Outline

The
Measurement of
Inequality

Political
Philosophy of
Redistributing
Income

Policies to
Reduce Poverty

Chapter 20
Income Inequality and Poverty

2011.1.7.

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Measurement of
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1 The Measurement of Inequality

2 Political Philosophy of Redistributing Income

3 Policies to Reduce Poverty

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The Measurement of Inequality

Political Philosophy of Redistributing Income

Policies to Reduce Poverty

- A person's earnings depend on the supply and demand for that person's labor, which in turn depend on natural ability, human capital, compensating differentials, discrimination, and so on.
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Four questions of measurement:

- How much inequality is there in our society?
- How many people live in poverty?
- What problems arise in measuring the amount of inequality?
- How often do people move among income classes?

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U.S. Income Inequality

- Imagine that you
  - lined up all of the families in the economy according to their annual income.
  - divided the families into five equal groups (bottom fifth, second fifth, etc.)

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The Distribution of Income in the United States: 2005

Group	Annual Family Income
Bottom Fifth	Under $25,616
Second Fifth	$25,616–$45,021
Middle Fifth	$45,021–$68,304
Fourth Fifth	$68,304–$103,100
Top Fifth	$103,100 and over
Top 5 percent	$184,500 and over

Source: U.S. Bureau of the Census.

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- computed the share of total income that each group of families received.

TABLE 2

Income Inequality in the United States

This table shows the percentage of total before-tax income received by families in each fifth of the income distribution and by those families in the top 5 percent.

Year	Bottom Fifth	Second Fifth	Middle Fifth	Fourth Fifth	Top Fifth	Top 5%
2005	4.0%	9.6%	15.3%	22.9%	48.1%	21.1%
2000	4.3	9.8	15.5	22.8	47.4	20.8
1990	4.6	10.8	16.6	23.8	44.3	17.4
1980	5.2	11.5	17.5	24.3	41.5	15.3
1970	5.5	12.2	17.6	23.8	40.9	15.6
1960	4.8	12.2	17.8	24.0	41.3	15.9
1950	4.5	12.0	17.4	23.4	42.7	17.3
1935	4.1	9.2	14.1	20.9	51.7	26.5

Source: U.S. Bureau of the Census.

- If income were equally distributed across all families, each one-fifth of families would receive one-fifth (20 percent) of total income.
- From 1935-1970, the distribution of income gradually became more equal.
- In more recent years, this trend has reversed itself.

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Reasons for Recent Increase in Income Inequality

- The following have tended to reduce the demand for unskilled labor and raise the demand for skilled labor:
  - Increases in international trade with low-wage countries.
  - Changes in technology.
- Therefore, the wages of unskilled workers have fallen relative to the wages of skilled workers.
- This has resulted in increased inequality in family incomes.

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The Measurement of Inequality

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Inequality around the World

- Answering this question is problematic.
- For some countries, data are not available.
- Not every country collects data in the same way. Some countries collect data on individual incomes, other countries collect data on family incomes, still others collect data on expenditure.

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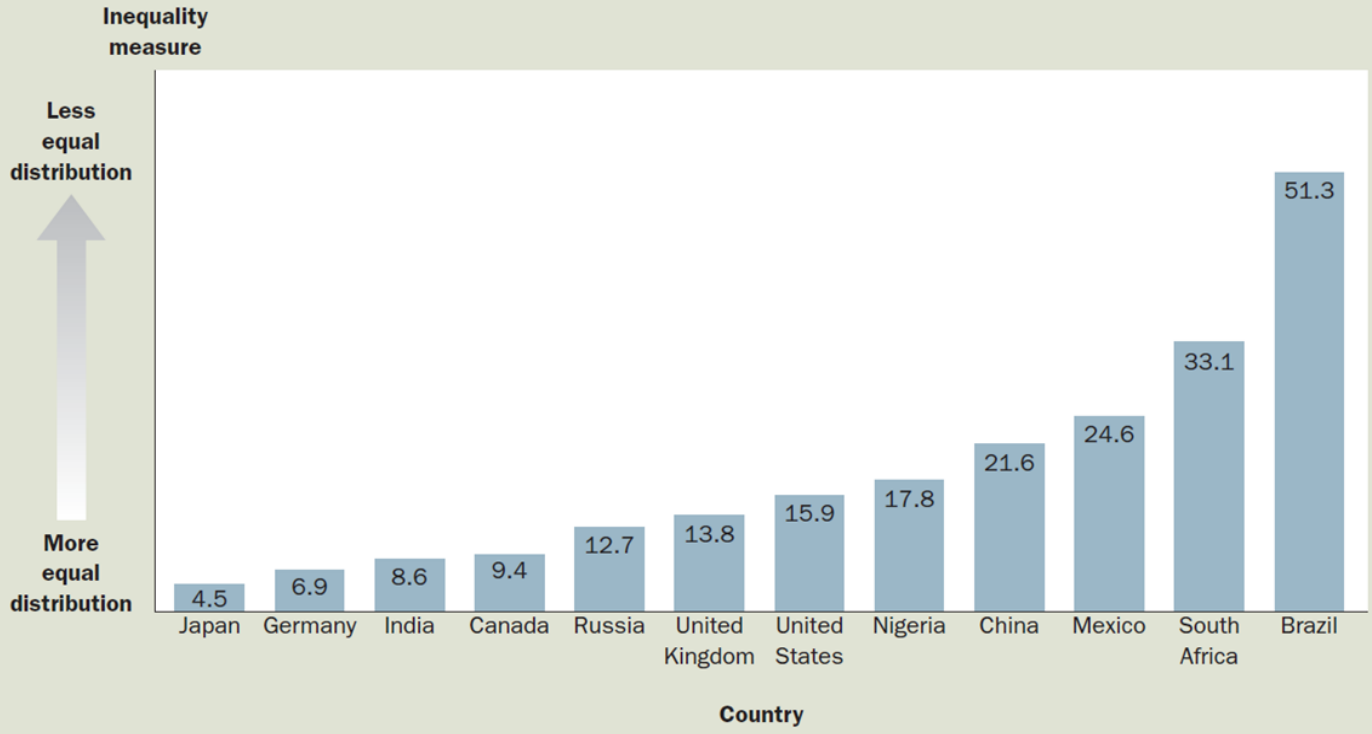
the richest 10% relative to the poorest 10%

