that our results are robust, we imputed union density. (We specified that the imputation had to be performed separately for each country.) Because the structure of our data does not allow us to include more than 2 IVs, we modeled union density as a function of time and industrial employment. This strategy makes the most sense on theoretical grounds. This yielded a dataset of 338 observations. If we exclude stock market capitalization, which is never statistically significant, from our

main specification (Model 2), our N reaches 399. This makes our panels fairly balanced. Our main conclusions remain unchanged. (The coefficients that we report below have not been standardized.)

Table A11: Multiply Imputed Results

	Model 1 b/se	Model 2 b/se
Left seats	-0.056***	-0.059***
	(0.015)	(0.016)
Veto points	13.211**	-8.960**
	(5.642)	(3.850)
Democracy	21.689	11.044
	(26.312)	(22.218)
Union density	0.166	0.251
	(0.229)	(0.248)
Trade	-0.014	-0.092
	(0.072)	(0.074)
FDI inflows	-0.039**	-0.046**
	(0.017)	(.018)
Capital openness	-2.258	-2.304
	(2.022)	(0.231)
GDP per capita	44.921**	38.515**
	(13.719)	(13.05)
GDP growth	0.285	0.363
	(0.231)	(.232)
Unemployment	0.045	0.114
	(0.372)	(0.382)
Female labor force	-1.447	-0.903
	(1.041)	(1.014)
Industrial employment	-0.626	-0.536
	(0.711)	(0.702)
Educational attainment	-0.778*	-0.170
	(0.435)	(0.440)
Stock market capitalization	0.049	
	(0.043)	
Crisis	7.050	2.800
	(6.186)	(5.995)
Constant	-428.975**	-357.662
	(151.629)	(151.13)
N	338	399

***$p < 0.01$, **$p < 0.05$, *$p < 0.1$

Appendix J Dropping Union Density

Table A12: Full Specification, No Union Density

	Fixed Effects b/se	Prais Winsten b/se
Left seats	-0.121***	-0.155***
	(0.03)	(0.05)
Veto points	1.058**	-0.255***
	(0.44)	(0.05)
Democracy	0.032	0.114
	(0.09)	(0.11)
GDP per capita	0.867***	-0.067
	(0.32)	(0.13)
GDP growth	0.086*	0.126***
	(0.05)	(0.04)
Unemployment	0.048	-0.279***
	(0.08)	(0.07)
Trade	-0.376	-0.295***
	(0.26)	(0.08)
FDI inflows	-0.099**	-0.112***
	(0.04)	(0.04)
Capital openness	-0.085	-0.123*
	(0.09)	(0.07)
Crisis	0.038	0.085*
	(0.11)	(0.05)
Constant	-0.040	-0.003
	(0.02)	(0.03)
Year FE	No	Yes
Country FE	No	No
R-squared	0.134	0.146
N	400	400

$^{***}p < 0.01, ^{**}p < 0.05, ^{*}p < 0.1$

Appendix K   Dynamic System-GMM Models

Despite our best efforts, lingering concerns about endogeneity might persist. We run dynamic system-Generalised Method of Moments (GMM) models to boost confidence in our results. GMM models account for heteroskedasticity and correct for endogeneity, omitted variable bias, and serial correlation. They do so by relying on moment conditions to derive valid instruments.

We re-ran our main model using the first lag of the IFC index as an instrument (resorting to the *gmm()* option in STATA). We specified the rest of our covariates, along with the year dummies, as IVs. To partly account for our small sample and avoid bias, we use the "collapse" suboption, which "specifies that xtabond2 should create one instrument for each variable and lag distance, rather than one for each time period, variable, and lag distance" (Roodman for the STATA manual). We employ a two-step estimator and a "robust" correction. To reduce the number of instruments, we experimented with a number of additional specifications, keeping the number of covariates low. We included left partisanship, GDP per capita, unemployment, foreign direct investment, and union density. The results are reported below.

