Abstract
We examine the interplay between changes in the functional distribution of income and the
distribution of market income among households using micro data from the German Socio-
Economic Panel as well as macro data from the German Federal Statistical Office within
the timespan from 2002 to 2008. We categorize and evaluate the implications of changes
in the functional distribution of income upon the distribution of income among individuals
on the basis of a simple theoretic framework that links the degree of the concentration of
income from asset flows among individuals to the relationship between individuals’ levels of
market income and their respective income shares from asset flows. Our empirical analysis
offers two insights: First, the relative rise of income from asset flows reported by German
National Accounting Statistics is also evident in the micro data taken from the German
Socio-Economic Panel, however, within the micro data the increases of capital income shares
are much less pronounced. Second, rising capital income shares are associated with an
increasing concentration of market income.

Keywords: Factor Shares, Income Distribution, Inequality, Market Income

JEL Classification: D31, D33, E6, E25

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