

**MUNI
ECON**

The background of the slide features a close-up, slightly blurred image of a document. A silver pen is positioned in the upper right corner, pointing towards the center. The document contains a line graph with several data points and a handwritten signature in blue ink. Some numerical values are visible, such as '2.5' and '2.47'. The overall color scheme is a light blue gradient.

**REDISTRIBUTION,
SOCIAL POLICY AND WELFARE**

v.

1. Distribution and justice

- Distribution of income and wealth has been a major concern throughout the history of economics
- Positive and normative economics is difficult to separate in this area.
- Two main views of justice in distribution:
 - **Commutative justice**: each person should receive income in proportion to his contribution to the productive process
 - **Distributive justice**: implies approximate equality in income distribution



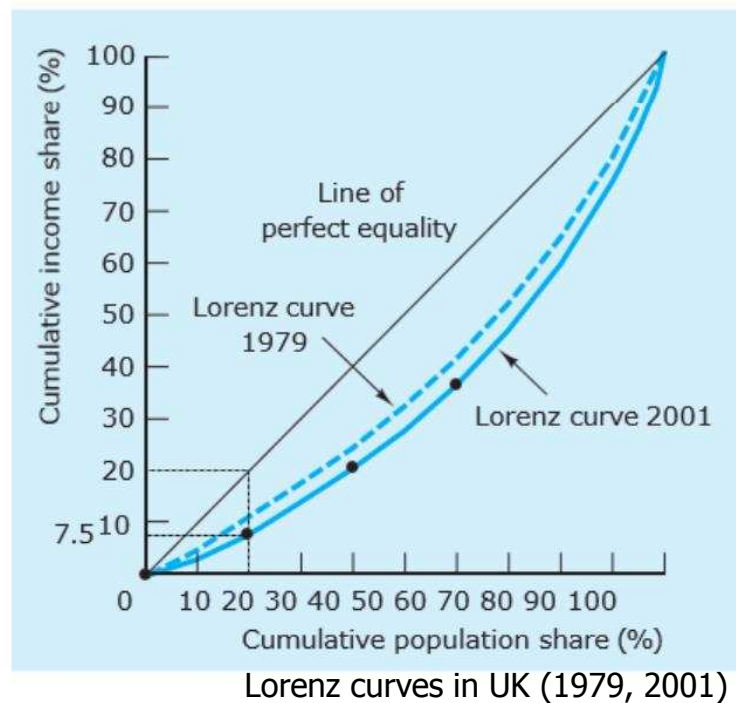
Issues in distribution

There are several specific areas of concern in the debate about distribution:

- The distribution of income between persons irrespective of the source of income
- The distribution of income between factors of production, in particular between labour and capital
- The distribution of earnings between different types of labour
- The distribution of wealth
- Poverty

Income distribution between people

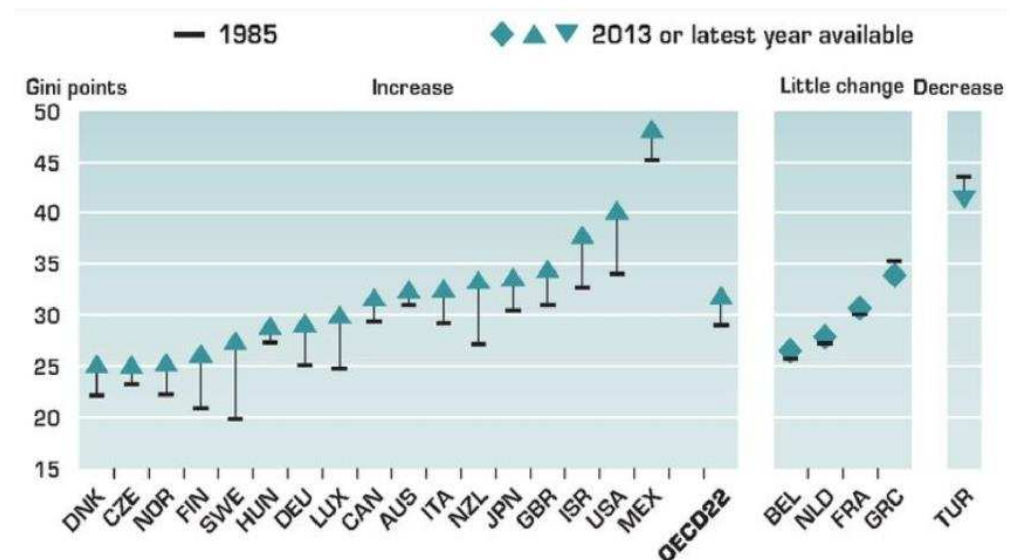
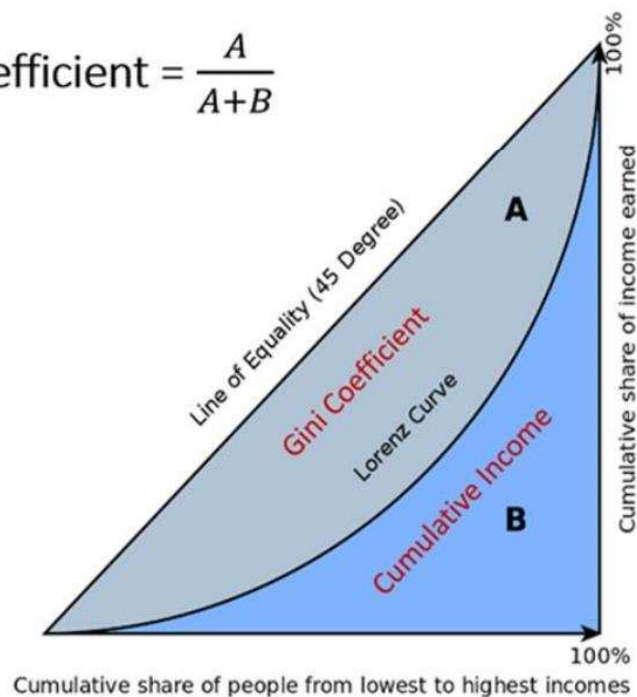
- The conventional mean of illustrating income distribution is the Lorenz curve