Table A13: GMM Models

	Robustness Check b/se	Stripped b/se	Stripped b/se
L.IFC index	0.289	0.188	0.220
	(0.29)	(0.14)	(0.18)
Left-wing seats	-0.080**	-0.072**	-0.051*
	(0.04)	(0.03)	(0.03)
Veto points	0.347		
	(1.64)		
Union density	0.045		0.052
	(0.14)		(0.06)
Electoral democracy index	233.389		
	(294.74)		
GDP per capita	-44.084***	-5.166	-6.799
	(11.67)	(20.84)	(4.20)
GDP growth	0.226		
	(0.84)		

Unemployment	-2.187	-0.851	-0.839***
	(.)	(1.07)	(0.31)
Trade	-0.017		
	(0.05)		
FDI inflows	-0.034	-0.101***	-0.104***
	(0.05)	(0.04)	(0.03)
Capital openness	1.946		
	(3.75)		
Female labor force participation	1.750*		
	(0.98)		
Industrial employment	-0.713		
	(.)		
Educational enrolment	-0.260		
	(0.67)		
Stock market capitalization	0.010		
	(0.05)		
Constant	242.717	94.543	108.990**
	(.)	(232.70)	(47.75)
N	236	384	253
N of instruments	34	32	25
AR(1)	0.078	0.020	0.009
AR(2)	0.888	0.776	0.566
Hansen test	0.909	0.413	0.815

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Appendix L   Error Correction Models

Table A14: Determinants of ICI: Error Correction Models

	Main Spec b/se
L.IFC	-0.335***
	(0.04)
D.Left-wing seats	-0.068**
	(0.03)
L.Left-wing seats	-0.030
	(0.02)
D.Veto points	-3.199
	(8.92)
L.Veto points	-0.489
	(0.38)
D.Union density	0.347
	(0.60)
L.Union density	-0.009
	(0.04)
D.Electoral democracy index	43.104
	(42.98)
L.Electoral democracy index	8.523
	(18.70)
D.GDP per capita	-758.532*
	(431.20)
L.GDP per capita	-2.478
	(3.85)
D.GDP pc growth	8.061*
	(4.29)
L.GDP pc growth	8.207*
	(4.26)
D.Unemployment	-0.865
	(0.64)
L.Unemployment	-0.416*
	(0.22)
D.Trade	0.043
	(0.11)
L.Trade	-0.035**
	(0.02)
D.FDI inflows	-0.028
	(0.02)
L.FDI inflows	-0.032*
	(0.02)
D.Capital openness	-5.102
	(3.65)
L.Capital openness	0.184
	(0.98)
Crisis	0.122

	(1.83)
Constant	41.269
	(31.75)
R-squared	0.319
N	244

Appendix M   Random Effects Models

Table A15: Determinants of ICI: Random Effects, Full Specification

	Main Specification b/se
Left seats	-0.153***
	(0.04)
Veto points	-0.200
	(0.16)
Democracy	0.064
	(0.13)
Union density	-0.037
	(0.15)
GDP per capita	0.078
	(0.22)
GDP growth	0.014
	(0.05)
Unemployment	-0.125*
	(0.08)
Trade	-0.278*
	(0.16)
FDI inflows	-0.125***
	(0.04)
Capital openness	-0.024
	(0.09)
Crisis	0.056
	(0.10)
Constant	-0.033
	(0.08)
N	274
Year FE	Yes

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Appendix N   Detrended Models

We de-trend our main variables to make sure that our findings are not a function of a common temporal trend. We achieve this by regressing the IFC index, partisanship, democracy, veto players, globalization, union density, industrial employment, female labor force participation, educational attainment, stock market capitalization, unemployment, GDP growth, and GDP per capita on time. This removes any linear trends that might be characterizing those indicators.

