

1 Wealth and Health

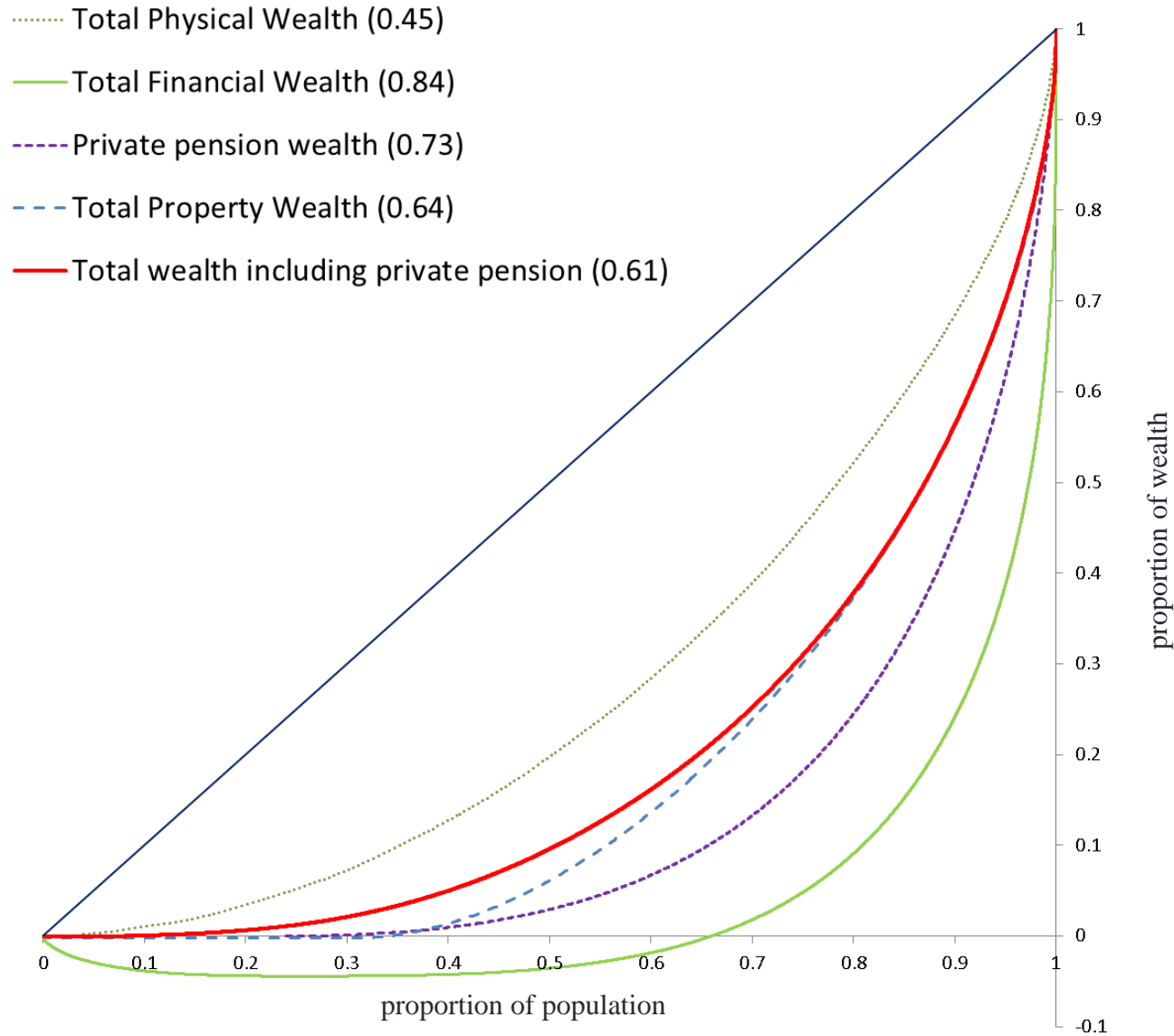
Why is measuring the inequality of wealth or health so much harder than measuring the inequality of incomes? – On wealth check the bottom half of page 672 in Cowell, F. A. and Van Kerm, P. (2015) "Wealth Inequality: A Survey", Journal of Economic Surveys, 29 (4).

[http://darp.lse.ac.uk/papersdb/Cowell-Kerm_\(JEconSurv15\).pdf](http://darp.lse.ac.uk/papersdb/Cowell-Kerm_(JEconSurv15).pdf)