Income distribution between people

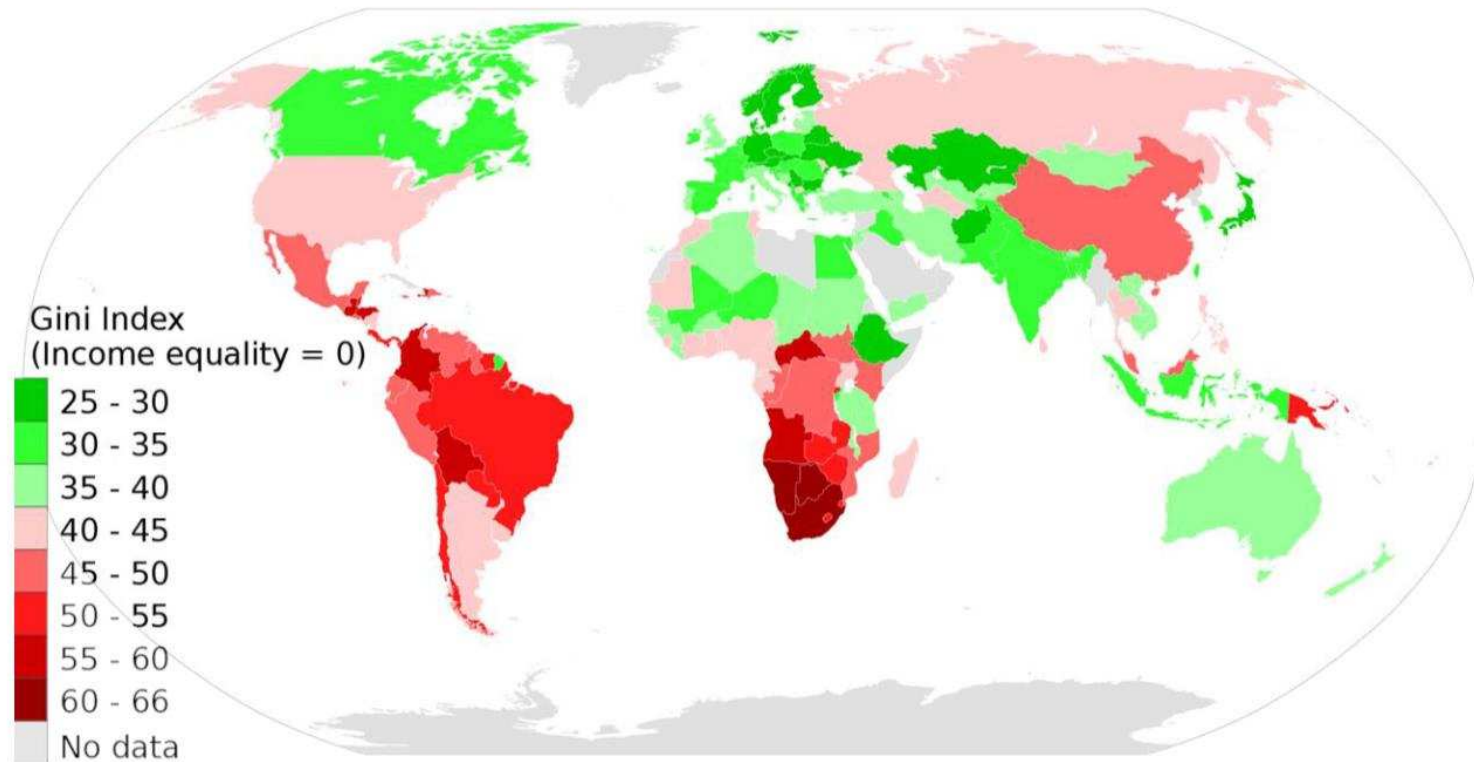
– and the Gini coefficient.

$$\text{Gini Coefficient} = \frac{A}{A+B}$$



Source: OECD (2015), *In It Together: Why Less Inequality Benefits All*, <http://dx.doi.org/10.1787/888933207711>.

Gini coefficient



The earnings distribution

Occupational group	Median gross weekly wage (all occupations = 100)
Managers and senior officials	146
Professional occupations	142
Associate professional and technical occupations	113
Administrative and secretarial occupations	76
Skilled trades occupations	93
Personal service occupations	67
Sales and customer service occupations	61
Process, plant and machines operatives	85
Elementary occupations	66
All occupations	100

Table: Relative earnings by occupational groups (UK)

The distribution of wealth

Percentage of wealth owned by:	1971	1986	2006
Most wealthy 1 % of population	31	18	21
Most wealthy 5 % of population	52	36	40
Most wealthy 10 % of population	65	50	54
Most wealthy 25 % of population	87	73	77
Most wealthy 50 % of population	97	90	94