Table A16: Determinants of ICI: Detrended Models

	M1 PW b/se	M2 PW b/se	M3 PW b/se	M1 FE b/se	M2 FE b/se	M3 FE b/se
Left parties seats	-0.074***	-0.074***	-0.047*	-0.065***	-0.067***	-0.041**
	(0.03)	(0.03)	(0.02)	(0.02)	(0.02)	(0.02)
Veto points	-1.638**	-1.591**	-1.294**	12.381	12.430	-5.306
	(0.67)	(0.67)	(0.55)	(13.49)	(13.41)	(11.96)
Union density	-0.056	-0.047	-0.139**	0.446	0.436	0.712**
	(0.06)	(0.06)	(0.06)	(0.34)	(0.34)	(0.30)
Electoral democracy	17.122	13.745	23.988	47.337	51.314	64.321*
	(38.02)	(38.73)	(35.97)	(42.59)	(42.42)	(37.20)
GDP per capita	-4.385	-1.020	-13.994**	51.436***	56.156***	25.683
	(7.41)	(8.16)	(6.69)	(19.78)	(19.85)	(17.54)
GDP pc growth	0.425***	0.417***	0.473***	-0.200	-0.199	-0.142
	(0.16)	(0.16)	(0.15)	(0.31)	(0.31)	(0.27)
Unemployment	-1.136***	-1.108***	-1.211***	-0.075	0.114	-0.676*
	(0.32)	(0.32)	(0.29)	(0.44)	(0.45)	(0.39)
Trade	-0.044*	-0.042*	-0.004	-0.027	-0.010	0.061
	(0.03)	(0.02)	(0.02)	(0.11)	(0.11)	(0.09)
FDI inflows	-0.020	-0.020*	-0.027**	-0.035	-0.034	-0.032*
	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)
Capital openness	-2.856*	-2.916*	-1.296	-1.465	-0.718	1.356
	(1.55)	(1.52)	(1.44)	(2.69)	(2.71)	(2.37)
Female labor force	2.486***	2.513***	2.634***	-1.761	-2.037	-2.545*
	(0.46)	(0.46)	(0.41)	(1.51)	(1.51)	(1.32)
Industrial employment	0.130	0.170	0.193	-0.859	-0.317	-1.342*
	(0.31)	(0.34)	(0.31)	(0.89)	(0.94)	(0.78)
Tertiary education	0.122	0.074	0.045	-1.560**	-1.656**	-1.103
	(0.20)	(0.20)	(0.21)	(0.77)	(0.76)	(0.67)
Stock market capitalization	0.015	0.014	-0.021	0.050	0.041	-0.027
	(0.02)	(0.02)	(0.02)	(0.05)	(0.05)	(0.05)
Crisis	1.954	2.151	1.103	4.318	4.880	2.249
	(1.29)	(1.37)	(1.07)	(5.37)	(5.35)	(4.69)

	(1)	(2)	(3)	(4)	(5)	(6)
GINI		20.033			68.331*	
		(25.19)			(37.46)	
Capital income share			392.302***			507.827***
			(52.37)			(61.83)
Constant	-2.140	-2.329*	-1.333	711.626	540.632	693.590
	(1.32)	(1.41)	(1.12)	(888.81)	(888.91)	(775.10)
R-squared	0.274	0.276	0.387	0.203	0.215	0.397
N	265	265	265	265	265	265

$^{***}p < 0.01,\ ^{**}p < 0.05,\ ^{*}p < 0.1$

Appendix O Different Populations and Income Definitions

In this section, we estimate the IFC index using a different population and two different definitions of capital and labor income.

O.1 Entire population

The second definition of capital and labor income is identical to the one used in main analysis. We, however, focus on the entire population without excluding people under 18 and over 65. Thus,

Capital Income (2) = income from rental of a property or land ($hy040g$) + interest, dividends, profit from capital investments in unincorporated business ($hy090g$) + pensions received from individual private plans ($py080g$)

Labor income (2) = gross employee cash or near cash income ($py010g$) + Company car ($py021g$) + Unemployment benefits ($py090g$) + Old-age benefits ($py100g$) + Survivor' benefits ($py110g$) + Sickness benefits ($py120g$) + Disability benefits ($py130g$) + Education-related allowances ($py140g$) + Family/children related allowances ($hy050g$) + Social exclusion not elsewhere classified ($hy060g$) + Regular inter-household cash transfers received ($hy080g$) cash benefits or losses from self-employment ($py050g$)

Negative capital and labor incomes are excluded and all the population is considered. To allocate household-related income sources such as rental income or dividends at the individual level, we equally split them across household members.