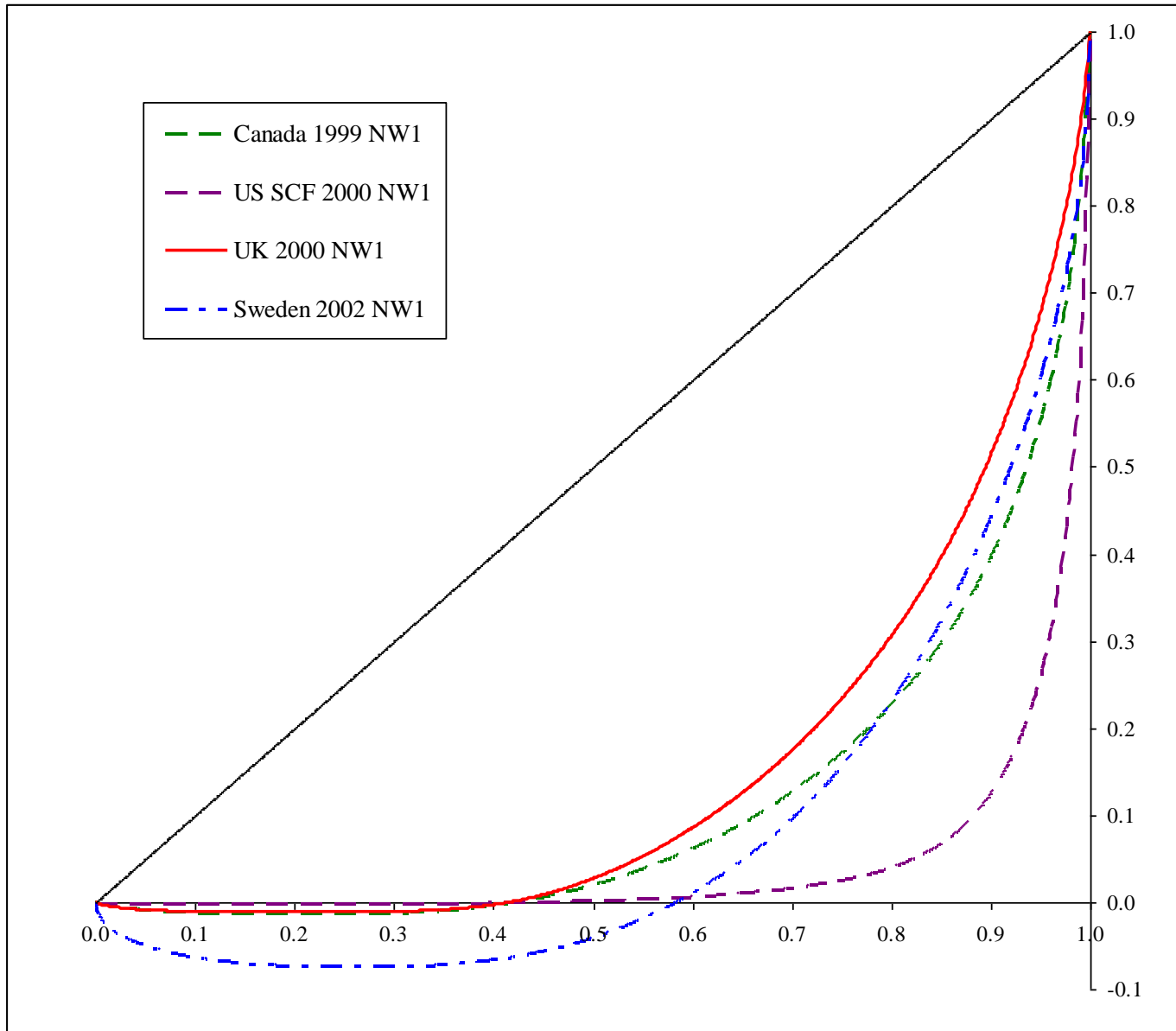
On health check pages 61,62 in van Doorslaer, E. and Jones, A.J. (2003) "Inequalities in self-reported health: validation of a new approach to measurement" Journal of Health Economics, 22

[http://darp.lse.ac.uk/papersdb/vanDoorslaer-Jones_\(JHE03\).pdf](http://darp.lse.ac.uk/papersdb/vanDoorslaer-Jones_(JHE03).pdf)

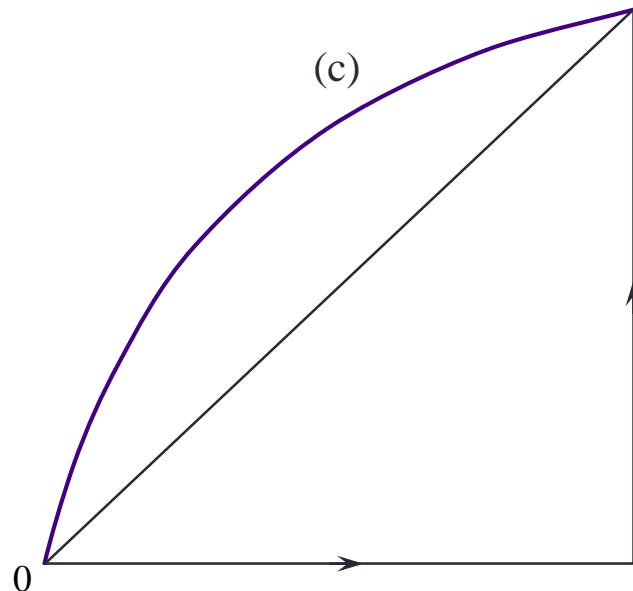
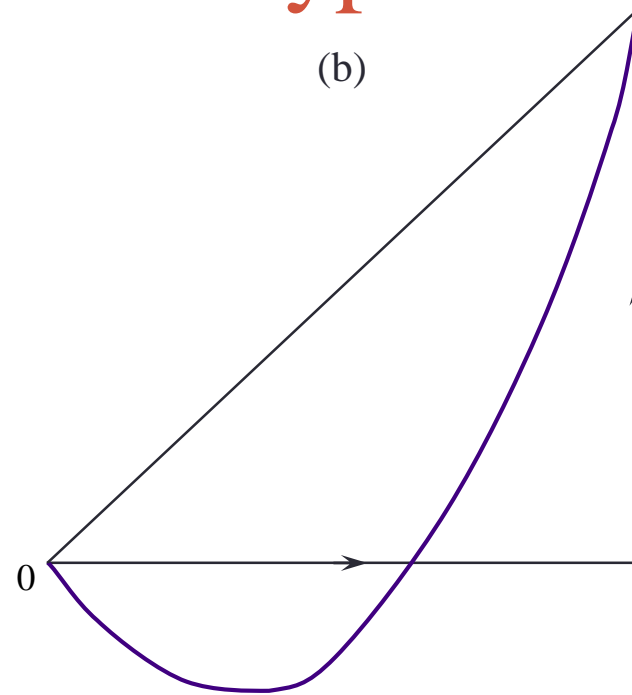
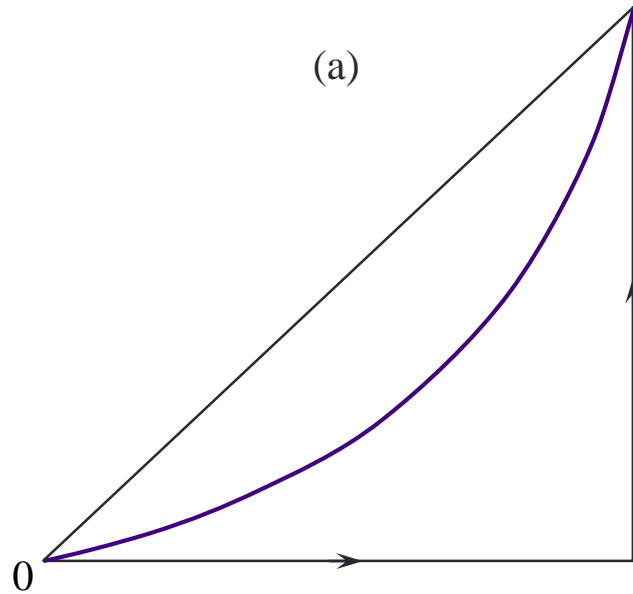
Wealth and assets survey: 2010/12



