Research Seminar "Quantitative Economics"

Winter Term 2025/26

Alexander Kriwolutzky (DIW)

Abstract

Beyond Multipliers: Distributional Income Effects of Government Spending in the Euro Area

(Alexander Kriwolutzky)

Abstract
What are the distributional income effects of government spending in the euro area? Using harmonized micro-level data from the EU-SILC, we analyze how fiscal policy impacts income growth across the income distribution, as well as across gender and occupational groups. Our results show, first, that expansionary government spending benefits lower-income households. Second, we find that these effects are driven by increases in employee income, with women experiencing the largest gains. Third, the underlying mechanisms differ by type of fiscal intervention: consumption shocks raise employee income in public-sector occupations at the intensive margin, whereas investment shocks primarily affect women in private-sector jobs, also operating through increased hours worked (extensive margin). Fourth, we show that the positive effects for women are most pronounced in countries with lower female employment rates or higher gender wage gaps.