Table A17: Determinants of ICI: Second Definition

	Model 1 PW b/se	Model 2 PW b/se	Model 3 PW b/se	Model 1 FE b/se	Model 2 FE b/se	Model 3 FE b/se
Left seats	-0.164***	-0.165***	-0.113**	-0.138***	-0.143***	-0.091**

	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.04)
Veto points	-0.147**	-0.145**	-0.122*	2.332	2.368	0.046
	(0.07)	(0.07)	(0.06)	(1.49)	(1.48)	(1.35)
Union density	-0.098	-0.087	-0.178**	0.516	0.514	0.833**
	(0.07)	(0.07)	(0.07)	(0.41)	(0.41)	(0.37)
Democracy	0.146	0.137	0.179	0.169	0.181	0.231
	(0.13)	(0.14)	(0.13)	(0.16)	(0.16)	(0.14)
GDP per capita	-0.176	-0.109	-0.432**	1.340***	1.442***	0.765*
	(0.19)	(0.22)	(0.18)	(0.49)	(0.49)	(0.44)
GDP growth	0.099***	0.097***	0.107***	-0.028	-0.033	-0.024
	(0.03)	(0.03)	(0.03)	(0.06)	(0.06)	(0.06)
Unemployment	-0.257***	-0.247***	-0.269***	0.033	0.116	-0.110
	(0.09)	(0.09)	(0.08)	(0.12)	(0.12)	(0.10)
Trade	-0.159*	-0.152*	-0.012	-0.329	-0.213	0.011
	(0.09)	(0.08)	(0.07)	(0.38)	(0.38)	(0.34)
FDI inflows	-0.039	-0.039	-0.051*	-0.096*	-0.091*	-0.088**
	(0.03)	(0.03)	(0.03)	(0.05)	(0.05)	(0.04)
Capital openness	-0.121*	-0.125*	-0.042	-0.105	-0.056	0.055
	(0.07)	(0.07)	(0.07)	(0.13)	(0.13)	(0.12)
Female labor force	0.407***	0.414***	0.427***	-0.191	-0.230	-0.350
	(0.07)	(0.08)	(0.07)	(0.25)	(0.24)	(0.22)
Industrial employment	0.042	0.052	0.073	-0.215	-0.004	-0.374
	(0.12)	(0.12)	(0.12)	(0.31)	(0.32)	(0.28)
Educational attainment	-0.017	-0.036	-0.045	-0.729**	-0.739**	-0.502
	(0.10)	(0.10)	(0.11)	(0.34)	(0.34)	(0.30)
Stock market capitalization	-0.020	-0.024	-0.114	0.106	0.085	-0.097
	(0.07)	(0.07)	(0.07)	(0.14)	(0.14)	(0.13)
Crisis	0.039	0.041	0.028	0.248	0.295	0.176
	(0.04)	(0.04)	(0.04)	(0.19)	(0.19)	(0.17)
GINI		0.056			0.336**	
		(0.09)			(0.14)	
Capital income share			0.463***			0.609***
			(0.07)			(0.08)
Constant	-0.038	-0.039	-0.045*	-0.167***	-0.173***	-0.080
	(0.03)	(0.03)	(0.03)	(0.06)	(0.06)	(0.06)
R-squared	0.261	0.263	0.349	0.208	0.228	0.385
N	265	265	265	265	265	265

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

O.2 Third definition

The third definition of capital and labor income adopted is the following:

Capital Income (3) = income from rental of a property or land (*hy040g*) + interest, dividends, profit from capital investments in unincorporated business (*hy090g*) + pensions received from individual private plans (*py080g*)

Labor income (3) = employee cash or near cash income (*py010g*) + cash benefits or losses from self-employment (*py050g*)

Negative capital and labor incomes are excluded, and only the working age population (18-65) is considered. To allocate household-related income sources such as rental income or dividends at the individual level, we equally split them across the household members.