LWS: Net worth

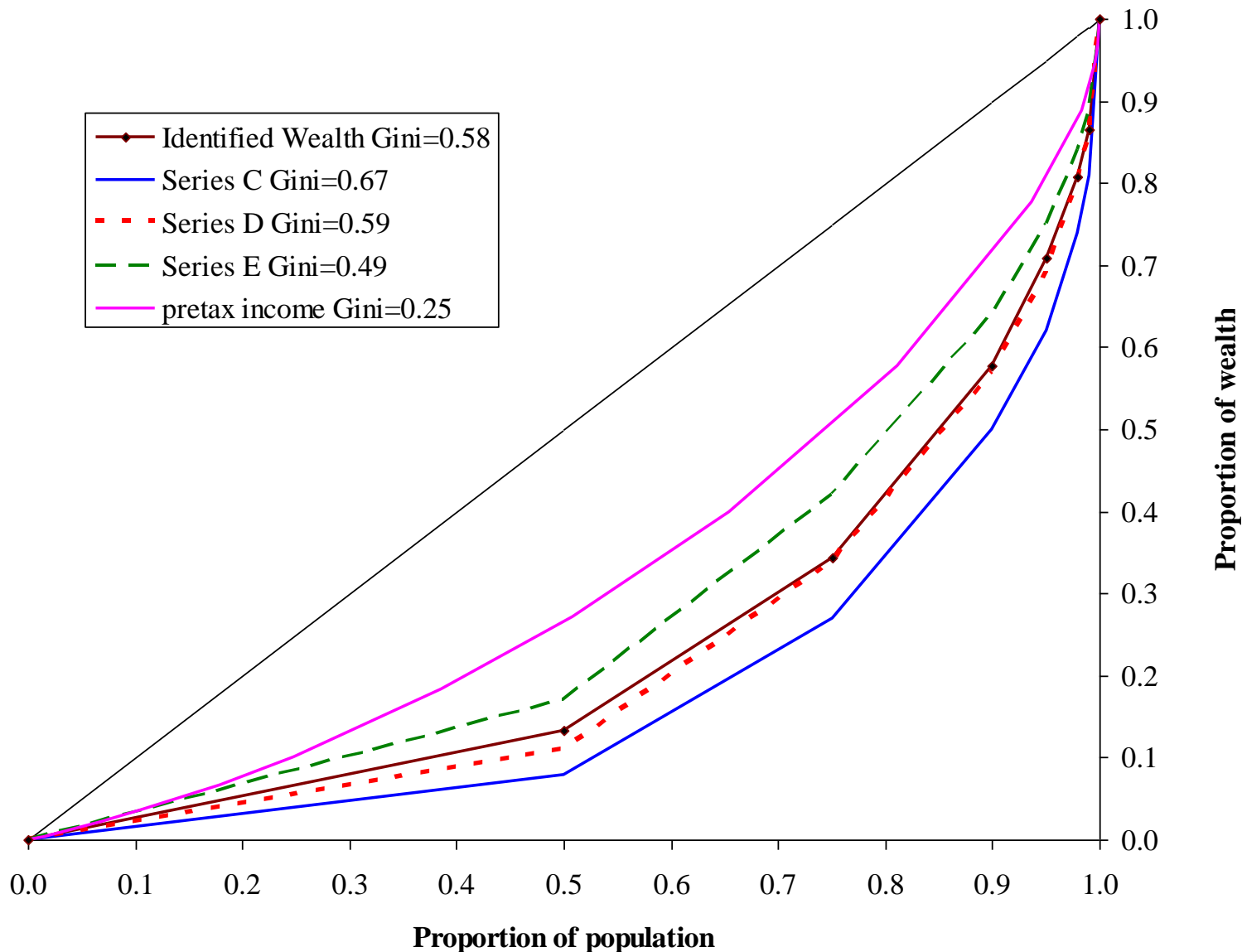


Lorenz curves for different types of data



- (a) non-negative incomes
- (b) some negative incomes, but positive mean
- (c) many negative incomes and negative mean