1 FIGURE

Inequality around the World

This figure shows a measure of inequality: the income (or expenditure) that goes to the richest 10 percent of the population divided by the income (or expenditure) that goes to the poorest 10 percent. Among these nations, Japan and Germany have the most equal distribution of economic well-being, while South Africa and Brazil have the least equal.

Source: *Human Development Report 2007/2008.*



貧富差距或所得分配的衡量:

- 五等分位分組之下, 所得前百分之二十家庭的平均所得, 是後百分之二十家庭平均所得的幾倍?
- 吉尼係數。

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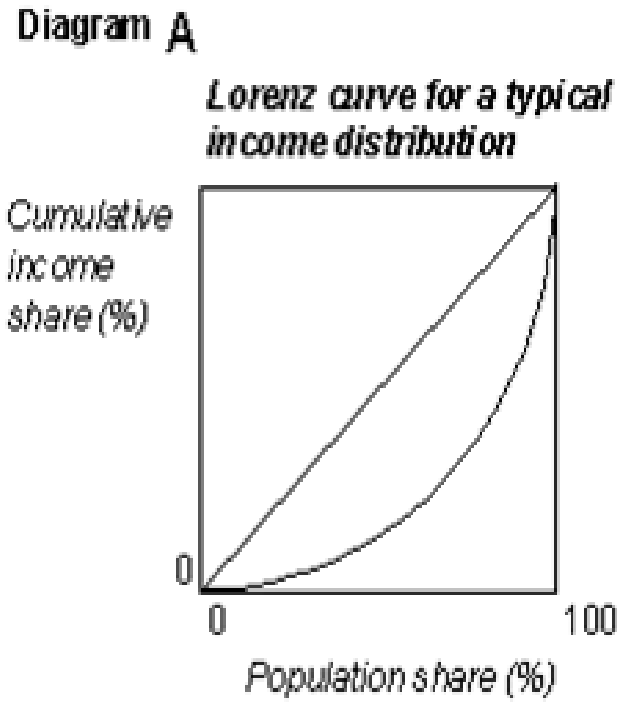
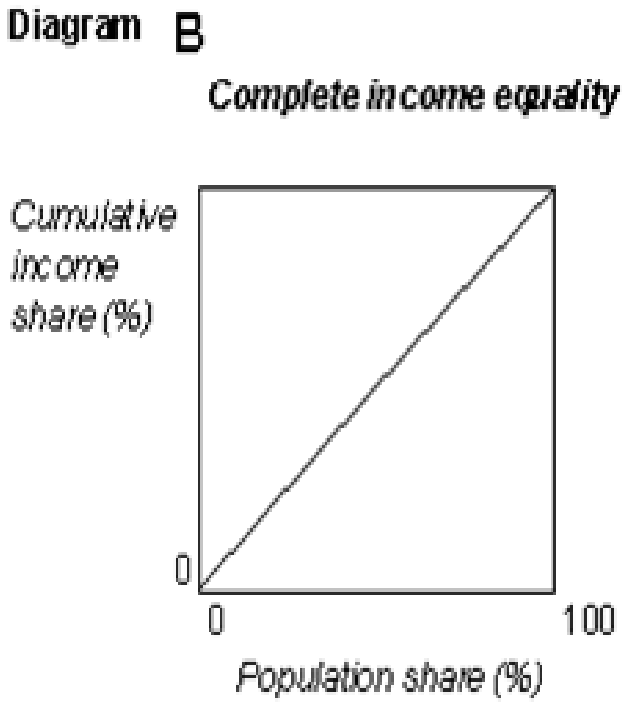
Lorenz curve and Gini coefficient





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- 中間所得者的資訊是否納入?
- 家庭所得? 還是個人所得?

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第 4 表　戶數五等分位組之所得分配比與所得差距

Table 4. Percentage Share of Disposable Income by Percentile Group of Households and Income Inequality Indexes