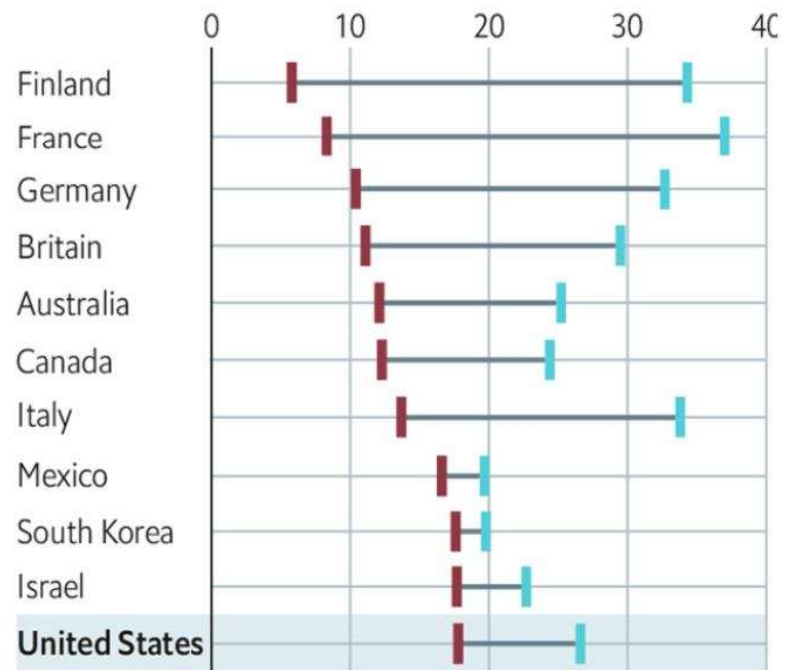
Table: Ownership of marketable wealth (UK)

Poverty



Helping hand

Poverty rate* **before** and **after** taxes and transfers
Selected OECD countries, 2016, %



Source: OECD

*Less than 50% of median income

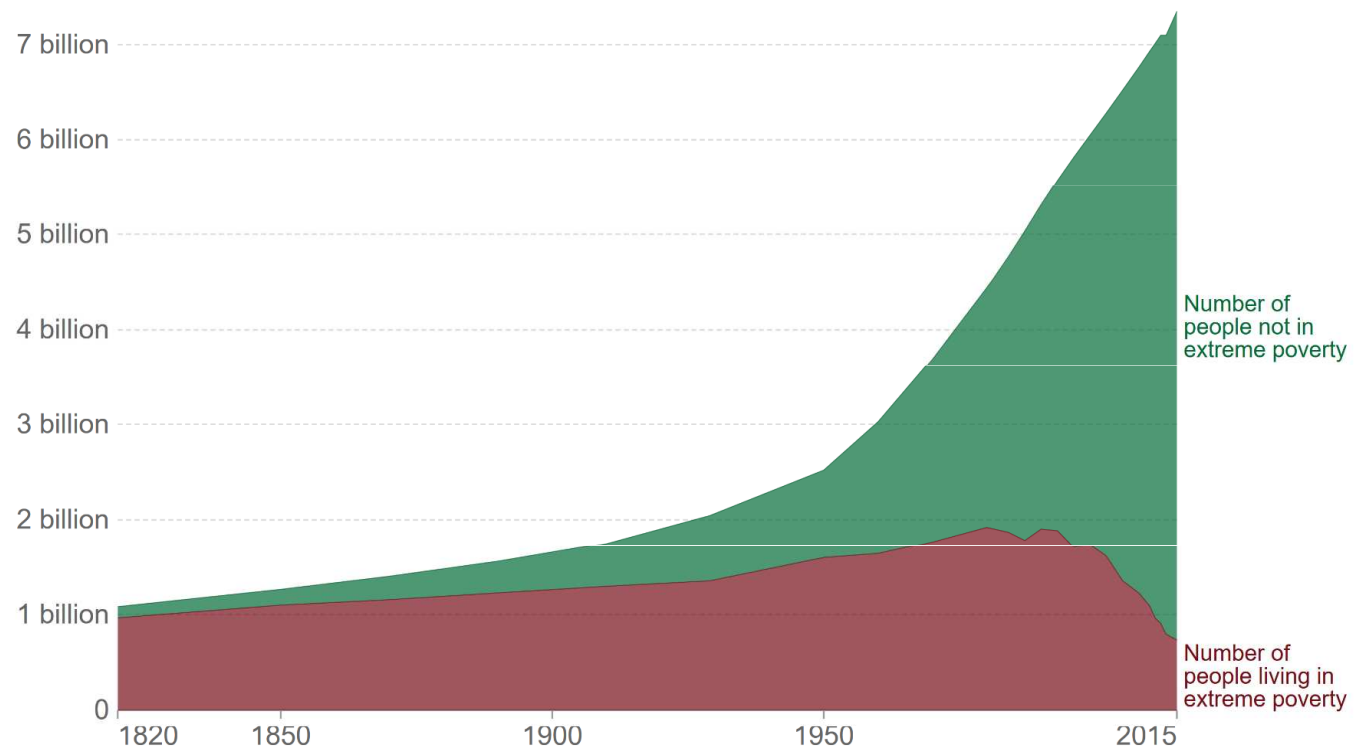
Extreme poverty (people living on less than \$1.90 a day)

World population living in extreme poverty, World, 1820 to 2015

Our World
in Data

Extreme poverty is defined as living on less than 1.90 international-\$ per day.

International-\$ are adjusted for price differences between countries and for price changes over time (inflation).

