

# Contents

<b>Introduction</b>	<b>7</b>
<b>Overview</b>	<b>7</b>
<b>I Poverty and economic inequality as ethical concepts</b>	<b>13</b>
<b>1 On Economic Poverty</b>	<b>15</b>
1.1 Introduction . . . . .	15
1.2 Some preliminaries . . . . .	16
1.3 Needs Approaches . . . . .	19
1.4 A right-based approach . . . . .	27
1.5 Poverty as capabilities shortfall . . . . .	32
1.6 Is there a case for poverty measurement? . . . . .	36
1.7 Concluding remarks . . . . .	39
<b>2 Economic Inequality and Reflective Equilibria</b>	<b>41</b>
2.1 Introduction . . . . .	41
2.2 Theories of distributive justice . . . . .	43
2.3 Arriving at moral judgements . . . . .	46
2.4 Justifying moral theories . . . . .	47
2.5 Classes of judgments . . . . .	51
2.6 Equity and equality . . . . .	52
2.7 The equity-efficiency trade-off . . . . .	54
2.8 Hayek on distributive justice . . . . .	56
2.9 Concluding remarks . . . . .	60
<b>II Poverty, income distribution and statistical inference</b>	<b>61</b>
<b>3 The Effects of Macroeconomic Activity on the Distribution of Income</b>	<b>63</b>
3.1 Introduction . . . . .	63
3.2 Statistical inference . . . . .	64
3.3 Model specification . . . . .	66

3.4	Empirical results . . . . .	68
3.5	Concluding remarks . . . . .	74
	Appendix A . . . . .	75
<b>4</b>	<b>Poverty Dominance and Statistical Inference</b>	<b>77</b>
4.1	Introduction . . . . .	77
4.2	Poverty measurement and dominance . . . . .	78
4.3	Poverty dominance and statistical inference . . . . .	81
4.4	An empirical illustration . . . . .	86
4.5	Concluding remarks . . . . .	86
	Appendix B . . . . .	89
<b>5</b>	<b>Earnings Dynamics and Growth Rate Heterogeneity</b>	<b>91</b>
5.1	Introduction . . . . .	91
5.2	The data . . . . .	92
5.3	Analysis . . . . .	93
	Appendix C . . . . .	101
<b>III</b>	<b>International comparisons of poverty and inequality</b>	<b>103</b>
<b>6</b>	<b>Work, Welfare and Child Poverty in Sweden and the U.S.</b>	<b>105</b>
6.1	Introduction . . . . .	105
6.2	Predicted poverty rates . . . . .	107
6.3	Horizontal equity . . . . .	121
6.4	Concluding remarks . . . . .	124
	Appendix D . . . . .	126
<b>7</b>	<b>Changing Inequality in Five Countries: The Role of Demographic Shifts, Markets and Government Policies</b>	<b>131</b>
7.1	Introduction . . . . .	131
7.2	Data and methods . . . . .	133
7.3	The economic environment . . . . .	139
7.4	Previous studies . . . . .	145
7.5	Overall trends . . . . .	148
7.6	Decompositions by income source . . . . .	150
7.7	Decompositions by population groups . . . . .	160
7.8	Summary . . . . .	164

## List of Tables

3.1	GLS estimates: 1948-1989. . . . .	69
3.2	Impact of unemployment and inflation on income shares. . .	73
4.1	Poverty in single person households in Finland 1986. . . .	87
4.2	Test statistics . . . . .	88
5.1	Mean, variance and min and max of the of the log of earnings of prime age (1971) men in Finland, 1971-1985. . . .	93
5.2	Covariogram of levels of experience adjusted log earnings of males in Finland 1971-1985. . . . .	96
5.3	Covariogram of differences in experience adjusted log earnings of males in Finland 1971-1985. . . . .	97
5.4	Parameter estimates. . . . .	98
6.1	The proportion of children who were market income poor, received a transfer and were disposable income poor . . .	109
6.2	Decomposition of changes in poverty and transfer rates . .	112
6.3	Predicted probabilities . . . . .	117
6.4	Proportions of non-workers, part-time and full-time workers	120
6.5	The effects of the welfare state on movements of children into and out of poverty . . . . .	122
7.1	Macroeconomic conditions . . . . .	141
7.2	Level and annual rate of change in disposable income inequality. . . . .	149
7.3	Decompositions by income source. All households. . . . .	152
7.4	Decompositions by income source. Income less than 95-percentile. . . . .	154
7.5	Effect of income components on inequality change: simulated percentage change. . . . .	159
7.6	Decomposition of levels by population group. . . . .	161
7.7	Decomposition of change by population group. . . . .	165

## List of Figures

3.1	Actual and predicted share of family income in the U.S. 1948-1989. First quintile . . . . .	71
3.2	Actual and predicted share of family income in the U.S. 1948-1989. Fifth quintile . . . . .	72
5.1	Actual and predicted covariances . . . . .	100
6.1	Unemployment rate . . . . .	115