年　別 Year	可支配所得按戶數五等分位組之所得分配比(%) Percent distribution of disposable income by percentile of households					第五分位組為第一分位組之倍數(倍) Ratio of income share of highest 20% to that of lowest 20%	吉尼係數 Gini's concentration coefficient
	1 最低所得組 lowest 20%	2 Second 20%	3 Third 20%	4 Fourth 20%	5 最高所得組 Highest 20%		
53 年 1964	7.71	12.57	16.62	22.03	41.07	5.33	0.321
57 年 1968	7.84	12.22	16.25	22.32	41.37	5.28	0.326
59 年 1970	8.44	13.27	17.09	22.51	38.69	4.58	0.294
61 年 1972	8.60	13.25	17.06	22.48	38.61	4.49	0.291
63 年 1974	8.84	13.49	16.99	22.05	38.63	4.37	0.287
65 年 1976	8.91	13.64	17.48	22.71	37.26	4.18	0.280
66 年 1977	8.96	13.48	17.31	22.57	37.68	4.21	0.284
67 年 1978	8.89	13.71	17.53	22.70	37.17	4.18	0.287
68 年 1979	8.64	13.68	17.48	22.68	37.52	4.34	0.285
69 年 1980	8.82	13.90	17.70	22.78	36.80	4.17	0.278
70 年 1981	8.80	13.76	17.62	22.78	37.04	4.21	0.281
71 年 1982	8.69	13.80	17.56	22.69	37.26	4.29	0.283
72 年 1983	8.61	13.64	17.47	22.73	37.54	4.36	0.287
73 年 1984	8.49	13.69	17.62	22.83	37.36	4.40	0.287
74 年 1985	8.37	13.59	17.52	22.88	37.64	4.50	0.291
75 年 1986	8.30	13.51	17.38	22.65	38.16	4.60	0.296
76 年 1987	8.11	13.50	17.53	22.82	38.04	4.69	0.299
77 年 1988	7.89	13.43	17.55	22.88	38.25	4.85	0.303
78 年 1989	7.70	13.50	17.72	23.07	38.01	4.94	0.303
79 年 1990	7.45	13.22	17.51	23.22	38.60	5.18	0.312
80 年 1991	7.76	13.26	17.42	22.97	38.60	4.97	0.308
81 年 1992	7.37	13.24	17.52	23.21	38.66	5.24	0.312
82 年 1993	7.13	13.12	17.65	23.44	38.66	5.43	0.315
83 年 1994	7.28	12.97	17.41	23.18	39.17	5.38	0.318
84 年 1995	7.30	12.96	17.37	23.38	38.99	5.34	0.317
85 年 1996	7.22	13.00	17.50	23.38	38.89	5.38	0.317
86 年 1997	7.24	12.91	17.46	23.25	39.14	5.41	0.320
87 年 1998	7.12	12.84	17.53	23.24	39.26	5.51	0.324
88 年 1999	7.13	12.91	17.51	23.21	39.24	5.50	0.325
89 年 2000	7.07	12.82	17.47	23.41	39.23	5.55	0.326
90 年 2001	6.43	12.08	17.04	23.33	41.11	6.39	0.350
91 年 2002	6.67	12.30	16.99	22.95	41.09	6.16	0.345
92 年 2003	6.72	12.37	16.91	23.17	40.83	6.07	0.343
93 年 2004	6.67	12.46	17.41	23.25	40.21	6.03	0.338
94 年 2005	6.66	12.43	17.42	23.32	40.17	6.04	0.340
95 年 2006	6.66	12.37	17.42	23.51	40.03	6.01	0.339
96 年 2007	6.76	12.36	17.31	23.16	40.41	5.98	0.340
97 年 2008	6.64	12.37	17.43	23.40	40.17	6.05	0.341
98 年 2009	6.36	12.27	17.39	23.64	40.34	6.34	0.345

註一：五十三年至六十三年吉尼係數係依可支配所得十等分位資料計算，六十五年以後以十五分組資料計算，計算公式採用

第 6 表　政府對家庭移轉收支對所得分配之影響

Table 6. The Changes of Disposable Income occurred by Current Transfers Between Households and Government

單位：倍
Unit：Times

年別 Year	五等分位所得差距倍數 Ratio of income share of highest 20% to that of lowest 20%			移轉收支效果 Ratio difference		
	政府移轉收支前 Without current transfers **A**	加來自政府移轉收入 Including current transfers from government **B**	實際(目前) With current transfers **C**	從政府移轉收入 With current transfers from government **A-B**	對政府移轉支出 With current transfers to government **B-C**	合計 With current transfers **A-C**
69 年 1980	4.305	4.265	4.173	0.040	0.091	0.132
70 年 1981	4.327	4.302	4.209	0.024	0.093	0.118
71 年 1982	4.408	4.383	4.288	0.025	0.095	0.121
72 年 1983	4.512	4.471	4.358	0.041	0.112	0.154
73 年 1984	4.535	4.490	4.399	0.046	0.091	0.136
74 年 1985	4.635	4.593	4.498	0.042	0.095	0.137
75 年 1986	4.784	4.707	4.600	0.077	0.108	0.185
76 年 1987	4.882	4.803	4.692	0.079	0.110	0.190
77 年 1988	5.053	4.947	4.850	0.106	0.097	0.203
78 年 1989	5.176	5.030	4.937	0.146	0.094	0.240
79 年 1990	5.525	5.299	5.183	0.226	0.116	0.342
80 年 1991	5.315	5.072	4.975	0.243	0.098	0.340
81 年 1992	5.565	5.339	5.245	0.226	0.095	0.321
82 年 1993	5.764	5.505	5.425	0.259	0.080	0.339
83 年 1994	5.792	5.486	5.379	0.307	0.107	0.414
84 年 1995	5.934	5.434	5.340	0.500	0.094	0.594
85 年 1996	6.174	5.491	5.385	0.683	0.107	0.790
86 年 1997	6.249	5.532	5.407	0.718	0.124	0.842
87 年 1998	6.494	5.655	5.514	0.839	0.141	0.980
88 年 1999	6.468	5.651	5.502	0.818	0.148	0.966
89 年 2000	6.568	5.688	5.548	0.880	0.140	1.020
90 年 2001	7.667	6.536	6.391	1.132	0.145	1.277
91 年 2002	7.469	6.293	6.161	1.176	0.132	1.308
92 年 2003	7.319	6.198	6.075	1.120	0.123	1.244
93 年 2004	7.413	6.173	6.027	1.240	0.150	1.390
94 年 2005	7.447	6.183	6.036	1.260	0.150	1.411
95 年 2006	7.454	6.160	6.006	1.294	0.154	1.448
96 年 2007	7.523	6.119	5.981	1.404	0.138	1.542
97 年 2008	7.732	6.203	6.046	1.529	0.158	1.687
98 年 2009	8.219	6.473	6.343	1.746	0.130	1.876