Wealth concepts and inequality

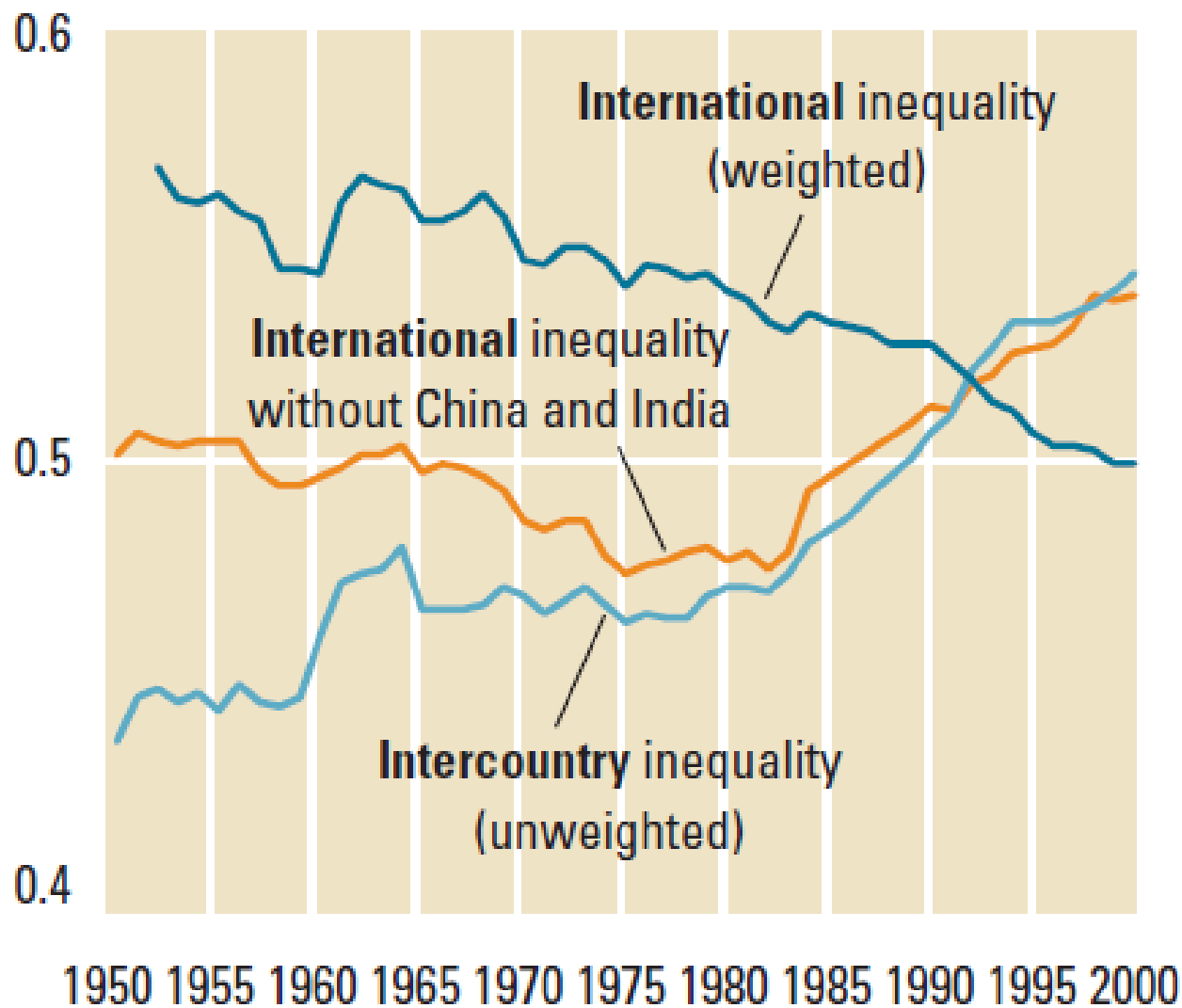


2 World inequality

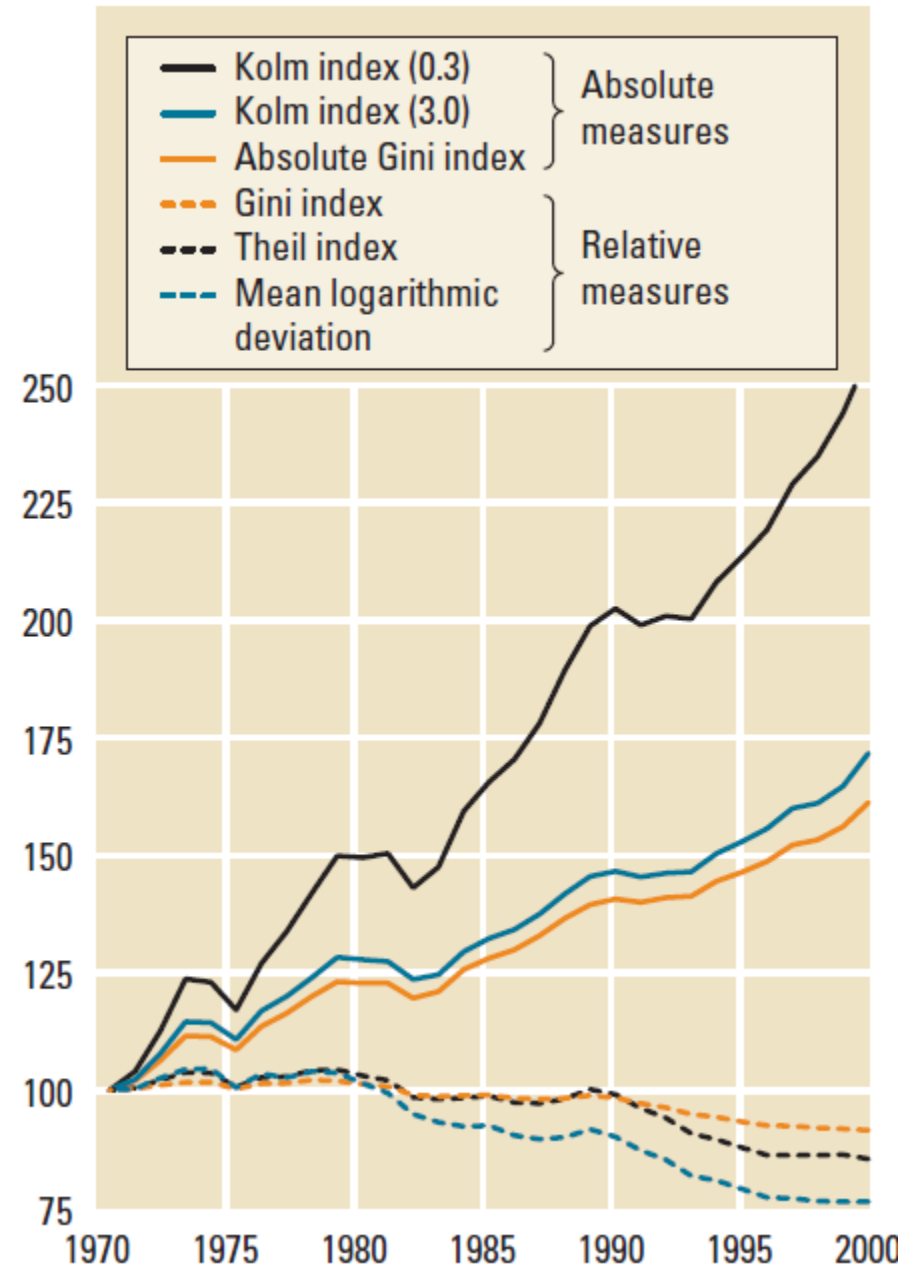
Is world inequality decreasing according to relative inequality measures? What about absolute inequality measures? – Check page 63 of World Bank (2005) World Development Report 2006 "Equity and Development"

http://darp.lse.ac.uk/resources/reports/worldbank/WDR_report06.pdf