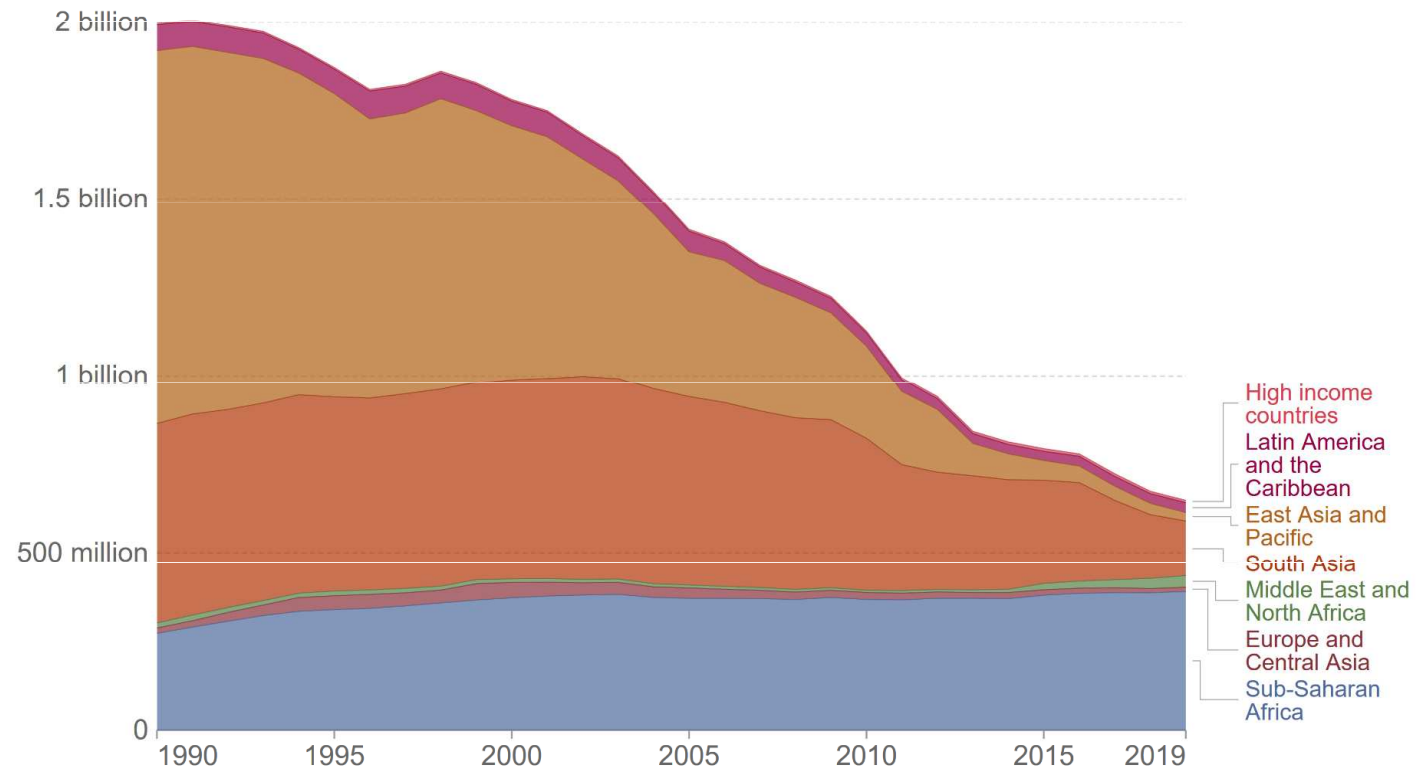


Extreme poverty (people living on less than \$1.90 a day)

Total population living in extreme poverty by world region

Extreme poverty is defined as living below the International Poverty Line of \$2.15 per day.

Our World
in Data

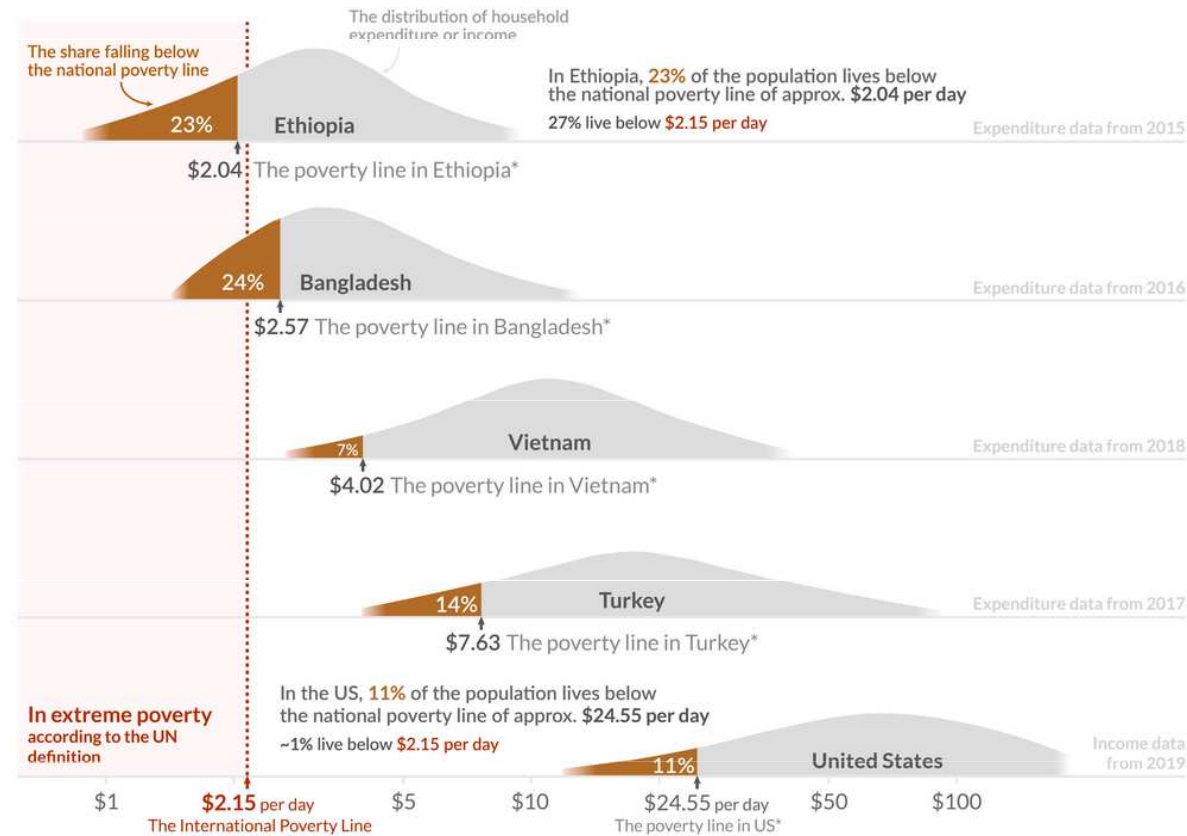


Extreme poverty (people living on less than \$1.90 a day)