第 8 表　主要國家(地區)家庭所得分配狀況

Table 8. Income Distribution in Selected Countries

國名 Countries		年別 Year	所得按戶數五等分位組之所得分配比(%) Percentage share of household income, by quintile groups of households (%)		最高所得組為最低所得組之倍數(倍) Ratio of income share of highest 20% to that of lowest 20% households	吉尼係數 Gini's concentration coefficient
			最低所得組(20%) Lowest 20%	最高所得組(20%) Highest 20%		
一、低收入國家地區	Low-income countries:					
1.印度	India	2004**	8.1	45.3	5.61	0.368
2.印尼	Indonesia	2007**	7.4	45.5	6.15	0.376
3.越南	Vietnam	2006**	7.1	45.4	6.39	0.378
二、中收入國家地區	Mid-income countries:					
1.巴西	Brazil	2007*	3.0	58.7	19.57	0.550
2.保加利亞	Bulgaria	2003**	8.7	38.1	4.38	0.292
3.中國大陸	China	2005*	5.7	47.8	8.39	0.415
4.哥倫比亞	Colombia	2006*	2.3	61.6	26.78	0.585
5.馬來西亞	Malaysia	2004*	6.4	44.4	6.94	0.379
6.墨西哥	Mexico	2008**	3.8	56.4	14.84	0.516
7.菲律賓	Philippines	2006**	5.6	50.4	9.00	0.440
8.俄羅斯	Russian Federation	2007**	5.6	50.2	8.96	0.437
9.泰國	Thailand	2004**	6.1	49.0	8.03	0.425
三、高收入國家地區	High-income countries:					
1.加拿大	Canada	2000*	7.2	39.9	5.55	0.326
2.芬蘭	Finland	2000*	9.6	36.7	3.81	0.269
3.法國	France	1995*	7.2	40.2	5.58	0.327
4.德國	Germany	2000*	8.5	36.9	4.33	0.283
5.義大利	Italy	2000*	6.5	42.0	6.46	0.360
6.日本(a)	Japan(a)	2009	6.6	41.1	6.25	0.339
日本(b)	Japan(b)	2004*	7.9	39.3	4.98	0.308
7.南韓	Korea, Rep.	2009	-	-	5.76	0.314
8.盧森堡	Luxembourg	2000*	8.4	38.9	4.61	0.308
9.荷蘭	Netherlands	1999*	7.6	38.7	5.09	0.309
10.紐西蘭	New Zealand	1997*	6.4	43.8	6.84	0.362
11.挪威	Norway	2000*	9.6	37.2	3.88	0.258
12.中華民國	Republic of China	2009	6.4	40.3	6.34	0.345
		2009*	8.9	38.9	4.35	0.302
		2009***	9.7	35.8	3.68	0.264
		2009**	12.7	31.3	2.46	0.193
13.新加坡(a)	Singapore(a)	2009*	4.1	52.6	12.74	0.478
新加坡(b)	Singapore(b)	2009*	-	-	-	0.453
14.瑞典	Sweden	2000*	9.1	36.6	4.02	0.250
15.英國	United Kingdom	2008*	5.1	45.7	8.96	0.400
16.美國	U.S.A	2008*	4.6	44.3	9.57	0.389