Table A18: Determinants of ICI: Third Definition

	M1 PW b/se	M2 PW b/se	M3 PW b/se	M1 FE b/se	M2 FE b/se	M3 FE b/se
Left seats	-0.148***	-0.146***	-0.087**	-0.147***	-0.151***	-0.092**
	(0.05)	(0.05)	(0.04)	(0.04)	(0.04)	(0.04)
Veto points	-0.292***	-0.278***	-0.247***	1.646	1.579	-0.444
	(0.08)	(0.08)	(0.06)	(1.41)	(1.42)	(1.19)
Union density	0.036	0.010	-0.068	0.265	0.257	0.595*
	(0.07)	(0.08)	(0.06)	(0.39)	(0.39)	(0.33)
Democracy	-0.098	-0.089	-0.077	0.144	0.142	0.198
	(0.11)	(0.12)	(0.10)	(0.15)	(0.15)	(0.13)
GDP per capita	0.178	0.105	-0.093	1.696***	1.761***	1.021***
	(0.20)	(0.24)	(0.17)	(0.46)	(0.48)	(0.39)
GDP growth	0.026	0.029	0.043	-0.082	-0.082	-0.069
	(0.04)	(0.04)	(0.03)	(0.06)	(0.06)	(0.05)
Unemployment	-0.260***	-0.247***	-0.286***	-0.032	-0.045	-0.218**
	(0.08)	(0.08)	(0.07)	(0.11)	(0.11)	(0.09)
Trade	-0.110	-0.111	0.056	0.186	0.181	0.539*
	(0.10)	(0.10)	(0.08)	(0.36)	(0.36)	(0.30)
FDI inflows	-0.019	-0.021	-0.032*	-0.006	-0.004	0.005
	(0.02)	(0.02)	(0.02)	(0.05)	(0.05)	(0.04)
Capital openness	-0.169**	-0.163**	-0.097	-0.061	-0.060	0.081
	(0.07)	(0.07)	(0.07)	(0.12)	(0.12)	(0.10)
Female labor force	0.444***	0.421***	0.486***	-0.017	-0.017	-0.177
	(0.09)	(0.09)	(0.08)	(0.23)	(0.23)	(0.19)
Industrial employment	0.099	0.077	0.117	-0.246	-0.212	-0.424*

	(0.11)	(0.12)	(0.10)	(0.30)	(0.30)	(0.25)
Educational attainment	0.145	0.146	0.083	-0.503	-0.548	-0.298
	(0.11)	(0.11)	(0.11)	(0.32)	(0.33)	(0.27)
Stock market capitalization	0.081	0.071	-0.014	0.129	0.131	-0.065
	(0.07)	(0.07)	(0.06)	(0.13)	(0.14)	(0.11)
Crisis	-0.026	-0.030	-0.028	-0.069	-0.034	-0.095
	(0.05)	(0.05)	(0.04)	(0.18)	(0.19)	(0.15)
GINI		-0.088			0.105	
		(0.12)			(0.18)	
Capital income share			0.506***			0.633***
			(0.06)			(0.07)
Constant	0.017	0.017	0.008	-0.102*	-0.101*	-0.016
	(0.04)	(0.03)	(0.03)	(0.06)	(0.06)	(0.05)
R-squared	0.319	0.328	0.487	0.244	0.245	0.477
N	265	265	265	265	265	265

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Table A19: Determinants of MU_P and MU_W : Third Definition