National poverty lines, poverty rates & incomes in five countries



All figures are adjusted to account for differences in the cost of living across countries.



11 Redistribution, social policy and welfare

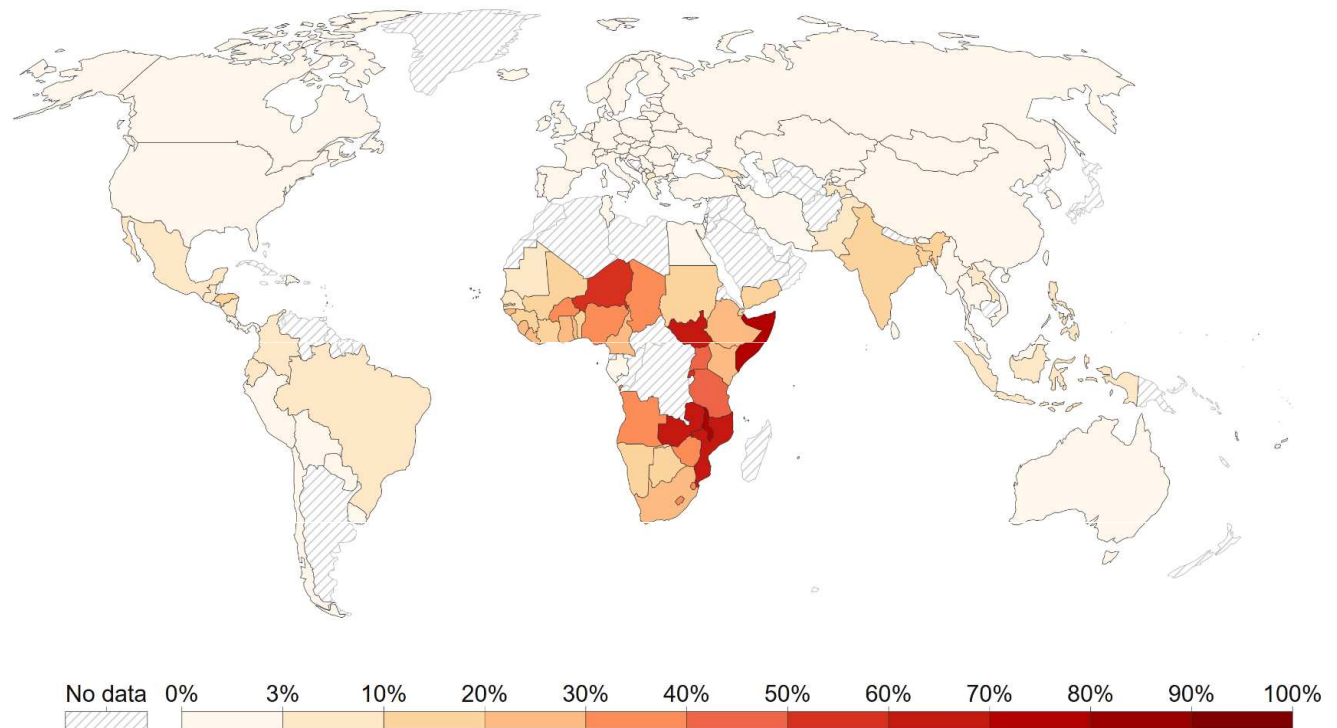
Note: All figures are expressed in 2017 international-\$. The tails of the distribution are not shown since they tend to be poorly captured by household surveys on which this data is based.
 *Poverty lines are approximations of national definitions, harmonized to allow comparisons across countries. All poverty lines are from Jolliffe et al. (2022), except for US - which we calculate from the value that in the World Bank's poverty data yields the same rate as the official US Census Bureau poverty rate in 2019.
 Source: Jolliffe et al. (2022); US Census Bureau; World Bank Poverty and Inequality Platform.
 OurWorldInData.org - Research and data to make progress against the world's largest problems.

Extreme poverty (people living on less than \$1.90 a day)

Share of population living in extreme poverty, 2019

Extreme poverty is defined as living below the International Poverty Line of \$2.15 per day. This data is adjusted for inflation and for differences in the cost of living between countries.