附註：一、表中星號(*)為平均每人所得資料；雙星號（**）為平均每人消費資料。

二、資料來源：世界銀行 WORLD DEVELOPMENT INDICATORS 及各國官方公布之資料，日本(a)為家計調查之家庭年間收入，(b) 全國

第 27 表　家庭戶數按戶內人口規模別之分配

Table 27. Percent Distribution by Size of Household

單位：%
Unit：%

年別 Year	合計 Total	1 人 1 person	2 人 2 persons	3 人 3 persons	4 人 4 persons	5 人 5 persons	6 人 6 persons	7 人 7 persons	8 人 8 persons	9 人及以上 9 or more persons
59 年 1970	100.00	2.55	4.75	8.40	12.66	18.13	19.43	14.58	8.38	11.12
61 年 1972	100.00	3.33	4.15	9.28	13.73	21.23	19.26	12.57	7.62	8.83
63 年 1974	100.00	3.18	5.00	9.07	17.39	23.02	18.77	10.54	6.26	6.77
65 年 1976	100.00	3.17	5.44	9.52	17.70	22.79	18.76	10.79	5.67	6.16
67 年 1978	100.00	3.77	6.44	11.70	20.27	24.02	16.79	8.56	4.12	4.33
68 年 1979	100.00	3.92	7.46	11.87	19.82	23.25	16.70	8.76	4.08	4.14
69 年 1980	100.00	3.87	7.28	12.51	20.02	23.25	16.46	8.54	3.92	4.15
70 年 1981	100.00	3.74	7.26	12.40	21.37	24.46	15.61	7.48	3.72	3.96
71 年 1982	100.00	4.76	7.84	12.96	20.96	22.93	15.13	7.69	3.66	4.07
72 年 1983	100.00	4.10	7.96	12.67	21.55	24.22	15.42	7.19	3.25	3.64
73 年 1984	100.00	4.38	8.20	12.63	22.62	23.25	14.68	7.11	3.49	3.64
74 年 1985	100.00	4.66	8.70	13.23	22.85	23.54	14.20	6.51	3.18	3.14
75 年 1986	100.00	5.05	9.42	12.88	23.64	22.88	13.78	6.50	3.08	2.77
76 年 1987	100.00	5.58	9.70	14.13	23.72	23.36	12.47	6.14	2.45	2.45
77 年 1988	100.00	5.98	10.91	14.00	25.69	22.58	11.44	5.28	2.16	1.96
78 年 1989	100.00	5.82	11.44	14.59	25.36	22.29	11.52	5.32	1.89	1.77
79 年 1990	100.00	6.47	11.59	15.22	25.69	21.65	10.84	4.62	2.05	1.87
80 年 1991	100.00	5.82	12.34	15.38	26.29	21.50	10.56	4.81	1.72	1.58
81 年 1992	100.00	6.56	12.39	15.49	27.16	20.67	10.09	4.39	1.78	1.47
82 年 1993	100.00	6.69	12.66	15.47	26.89	20.55	10.00	4.47	1.65	1.62
83 年 1994	100.00	6.99	13.87	15.17	27.56	20.22	9.23	3.92	1.54	1.50
84 年 1995	100.00	7.68	14.70	15.97	26.46	19.70	8.95	4.02	1.30	1.23
85 年 1996	100.00	7.96	14.48	15.98	27.11	19.41	8.60	3.97	1.30	1.19
86 年 1997	100.00	8.86	15.60	16.39	26.15	18.76	8.09	3.61	1.35	1.19
87 年 1998	100.00	9.63	15.85	16.57	27.04	17.70	7.53	3.49	1.14	1.06
88 年 1999	100.00	10.60	18.07	17.19	25.62	16.69	7.17	2.75	1.12	0.78
89 年 2000	100.00	10.82	18.30	17.18	26.12	16.08	6.71	2.70	1.25	0.84
90 年 2001	100.00	10.73	19.06	17.48	25.68	15.64	6.80	2.93	0.90	0.78
91 年 2002	100.00	8.51	18.96	18.64	26.88	15.42	6.91	2.81	1.09	0.78
92 年 2003	100.00	9.26	20.45	19.84	25.82	14.35	6.44	2.41	0.78	0.65
93 年 2004	100.00	9.94	20.22	19.51	26.03	14.65	6.04	2.35	0.72	0.54
94 年 2005	100.00	9.92	22.72	19.20	25.42	14.00	5.58	2.05	0.65	0.45
95 年 2006	100.00	10.54	21.67	20.71	25.00	13.35	5.35	2.28	0.61	0.49
96 年 2007	100.00	9.60	23.04	21.18	24.71	13.32	5.38	1.84	0.58	0.35
97 年 2008	100.00	10.76	22.73	21.09	24.83	12.18	5.26	2.00	0.67	0.48
98 年 2009	100.00	10.54	23.80	20.87	24.35	12.09	5.23	2.00	0.63	0.49

第 26 表　戶數五等分位組之平均每戶人數與就業人數

Table 26. Average Number of Persons and Employed Persons per Household by Disposable Income Quintile