What's been going on world wide?



Relative and absolute measures



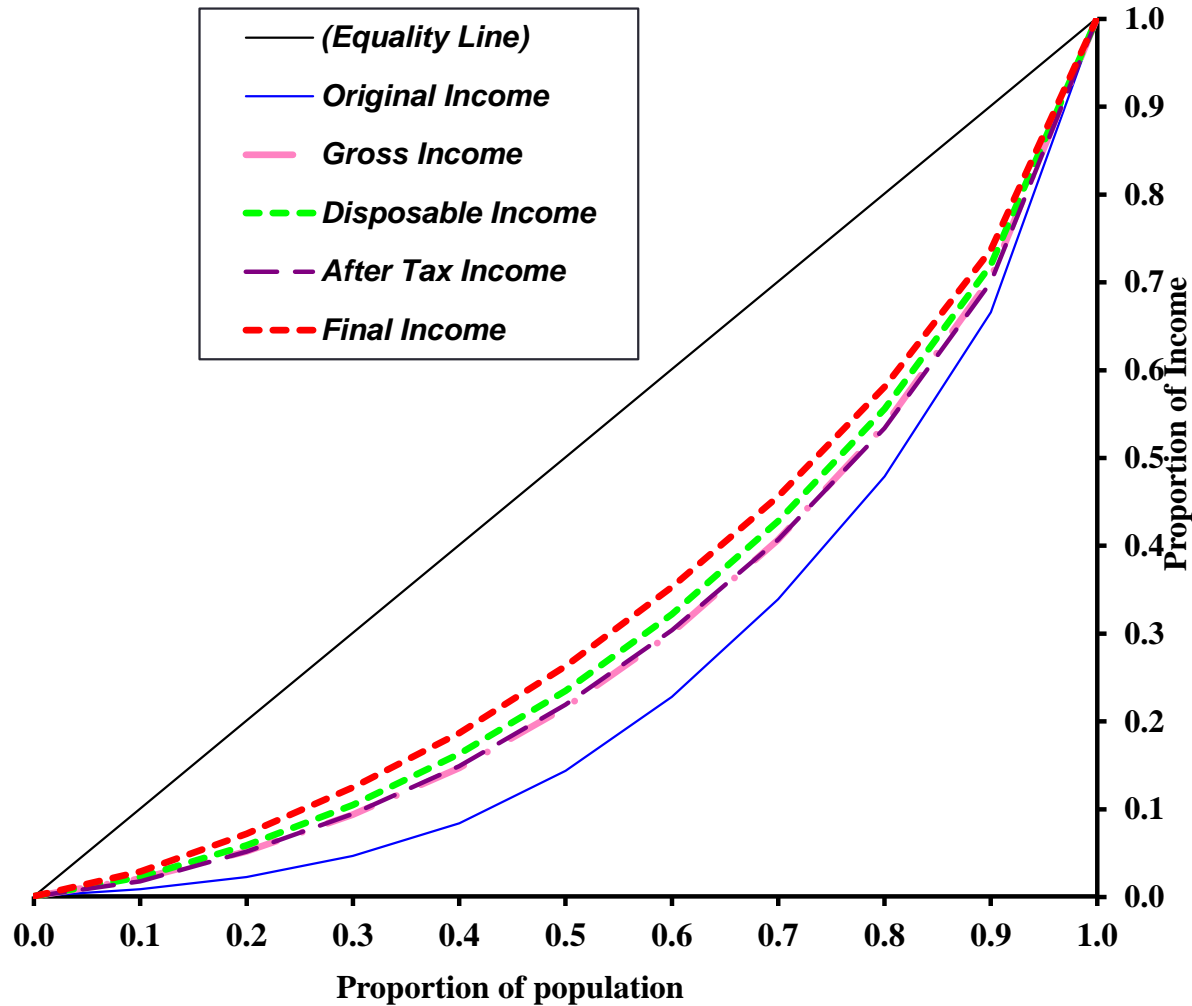
3 Government intervention and inequality

How can the Lorenz curve help us determine whether particular types of taxes and benefits are progressive or regressive? – Check pages 39,40 of this: Jones, F. (2008) "The effects of taxes and benefits on household income, 2006/07," Economic and Labour Market Review, 2, 37-47.