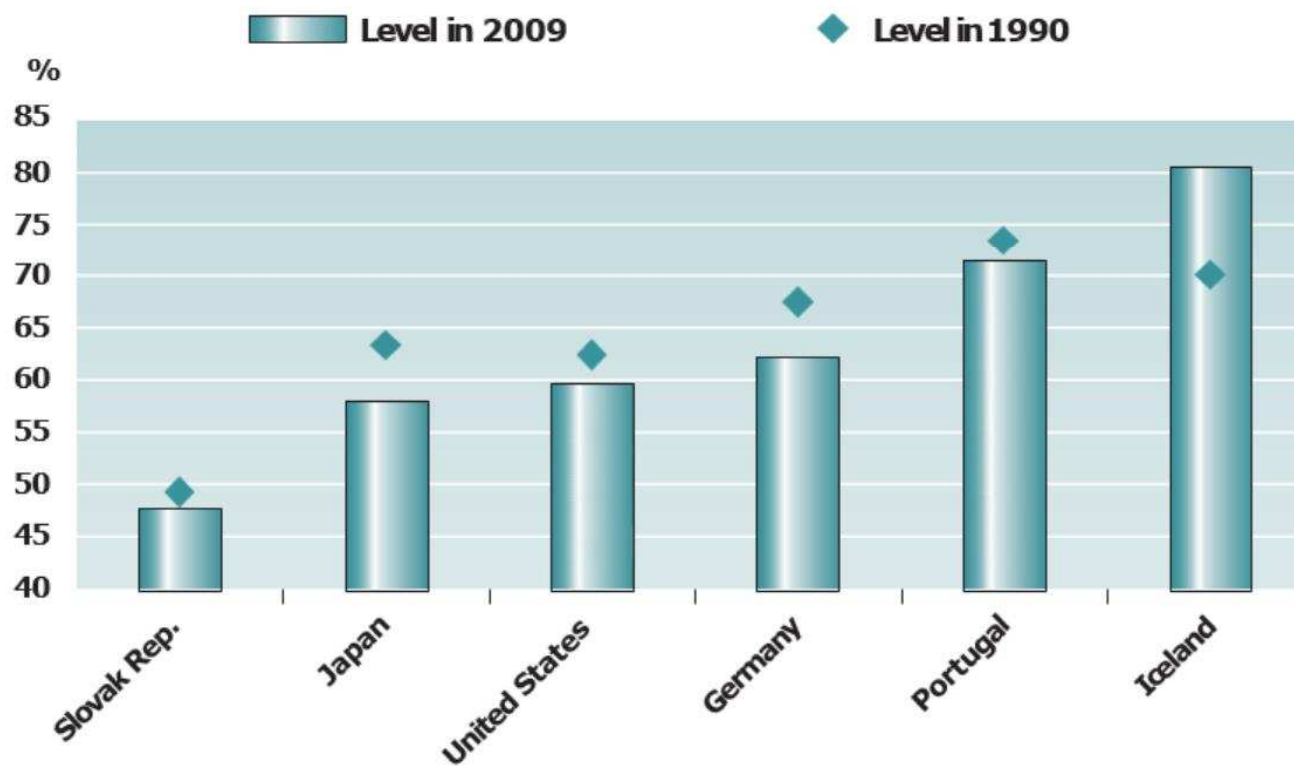
Our World
in Data



Why is income inequality rising?

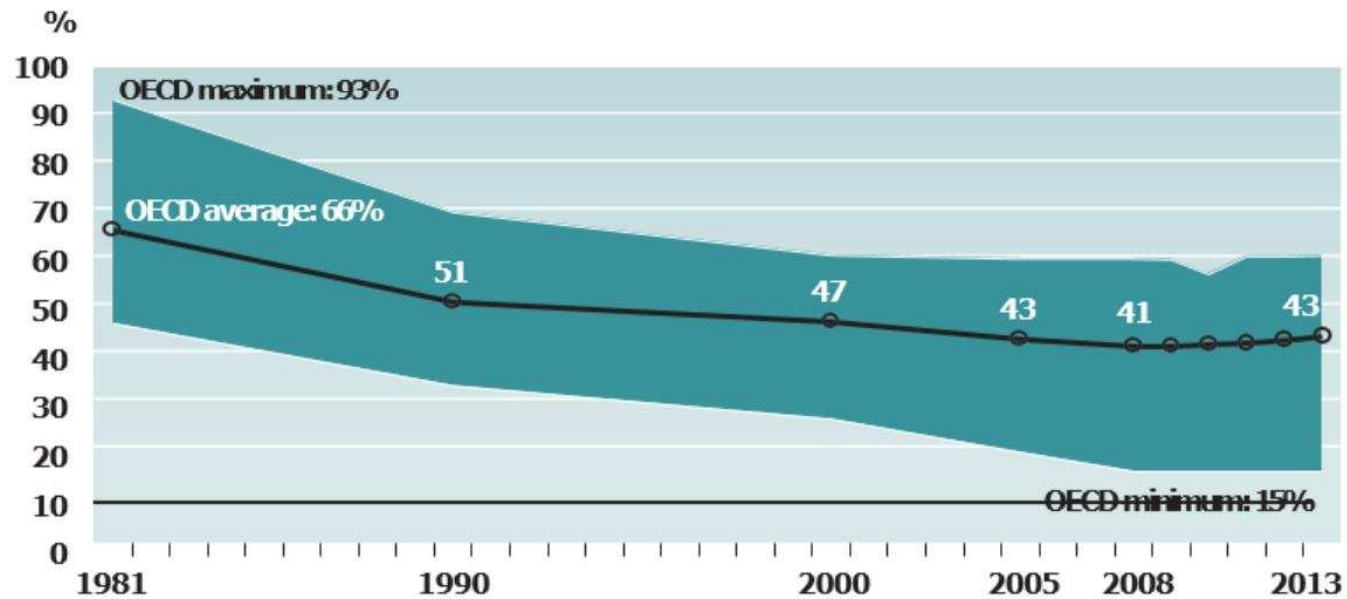
- Globalisation
 - A key role for technology => replacement low-skilled workers by machines
- Labour vs. capital: a shifting balance
 - Larger share of income belongs to capital owners
- Change in the workplace:
 - Increase in part-time working
 - Decline in trade union membership
- Changing in societies:
 - Growing tendency to marry people very similar social and educational backgrounds

Labour share of national income in OECD countries (1990 and 2009)



Why is income inequality rising?