單位：人
Unit：Person

年別 Year	全體家庭 General Average	可支配所得按戶數五等分位組 Disposable income quintile					第五分位組為第一分位組之倍數 Ratio of highest group over lowest group
		1 最低所得組 Lowest 20%	2 Second 20%	3 Third 20%	4 Fourth 20%	5 最高所得組 Highest 20%	
平均每戶人數 No. of persons per household							
69 年 1980	4.85	3.62	4.70	4.89	5.23	5.80	1.60
70 年 1981	4.79	3.65	4.65	4.93	5.14	5.61	1.54
75 年 1986	4.53	3.09	4.37	4.71	4.98	5.49	1.78
76 年 1987	4.41	2.91	4.26	4.64	4.87	5.38	1.85
77 年 1988	4.28	2.82	4.17	4.53	4.75	5.13	1.82
78 年 1989	4.25	2.79	4.17	4.43	4.75	5.10	1.83
79 年 1990	4.19	2.70	4.09	4.45	4.62	5.09	1.89
80 年 1991	4.16	2.81	4.06	4.34	4.59	5.00	1.78
81 年 1992	4.10	2.63	3.96	4.33	4.58	5.02	1.91
82 年 1993	4.10	2.50	4.01	4.36	4.58	5.03	2.01
83 年 1994	4.02	2.39	3.88	4.31	4.55	4.96	2.08
84 年 1995	3.94	2.32	3.76	4.26	4.48	4.86	2.09
85 年 1996	3.92	2.32	3.65	4.23	4.50	4.91	2.12
86 年 1997	3.84	2.19	3.59	4.15	4.44	4.85	2.21
87 年 1998	3.77	2.13	3.47	4.12	4.38	4.77	2.24
88 年 1999	3.63	1.96	3.31	3.97	4.26	4.66	2.38
89 年 2000	3.62	1.99	3.27	3.89	4.27	4.65	2.34
90 年 2001	3.58	2.01	3.18	3.88	4.24	4.60	2.29
91 年 2002	3.65	2.16	3.32	3.92	4.27	4.57	2.12
92 年 2003	3.53	2.03	3.13	3.84	4.19	4.46	2.20
93 年 2004	3.50	1.96	3.16	3.81	4.14	4.43	2.26
94 年 2005	3.42	1.92	3.02	3.75	4.08	4.35	2.27
95 年 2006	3.41	1.87	3.01	3.71	4.07	4.37	2.34
96 年 2007	3.38	1.93	2.94	3.65	4.07	4.32	2.24
97 年 2008	3.35	1.88	2.91	3.62	4.06	4.29	2.28
98 年 2009	3.34	1.89	2.93	3.57	3.96	4.34	2.30
平均每戶就業人數 No. of employed persons per household							
69 年 1980	1.93	1.45	1.66	1.76	2.11	2.65	1.83
70 年 1981	1.92	1.45	1.68	1.78	2.08	2.61	1.80
75 年 1986	1.83	1.14	1.55	1.79	2.06	2.62	2.30
76 年 1987	1.80	1.11	1.53	1.72	2.03	2.61	2.35
77 年 1988	1.78	1.09	1.50	1.72	2.06	2.53	2.32
78 年 1989	1.77	1.10	1.51	1.70	2.00	2.52	2.29
79 年 1990	1.77	1.05	1.46	1.70	2.03	2.59	2.47
80 年 1991	1.76	1.10	1.49	1.69	2.00	2.52	2.29
81 年 1992	1.75	1.05	1.46	1.68	2.02	2.55	2.43
82 年 1993	1.77	0.94	1.46	1.74	2.08	2.60	2.77
83 年 1994	1.75	0.91	1.44	1.77	2.10	2.54	2.79
84 年 1995	1.71	0.85	1.39	1.73	2.06	2.54	2.99
85 年 1996	1.71	0.84	1.39	1.72	2.06	2.55	3.04
86 年 1997	1.69	0.80	1.36	1.74	2.05	2.52	3.15
87 年 1998	1.64	0.73	1.34	1.68	2.01	2.45	3.36
88 年 1999	1.60	0.68	1.27	1.66	1.96	2.44	3.59
89 年 2000	1.58	0.68	1.29	1.59	1.94	2.41	3.54
90 年 2001	1.56	0.66	1.23	1.62	1.96	2.35	3.56
91 年 2002	1.57	0.70	1.25	1.62	1.98	2.32	3.31
92 年 2003	1.54	0.62	1.20	1.59	1.94	2.35	3.79
93 年 2004	1.53	0.60	1.21	1.59	1.93	2.34	3.90
94 年 2005	1.51	0.56	1.18	1.56	1.92	2.31	4.13
95 年 2006	1.52	0.59	1.19	1.59	1.90	2.32	3.93
96 年 2007	1.50	0.60	1.14	1.56	1.93	2.29	3.82
97 年 2008	1.49	0.54	1.15	1.55	1.94	2.27	4.20
98 年 2009	1.46	0.53	1.14	1.53	1.85	2.25	4.25

如何量到最大的貧富差距?

- 不要用全部資訊 (吉尼係數), 只用富人與窮人的比較。
- 如何定義富人和窮人?
  - 前 10% v.s. 後 10%。
  - 前 5% v.s. 後 5%。
  - 一千萬以上 v.s. 37 萬以下。
  - 一億以上 v.s 37 萬以下。
  - 首富 v.s 最窮的那個人。
- 所得種類:
  - 家庭所得或個人所得?
  - 總所得還是分項所得 (如薪資所得或股利所得)?

中國時報 臺灣希望2008 專題報導6: 臺灣新窮人 新貧族誕生 望錢興嘆

- 「據財稅資料中心截至2004年的統計, 年所得逾千萬的富豪, 平均所得2790萬元, 為貧窮家戶的55倍, 十年來這項差距由48倍增為55倍, 貧富差距明顯惡化。」
- 「此外, 股票造成的財富效應更是嚇人, 千萬富豪的平均股利所得高達1924萬元, 為貧窮家戶的836倍, 二者有如天壤之別。」