	FEM MU_P	Prais MU_P	FEM MU_W	Prais MU_W
	b/se	b/se	b/se	b/se
Left seats	-0.130***	-0.152***	0.053***	0.035*
	(0.05)	(0.05)	(0.02)	(0.02)
Veto points	1.802	-0.270***	0.132	0.156***
	(1.59)	(0.09)	(0.51)	(0.03)
Union density	0.339	-0.098	0.126	-0.328***
	(0.44)	(0.08)	(0.14)	(0.04)
Democracy	0.196	0.003	0.026	0.130***
	(0.17)	(0.14)	(0.05)	(0.04)
GDP per capita	1.130**	-0.345*	-0.621***	-0.818***
	(0.52)	(0.21)	(0.17)	(0.07)
GDP growth	-0.065	0.050	0.011	0.024*
	(0.07)	(0.04)	(0.02)	(0.01)
Unemployment	0.015	-0.223***	0.124***	0.121***
	(0.12)	(0.09)	(0.04)	(0.04)
Trade	0.004	-0.148	-0.053	0.004
	(0.41)	(0.11)	(0.13)	(0.06)
FDI inflows	-0.053	-0.046*	-0.013	-0.000
	(0.05)	(0.03)	(0.02)	(0.02)
Capital openness	-0.093	-0.141*	-0.008	0.074***
	(0.14)	(0.08)	(0.04)	(0.02)
Female labor force	-0.214	0.316***	-0.024	-0.288***
participation	(0.26)	(0.09)	(0.08)	(0.05)
Industrial employment	-0.635*	-0.092	-0.331***	-0.277***
	(0.33)	(0.12)	(0.11)	(0.04)
Educational attainment	-0.344	0.159	0.438***	0.008
	(0.37)	(0.12)	(0.12)	(0.07)
Stock market	0.156	0.055	-0.061	-0.106***
capitalization	(0.15)	(0.08)	(0.05)	(0.04)
Crisis	-0.127	-0.018	-0.290***	-0.030
	(0.20)	(0.05)	(0.06)	(0.03)
Constant	-0.101	0.017	-0.005	-0.006
	(0.07)	(0.04)	(0.02)	(0.02)
R-squared	0.150	0.225	0.624	0.663
N	265	265	265	265