Maximum, minimum and average statutory tax rates on top incomes in OECD countries, 1981-2013 (or latest)

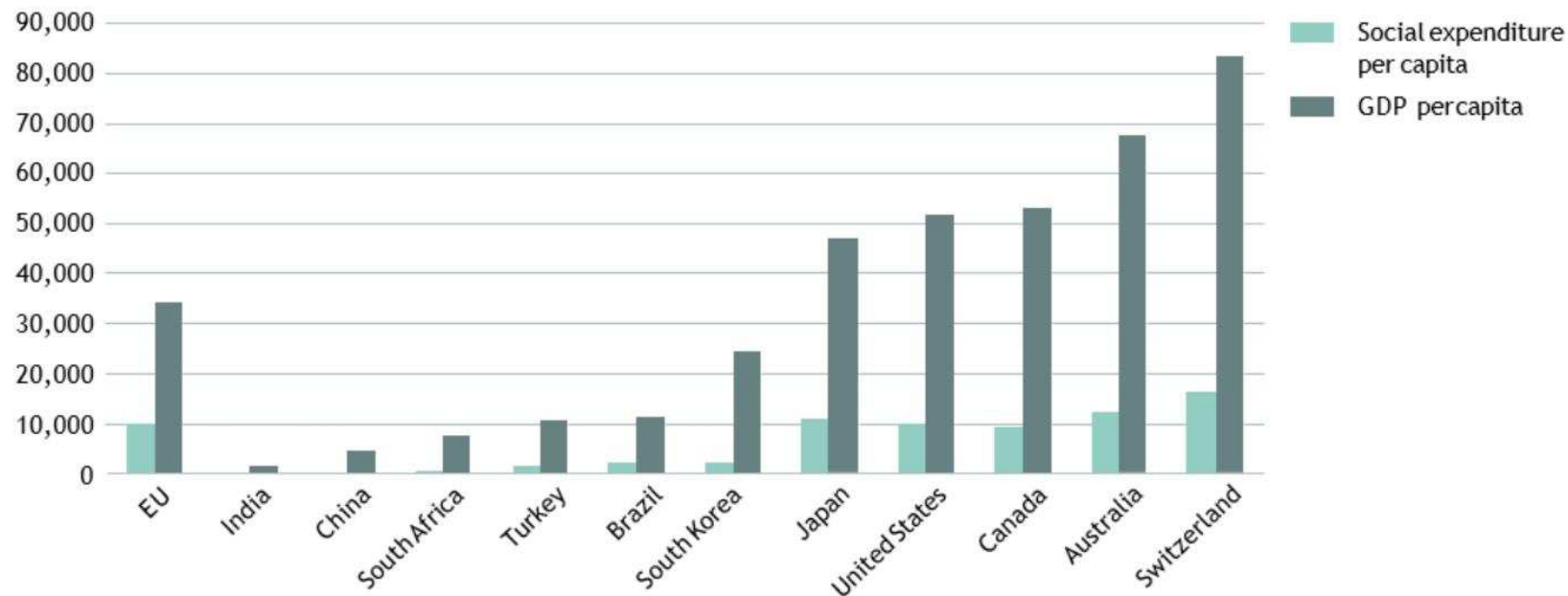


2. Welfare state (WS)

- The WS is a concept of government in which the state plays a key role in the protection and promotion of the social and economic well-being of its citizens
- WS is funded through taxes and provides cash or in-kind transfers.
 - In-kind transfers consist of goods or services, not money



Social protection expenditure and GDP per capita (US\$)



Diversity of welfare states

- Differing welfare models evolved after WWII.
- Esping-Andersen (The Three Worlds of Welfare Capitalism, 1990) identified models of welfare state according to stratification and the different providers of welfare:
 - a) Social-democratic (Scandinavian) model
 - b) Corporatist (continental) model
 - c) Liberal (Anglo-Saxon) model
 - d) Southern model

a) Social-democratic (Scandinavian) model

- Prevalent in Denmark, Sweden, Norway
- Generous replacement of market earnings through the state (e.g. for unemployed)
- Social welfare is an universal right
- State as a main provider of social welfare
- Characterised by high social expenditure, active labour market policies and increased public-sector employment

b) Corporatist (continental) model

- Typified by Germany and France
- Main provider of welfare is the family, but contributory principle ties many benefits to employment history
- Basic security supplemented with contributory benefits (pensions, unemployment, etc.)

c) Liberal (Anglo-Saxon) model

- United Kingdom, Ireland
- Seeks to increase demand for labour through liberalization and wage flexibility
- Mostly private forms of insurance
- Benefits comparatively low and linked to means-testing
- Poverty relief through minimum wages, but less of a focus on equality.