Outline

The
Measurement of
Inequality

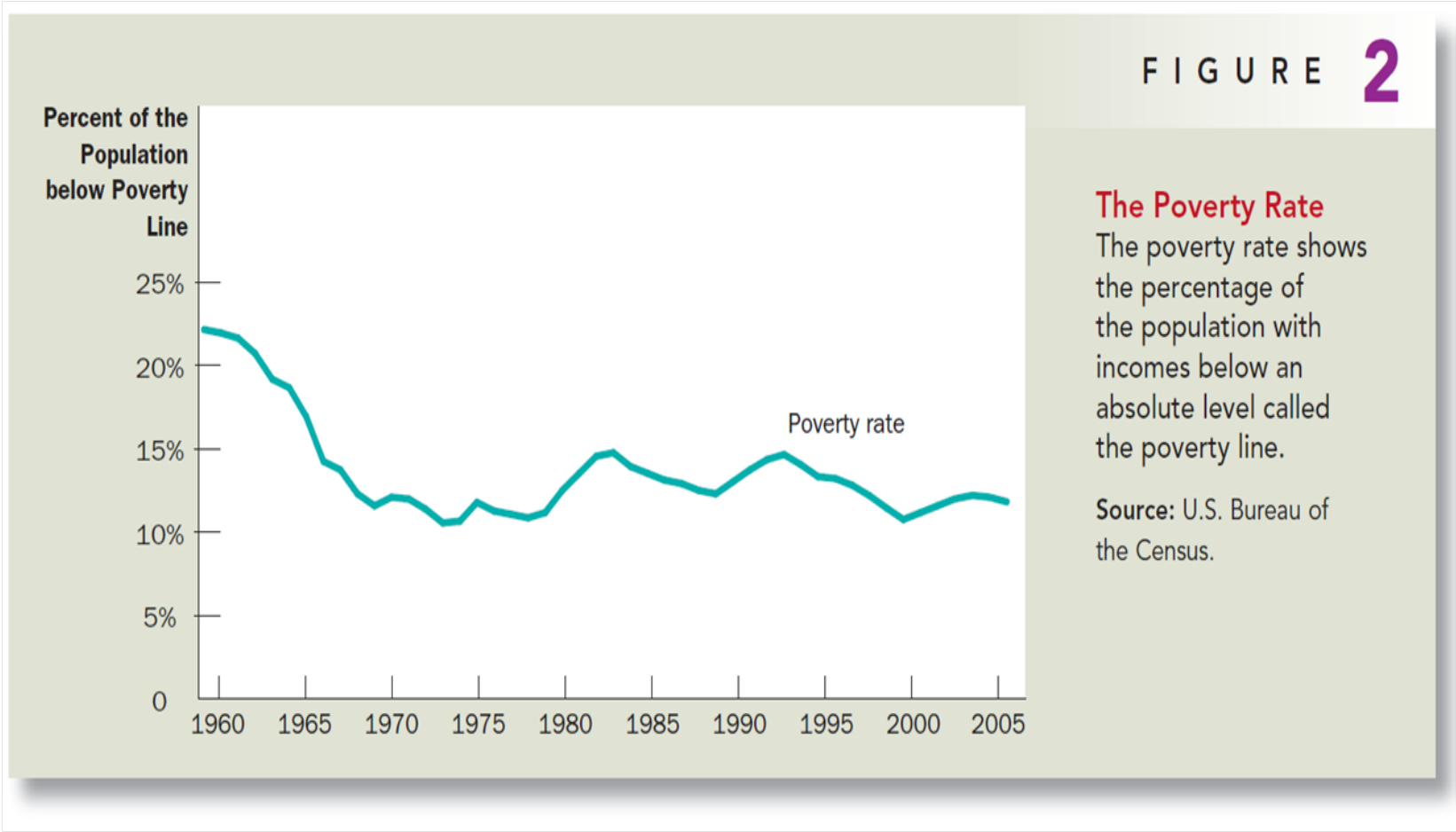
Political
Philosophy of
Redistributing
Income

Policies to
Reduce Poverty

- 「· · · 主計處家庭收支調查, 五等分位家戶高低所得差距在2001年達到高峰, 之後幾年似乎趨於緩和, 但若以財稅資料中心統計, 全國納納稅人細分為20等分, 高低所得差距由1998年的32倍增為2003年的51倍, 其實貧富差距是惡化的。」

The Poverty Rate

- The poverty rate is the percentage of the population whose family income falls below an absolute level called the poverty line.
- The poverty line is set by the federal government at roughly three times the cost of providing an adequate diet.



- In 2005, the median family had an income of \$56,194, and the poverty line for a family of four was \$19,971.

- As economic growth pushes the entire income distribution upward, more families are pushed above the poverty line because the poverty line is an absolute rather than a relative standard.
- Despite continued economic growth in average income, the poverty rate has not declined.
- Although economic growth has raised the income of the typical family, the increase in inequality has prevented the poorest families from sharing in this greater economic prosperity.

Outline

The
Measurement of
Inequality

Political
Philosophy of
Redistributing
Income

Policies to
Reduce Poverty

Who Is Poor?

3 TABLE

Who Is Poor?

This table shows that the poverty rate varies greatly among different groups within the population.

Group	Poverty Rate
All persons	12.6%
White, not Hispanic	8.3
Black	24.9
Hispanic	21.8
Asian	11.1
Children (under age 18)	17.6
Elderly (over age 64)	10.1
Married-couple families	5.9
Female household, no spouse present	31.1

Source: U.S. Bureau of the Census. Data are for 2005.

Three Facts About Poverty

- Poverty is correlated with race. Blacks and Hispanics are about three times more likely to live in poverty than are whites.
- Poverty is correlated with age. Children are more likely than average to be member of poor families, and the elderly are less likely than average to be poor.
- Poverty is correlated with family composition. Families headed by a female adult and wothout a spouse present are about five times as likely to live in poverty as a family headed by a married couple.

- Among Black and Hispanic children in female-headed households, about half live in poverty.

Problems in Measuring Inequality

- Data on income distribution and the poverty rate give an incomplete picture of inequality in living standards because of the following:
  - In-kind transfers.
  - Economic life cycle.
  - Transitory versus permanent income.

In-kind transfers

- Measurements of the distribution of income and the poverty rate are based on families' money income.
- Transfers to the poor given in the form of goods and services rather than cash are called in-kind transfers.
- The failure to include in-kind transfers as part of income greatly affects the measured poverty rate.

The Economic Life Cycle

- The regular pattern of income variation over a person's life is called the life cycle.
  - A young worker has a low income at the beginning of his or her career.
  - Income rises as the worker gains maturity and experience.
  - Income peaks at about age 50.
  - Income falls sharply at retirement, around age 65.
- This normal life cycle pattern causes inequality in the distribution of annual income, but it does not necessarily represent true inequality in living standards.

Transitory versus Permanent Income

- Incomes vary because of random and transitory forces.
  - Acts of nature.
  - Temporary layoffs due to illness or economic conditions, etc.
  - Permanent income excludes transitory changes in income.
  - A family's ability to buy goods and services depends largely on its permanent income, which is its normal, or average, income.