$^{***}p < 0.01, ^{**}p < 0.05, ^{*}p < 0.1$

Table A20: Determinants of ICI: Third Definition, Government Policy

	M4 PW b/se	M5 PW b/se	M6 PW b/se	M7 PW b/se	M4 FE b/se	M5 FE b/se	M6 FE b/se	M7 FE b/se
Left seats	-0.148***	-0.127***	-0.129***	-0.147***	-0.180***	-0.147***	-0.128***	-0.135***
	(0.05)	(0.04)	(0.04)	(0.04)	(0.04)	(0.05)	(0.05)	(0.04)
Veto points	-0.290***	-0.163*	-0.188**	-0.210***	0.907	2.015	2.062	2.237
	(0.08)	(0.10)	(0.08)	(0.08)	(1.36)	(1.48)	(1.47)	(1.42)
Union density	0.037	0.171**	0.093	0.142**	-0.426	0.819	0.797	0.430
	(0.07)	(0.08)	(0.07)	(0.06)	(0.40)	(0.54)	(0.54)	(0.55)
Democracy	-0.097	-0.083	-0.097	-0.101	0.103	0.006	0.027	0.013
	(0.11)	(0.13)	(0.13)	(0.14)	(0.15)	(0.17)	(0.17)	(0.16)
GDP per capita	0.181	0.081	0.166	0.058	1.849***	1.818***	1.682***	0.802
	(0.22)	(0.25)	(0.25)	(0.23)	(0.44)	(0.55)	(0.53)	(0.59)
GDP growth	0.026	0.012	0.022	0.001	0.020	-0.065	-0.052	-0.056
	(0.04)	(0.04)	(0.04)	(0.04)	(0.06)	(0.07)	(0.07)	(0.07)
Unemployment	-0.258***	-0.265***	-0.228***	-0.229***	-0.090	-0.039	-0.048	-0.152
	(0.09)	(0.09)	(0.09)	(0.07)	(0.11)	(0.13)	(0.12)	(0.12)
Trade	-0.111	-0.303**	-0.426***	-0.262**	-0.070	0.139	0.170	0.033
	(0.10)	(0.14)	(0.15)	(0.13)	(0.35)	(0.42)	(0.42)	(0.42)
FDI inflows	-0.019	0.270	0.285	0.302*	-0.036	0.485**	0.494**	0.549***
	(0.02)	(0.18)	(0.18)	(0.18)	(0.04)	(0.20)	(0.20)	(0.19)
Capital openness	-0.167*	-0.141	-0.126	-0.113	-0.129	-0.200	-0.132	0.062
	(0.09)	(0.09)	(0.09)	(0.09)	(0.12)	(0.14)	(0.14)	(0.21)
Female labor force	0.445***	0.478***	0.510***	0.451***	0.097	-0.095	0.044	-0.029
	(0.10)	(0.09)	(0.10)	(0.07)	(0.22)	(0.35)	(0.33)	(0.32)
Industrial employment	0.098	0.046	0.198*	0.152	0.103	-0.180	-0.150	-0.281
	(0.11)	(0.13)	(0.10)	(0.11)	(0.29)	(0.34)	(0.34)	(0.32)
Educational attainment	0.142	0.205*	0.236**	0.159	-0.617**	-0.461	-0.404	-0.501
	(0.13)	(0.12)	(0.11)	(0.11)	(0.31)	(0.36)	(0.36)	(0.34)
Stock market capitalization	0.081	0.028	0.023	0.091	0.210	0.120	0.009	0.072
	(0.07)	(0.09)	(0.08)	(0.07)	(0.13)	(0.15)	(0.14)	(0.13)
Social expenditures	-0.005				0.950***			
	(0.10)				(0.21)			
Crisis	-0.025	-0.048	-0.050	-0.041	-0.201	0.016	-0.053	0.087
	(0.05)	(0.05)	(0.05)	(0.04)	(0.17)	(0.20)	(0.21)	(0.19)
Top tax rate		-0.238*				0.210		

		(0.14)				(0.14)		
Distributed profits tax rate			-0.205**				-0.231	
			(0.08)				(0.14)	
Financial reform				-0.057				-0.117
				(0.08)				(0.12)
Constant	0.017	0.029	0.002	0.018	-0.132**	-0.052	-0.062	-0.084
	(0.04)	(0.05)	(0.05)	(0.05)	(0.06)	(0.09)	(0.09)	(0.09)
R-squared	0.319	0.368	0.383	0.369	0.310	0.277	0.278	0.259
N	265	231	231	223	265	231	231	223

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

Table A21: Capital Ownership: Third Definition (FEMs)

	Capital Inc b/se	Pensions b/se	Rents b/se	Dividends b/se
GDP per capita	0.747***	-0.295	-0.206	0.732***
	(0.16)	(0.31)	(0.24)	(0.16)
Unemployment	0.096***	-0.099	-0.010	0.095***
	(0.03)	(0.07)	(0.05)	(0.03)
Capital openness	-0.057	0.071	-0.070	-0.052
	(0.04)	(0.09)	(0.07)	(0.04)
Union density	-0.219	0.430	0.839***	-0.257*
	(0.14)	(0.28)	(0.21)	(0.14)
Democracy	-0.080	0.407***	0.032	-0.082
	(0.06)	(0.11)	(0.08)	(0.06)
Left seats	0.038**	-0.042	0.078***	0.036**
	(0.02)	(0.03)	(0.02)	(0.02)
Stock market capitalization	-0.161***	-0.161*	-0.089	-0.159***
	(0.05)	(0.10)	(0.07)	(0.05)
Crisis	0.020	0.332***	0.324***	0.011
	(0.04)	(0.09)	(0.07)	(0.04)
Constant	0.002	-0.041	-0.029	0.005
	(0.02)	(0.03)	(0.02)	(0.02)
R-squared	0.403	0.190	0.288	0.394
N	248	248	248	248

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$

O.3 Fourth definition

The fourth definition of capital and labor income defines

Capital Income (4) = income from rental of a property or land (*hy040g*) + interest, dividends, profit from capital investments in unincorporated business (*hy090g*) + pensions received from individual private plans (*py080g*)

Labor income (4) = employee cash or near cash income (*py010g*) + cash benefits or losses from self-employment (*py050g*)

Negative capital and labor incomes are excluded, and the entire population is considered. To allocate household-related income sources such as rental income or dividends at the individual level, we equally split them across the household members.

