

Digital technology, institutions, and income inequality: evidence from Europe

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Inserisci l'Abstract (max 200 parole).

We study whether, and to what extent, the regional endowment of digital technology affects income distribution. To fill a gap in the literature, we also analyze the possible moderating role of formal and informal institutions, the latter being represented by bonding and bridging social capital. We merge different data sources and build a sample of 170 European NUTS2 regions for the period 2003-2016. Our regressions show that a higher growth rate of digital technology endowment in a region corresponds to a higher growth rate of income inequality. Both formal and informal institutions, however, help regions reduce this effect, especially when considering government effectiveness and bridging social capital. We also make our results robust to potential endogeneity by using an instrumental variable approach.