[http://darp.lse.ac.uk/papersdb/Jones_\(ELMR08\).pdf](http://darp.lse.ac.uk/papersdb/Jones_(ELMR08).pdf)

Impact of Taxes and Benefits. UK 2006/7.

Lorenz Curve

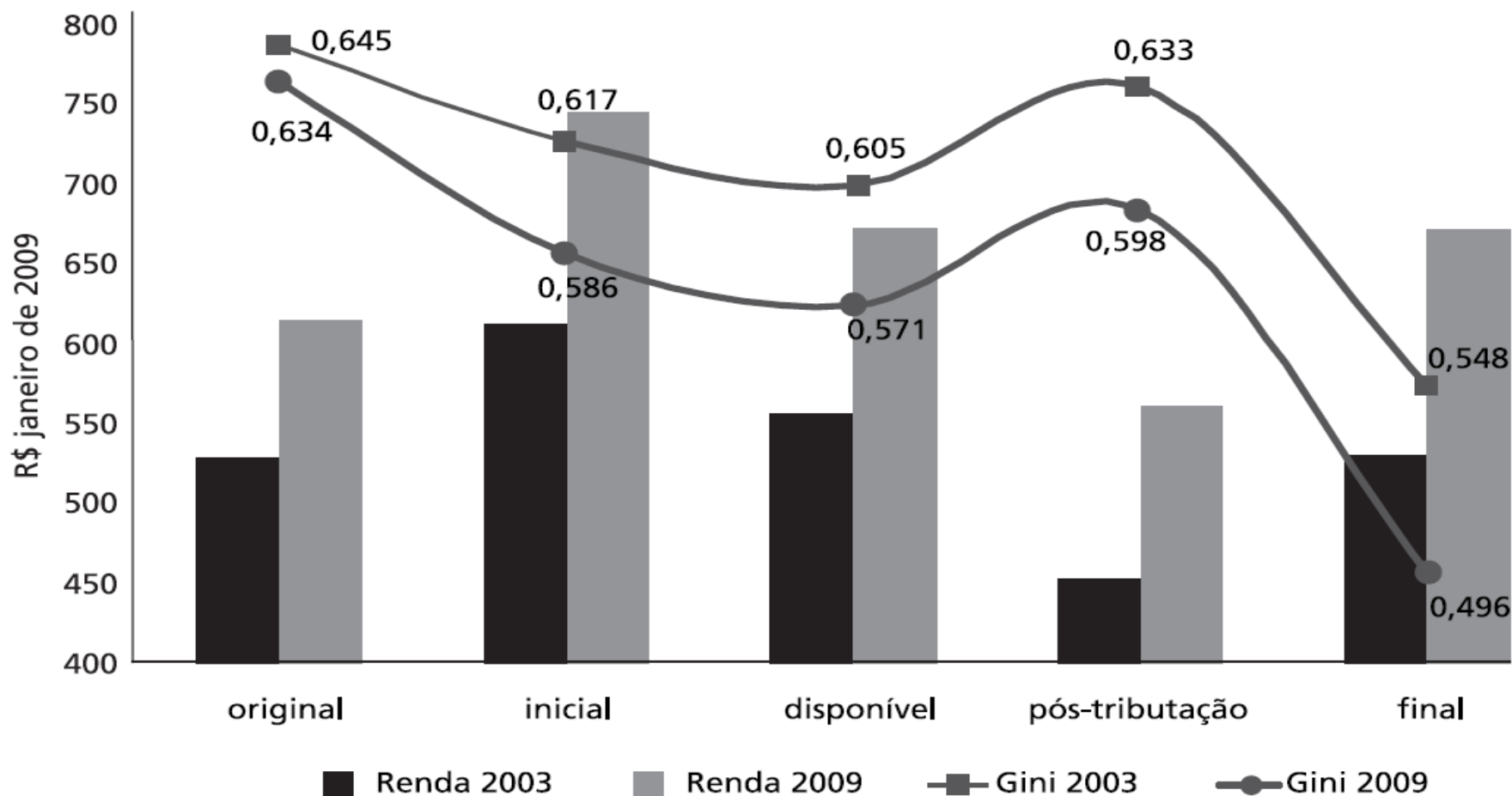


- + *cash benefits*
- - *direct taxes*
- - *indirect taxes*
- + *noncash benefits*

- Big effect from benefits side
- Modest impact of taxes
- Direct and indirect taxes work in opposite directions

Impact of taxes and benefits: Brazil

Comportamento do índice de Gini e das rendas monetárias original, inicial, disponível, final – Brasil (2002-2003 e 2008-2009)