Economic Mobility

- The movement of people among income classes is called economic mobility.
- Economic mobility is substantial in the U.S. economy.
- Movements up and down the income ladder can be due to:
  - Good or bad luck.
  - Hard work or laziness.
- Persistence of economic success from generation to generation.

Political Philosophy of Redistributing Income

- What should the government do about economic inequality?
  - Economic analysis alone cannot give us the answer.
  - The question is a normative one facing policymakers.
- Three Political Philosophies:
  - Utilitarianism
  - Liberalism
  - Libertarianism

Utilitarianism

- The founders of utilitarianism are the English philosophers Jeremy Bentham (1748-1832) and John Stuart Mill (1806-1873).
- **Utilitarianism** is the political philosophy according to which the government should choose policies to maximize the total utility of everyone in society.
- Utility is the level of happiness or satisfaction that a person receives from his circumstances.
- The utilitarian case for redistributing income is based on the assumption of diminishing marginal utility (邊際效用遞減).

- An extra dollar of income to a poor person provides that person with more utility than does an extra dollar to a rich person.
- This assumption, together with the goal of maximizing total utility, implies that the governmnet should try to achieve a more equal distribution of income.
- However, utilitarianism rejects complete equalization of incomes because they accept the principle that people respond to incentives.

- When the government redistributes income through taxes, the society's income falles.
- The utilitarian government has to balance the gains from greater equality against the losses from distorted incentives.
- To maximize total utility, the government stops short of making society fully egalitarian.

Liberalism

- **Liberalism** is the political philosophy according to which the government should choose policies deemed to be just, as evaluated by an impartial observer behind a "veil of ignorance" (無知之幕).
- This view was originally developed by the philosopher John Rawls in his 1971 book— *A Theory of Justice*.
- How can we, the members of society, ever agree on what justice means?

- Imagine that before any of use is born, we all get together for a meeting to design the rules that govern society. i.e. We are sitting in an "original position" behind a veil of ignorance.
- Public policy should be based on the maximin criterion, which seeks to maximize the utility or well-being of the worst-off person in society.
- That is, rather than maximizing the sum of everyone's utility, one should maximize the minimum utility.
- The maxmin criterion would not, however, lead to a completely egalitarian society.

- If the government promised to equalize incomes completely, people would have no incentive to work hard, and the least fortunate person would be worse off.
- This idea would allow for the consideration of the redistribution of income as a form of social insurance.
- However, it is not at all clear that rational people behind the veil of ignorance would truly be so averse to risk as to follow the maxmin criterion.

Libertarianism

- Libertarians argue that society itself earns no income— only individual members of society earn income.
- **Libertarianism** is the political philosophy according to which the government should punish crimes and enforce voluntary agreements, but should not redistribute income.
- Whereas utilitarians and liberals try to judge what amount of inequality is desirable in a society, libertarians denies the validity of this very question.

- The libertarian alternative to evaluating economic *outcomes* is to evaluate the *process* by which these outcomes arise.
- As long as the process determining the distribution of income is just, the resulting distribution is fair, no matter how unequal.
- Libertarians argue that equality of opportunity is more important than equality of income.
- The government should enforce individual rights to ensure that everyone has the same opportunity to use his or her talents and achieve success.

Policies to Reduce Poverty

- Minimum-wage laws
- Welfare
- Negative income tax
- In-kind transfers

Outline

The Measurement of Inequality

Political Philosophy of Redistributing Income

Policies to Reduce Poverty

Minimum-Wage Laws

- Advocates view the minimum wage as a way of helping the working poor.
- Critics view the minimum wage as hurting those it is intended to help.
- The magnitude of the effects of the minimum wage depends on the elasticity of the demand for labor.

- Advocates argue that the demand for unskilled labor is relatively inelastic, so that a high minimum wage depresses employment only slightly.
- Critics argue that labor demand is more elastic, especially in the long run when firms can adjust employment more fully.

Welfare

- The government attempts to raise the living standards of the poor through the welfare system.
- Welfare is a broad term that encompasses various government programs that supplement the incomes of the needy.
  - Temporary Assistance for Needy Families (TANF)
  - Supplemental Security Income (SSI)

Negative Income Tax

- A negative income tax collects tax revenue from high-income households and gives transfers to low-income households.
- High-income families would pay a tax based on their incomes.
- Low-income families would receive a subsidy-a "negative tax."
- Poor families would receive financial assistance without having to demonstrate need.

In-Kind Transfers

- In-kind transfers are transfers to the poor given in the form of goods and services rather than cash.
- Food stamps and Medicaid are examples.
- Advocates of in-kind transfers argue that such transfers ensure that the poor get what they most need.
- Advocates of cash payments argue that in-kind transfers are inefficient and disrespectful.

Antipoverty Programs and Work Incentives

- Many policies aimed at helping the poor can have the unintended effect of discouraging the poor from escaping poverty on their own.
- An antipoverty program can affect work incentives:
  - A family needs $15,000 to maintain a reasonable standard of living.
  - The government promises to guarantee every family a $15,000 income.
  - Any person making under $15,000 has no incentive to work due to the effective marginal tax rate of 100 percent.

- Workfare refers to a system that would require any person collecting benefits to accept a government-provided job.
- A 1996 welfare reform bill advocated providing benefits for only a limited period of time.

School Vouchers(教育卷)

- One aim of universal education is to shrink the gap between rich and poor. But government-financed education does not require government-run schools.