Table A22: Determinants of ICI: Fourth Definition

	Model 1 PW	Model 2 PW	Model 3 PW	Model 1 FE	Model 2 FE	Model 3 FE
	b/se	b/se	b/se	b/se	b/se	b/se
Left seats	-0.156***	-0.155***	-0.102**	-0.145***	-0.153***	-0.090**
	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)	(0.04)
Veto points	-0.249***	-0.244***	-0.220***	3.207**	3.107**	0.577
	(0.08)	(0.08)	(0.06)	(1.50)	(1.50)	(1.28)
Union density	-0.041	-0.052	-0.126*	0.271	0.265	0.581*
	(0.08)	(0.09)	(0.07)	(0.41)	(0.41)	(0.35)
Democracy	-0.059	-0.055	-0.025	0.134	0.114	0.191
	(0.12)	(0.13)	(0.12)	(0.16)	(0.16)	(0.13)
GDP per capita	0.054	0.023	-0.258	1.789***	1.908***	1.138***
	(0.22)	(0.25)	(0.20)	(0.49)	(0.50)	(0.42)
GDP growth	0.030	0.031	0.041	-0.078	-0.080	-0.074
	(0.04)	(0.04)	(0.04)	(0.06)	(0.06)	(0.05)
Unemployment	-0.287***	-0.284***	-0.328***	-0.038	-0.055	-0.224**
	(0.09)	(0.09)	(0.08)	(0.12)	(0.12)	(0.10)
Trade	-0.062	-0.065	0.116	0.123	0.131	0.543*
	(0.11)	(0.11)	(0.10)	(0.38)	(0.38)	(0.32)
FDI inflows	-0.027	-0.027	-0.037*	-0.024	-0.022	-0.012
	(0.02)	(0.02)	(0.02)	(0.05)	(0.05)	(0.04)
Capital openness	-0.209***	-0.202***	-0.141*	-0.121	-0.127	0.049
	(0.08)	(0.08)	(0.08)	(0.13)	(0.13)	(0.11)
Female labor force	0.431***	0.422***	0.465***	0.050	0.059	-0.152
	(0.09)	(0.09)	(0.09)	(0.25)	(0.25)	(0.21)
Industrial employment	0.086	0.078	0.104	-0.278	-0.210	-0.445*

	(1)	(2)	(3)	(4)	(5)	(6)
	(0.12)	(0.13)	(0.12)	(0.31)	(0.32)	(0.26)
Educational attainment	0.143	0.144	0.088	-0.505	-0.556	-0.279
	(0.12)	(0.12)	(0.13)	(0.34)	(0.35)	(0.29)
Stock market capitalization	0.074	0.068	-0.023	0.113	0.125	-0.065
	(0.08)	(0.08)	(0.08)	(0.14)	(0.14)	(0.12)
Crisis	-0.031	-0.031	-0.045	-0.138	-0.111	-0.220
	(0.05)	(0.05)	(0.04)	(0.19)	(0.19)	(0.16)
GINI		-0.035			0.237	
		(0.11)			(0.21)	
Capital income share			0.534***			0.735***
			(0.07)			(0.08)
Constant	0.020	0.019	0.017	-0.161**	-0.151**	-0.055
	(0.04)	(0.04)	(0.03)	(0.06)	(0.06)	(0.05)
R-squared	0.262	0.264	0.384	0.253	0.258	0.478
N	265	265	265	265	265	265

$^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$