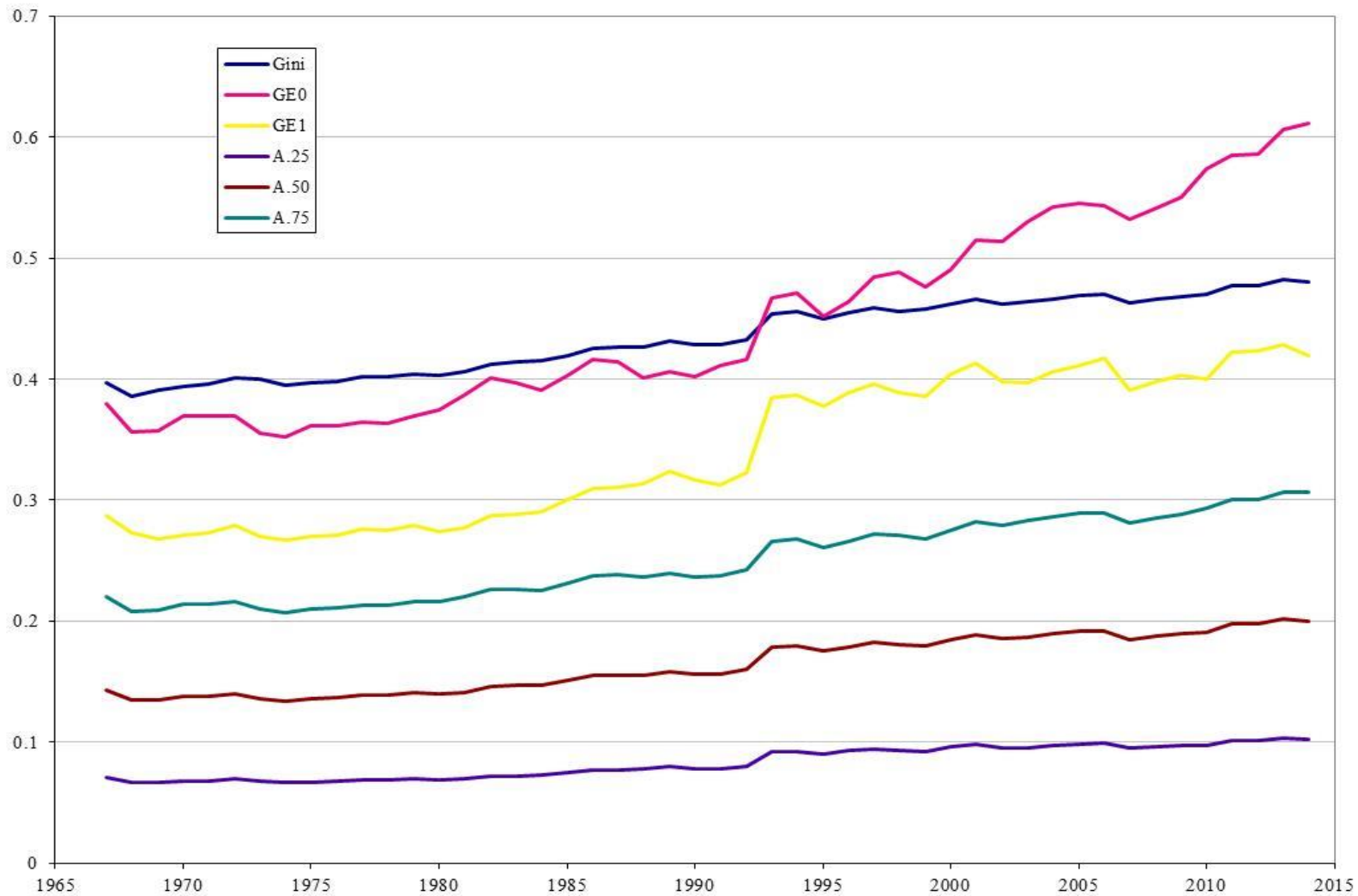


Source: [Carlos Ribeiro et al. \(2011\)](#)

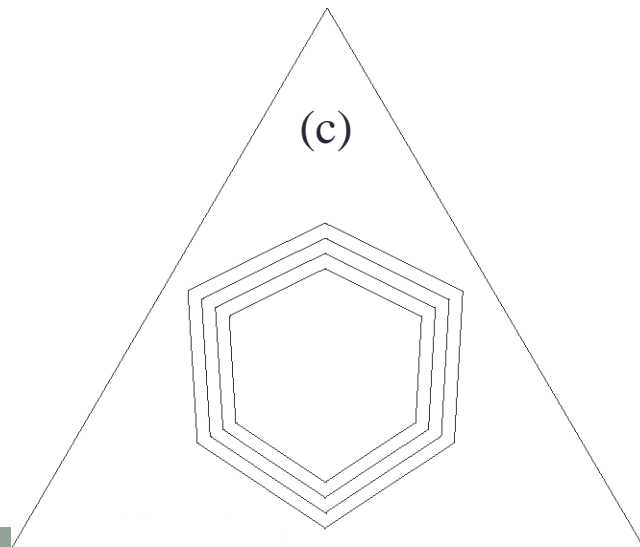
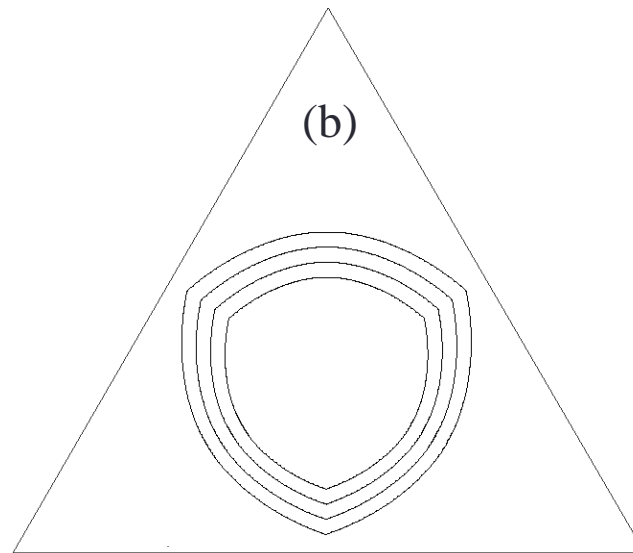
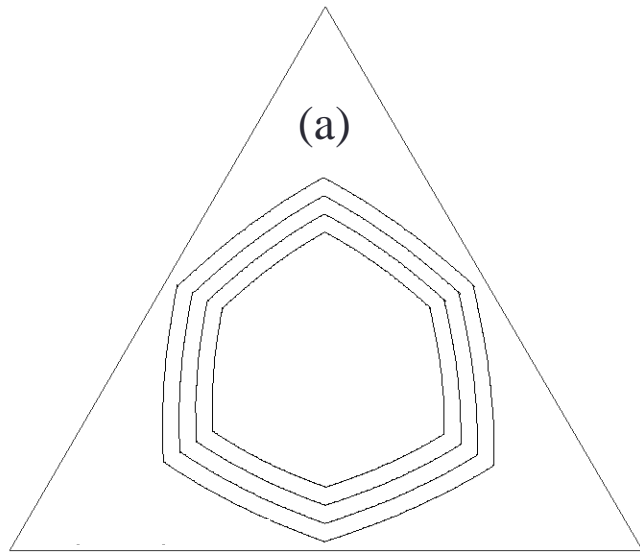
Lecture extras