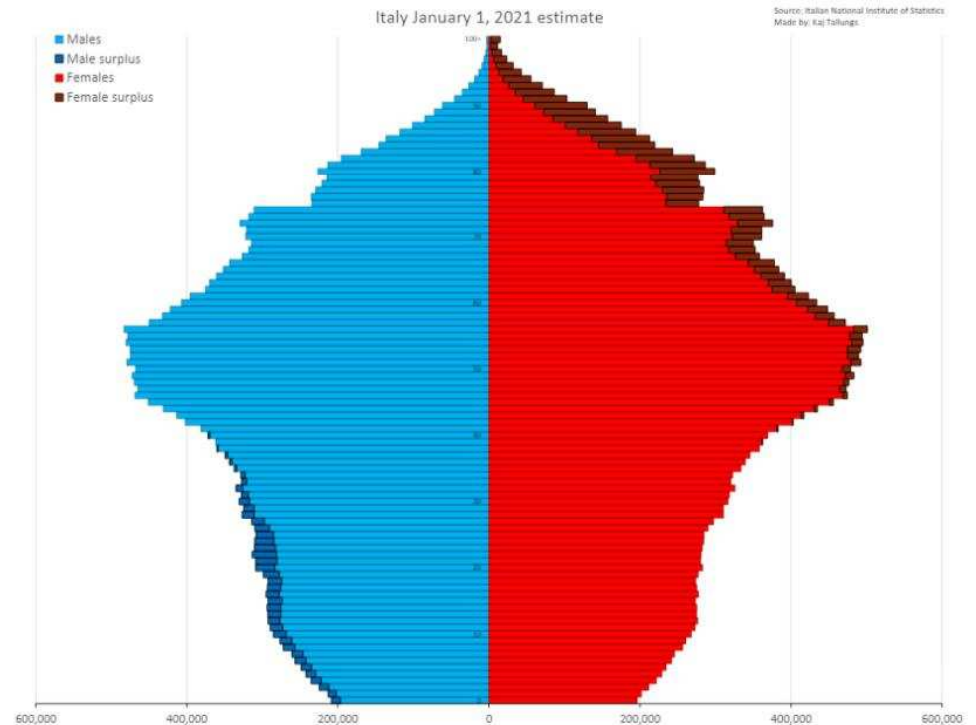
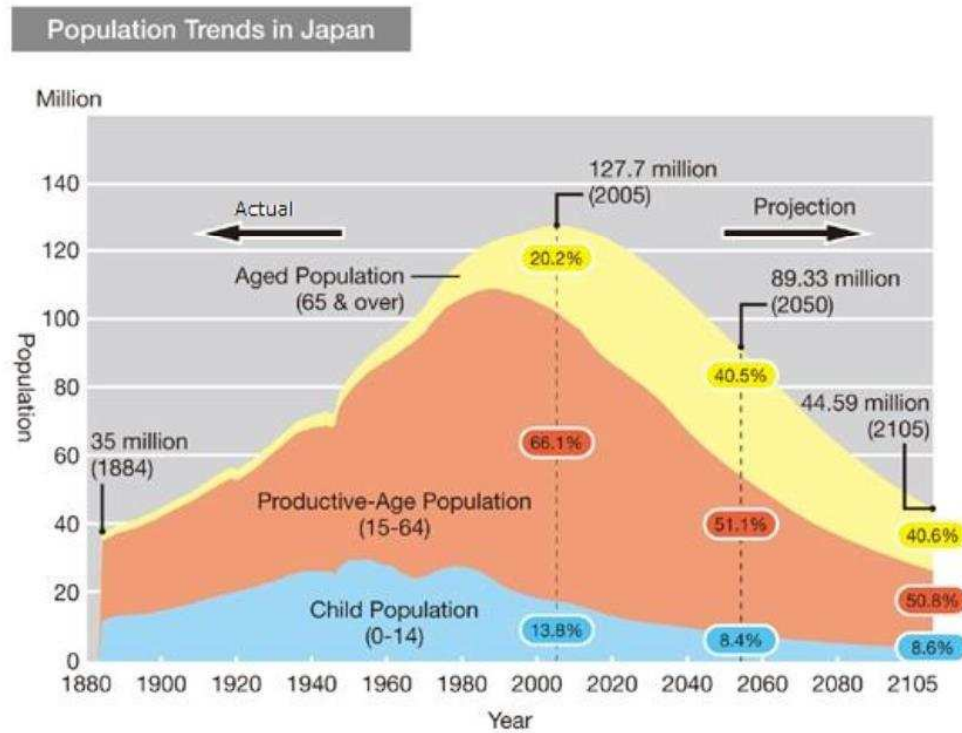
d) Southern model

- Spain, Italy, Greece, Portugal
- Extended family as a core unit
- Income maintenance
- Strong jobs protection – favouring, for example, full-time over temporary

Challenges for welfare states

- **Demographic change**: population ageing and living longer increases financial burden
- **Globalisation**: reducing governments' ability to sustain or reform welfare institutions
- **Changes in a family structure (societal change)**: e.g. increase the participation rate of women, the shift away from the male-breadwinner model affects certain aspects of the welfare model
- **Problem of welfare state and efficiency**: especially administrative costs and the disincentive effects on the labour supply
- **New technologies and the changing mix of jobs**

Challenges for welfare states



NOSTALGIST



An interior designer specializes in recreating memories for retired people.

- Psychology
- History
- Interior design
- Set design
- Social work
- Healthcare

TELE-SURGEON



A tele-surgeon operates on people in remote locations using robotic surgery technologies and high speed networks.

- Medicine with a specialty in surgery
- Telecommunications technology
- Robotics

DIGITAL CURRENCY ADVISOR



A digital currency advisor focuses on new digital currencies and shows people how to manage their wealth by using the right balance of systems in a secure manner.

- Accounting
- Economics
- Communication
- Financial management
- Cyber securities

6 JOBS THAT WILL EXIST IN THE FUTURE

MEDIA REMIXER



A media remixer mixes and combines a variety of media from across time to create one-of-a-kind products or experiences.

- Audio engineering and production
- Digital media strategy
- Music
- Graphic and digital experience design

GAMIFICATION DESIGNER



As a gamification designer, you'll work with technologists, designers and business people to make the world a more playfully challenging place.

- Game design
- Psychology
- Anthropology
- Graphic design
- Sociology
- Data science

GARBAGE DESIGNER



A garbage designer ensures the success of creative upcycling and also be responsible for designing ways to make things with very little waste.

- Industrial, product, and packaging design
- Industrial and materials engineering
- Retail and supply-chain management

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