A couple of extra slides to show supplementary points

Example 1: Inequality, US experience

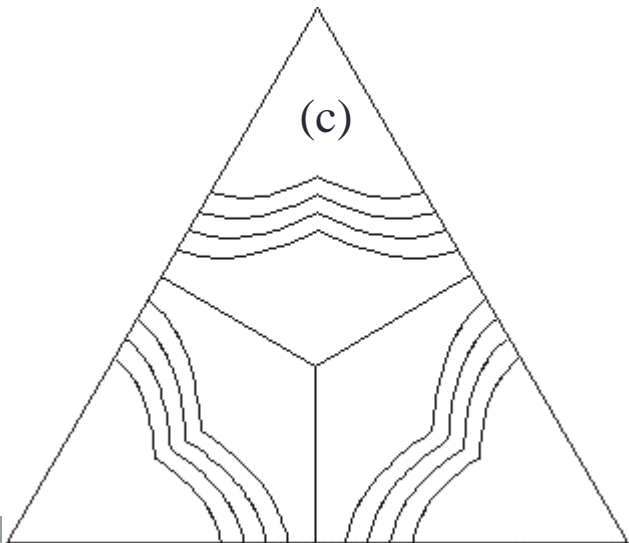
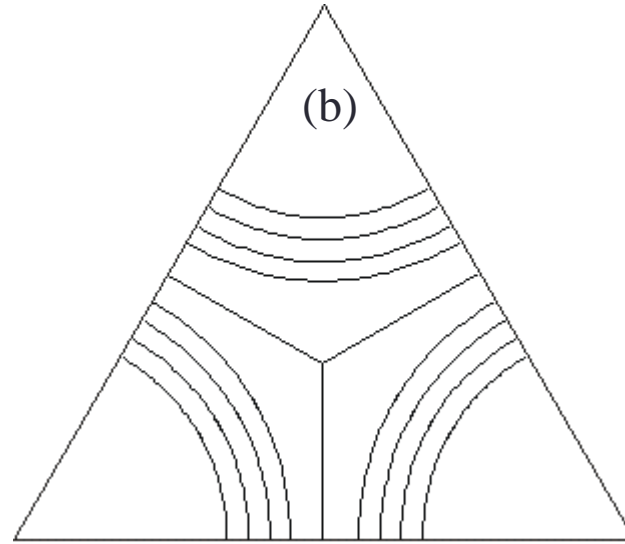
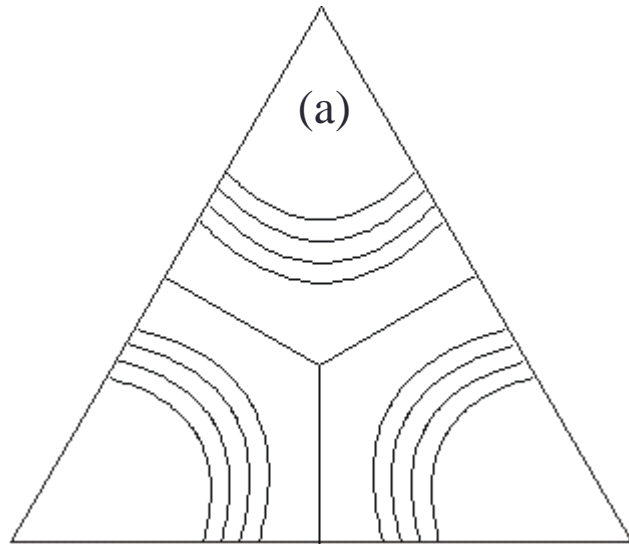


BoP-reference contours 1



- (a) $\theta = 2$ $w_1 = \frac{3}{4}$ $w_2 = \frac{1}{4}$
- (b) $\theta = 2$ $w_1 = \frac{1}{2}$ $w_2 = \frac{1}{2}$
- (c) $\theta = 1$ $w_1 = \frac{3}{4}$ $w_2 = \frac{1}{4}$

BoP-reference contours 2



- (a) $\theta = -1$ $w_1 = \frac{1}{2}$ $w_2 = \frac{1}{2}$
- (b) $\theta = 0$ $w_1 = \frac{1}{2}$ $w_2 = \frac{1}{2}$
- (c) $\theta = -1$ $w_1 = \frac{3}{4}$ $w_2 = \frac{1}{4}$