

Measuring What Matters—Inequality Measurements and Policy Implications by Dr. Tanyamat SrungBoonmee 2 March, 2017









Importance

- Immediate physical wellbeing
- Some link to economic growth, happiness
- Social Justice and Welfare—Long-term well-being
- -Measures of Inequality—How and What
- -Equality of Opportunity
- -Fairness Concept
- -Economic Mobility
- -Research Proposal
- -Conclusion





Immediate Physical Wellbeing

- Inequality has undertone of poverty
- Some link to economic growth
 - Barro (2000)-slight negative relationship
 - Banerjee, Duflo (2003)—inverted U-shape relationship
- -... and happiness
 - Alesina, et al (2004)-negative relationship
 - Dylan & Ravina (2007)—happiness depends on relative position to the average







- Social Justice and Welfare—Long-Term
- Scanlon, via TED (2014)
 - Power of rich over poor-not nice
 - Fairness of political institutions
 - Fairness of economic system
 - Cooperation and fair share
- Happiness







- Inequality per se does not cause any of the above concerns
 - If we're talking about outcomes
 - Only pity or jealousy—no justification for policy intervention
- Manage what we measure--3
- Question: Are we measuring what we want to manage?
 - Short answer—Not all of it.

Measuring inequality—how and what

• Gini, Hoover, Theil—The how

- Measures deviation from "perfect equality"
- Variations may assign weights to different parts of the income distribution, i.e. poverty hurts
- The above used for measuring "outcomes" inequality, mostly
 - Income, Consumption, Wealth widely applied
- But inequality of outcomes does not deal with fairness or social well-being
 - Need measures that reflect fairness



Equality of Opportunity

- People may care about how outcomes are achieved
 - KKU Study—same overall income gain and distribution, reduced happiness in unfair game.
 - Example (live)
- Equality of Opportunity
 - Roemer & Trannoy (2016)—Measures inequality of "outcome" distribution due to "opportunity" variables only
 - Results mirror income inequality—Scandinavian more equal, USA and Southern Europe less equal

Equality of Opportunity—Issues

- Outcome or Opportunity—health, education, parents' wealth and income
- Opportunity vs. Effort—control variables, econometric issues (e.g. hours of work)
- Extensive vs Intensive access to "opportunity"
 - Years of Schooling vs. Quality of Education
- "Success" function not yet well understood.
 - Human capital, labor economics







- Piketty (2015), JEP
 - Distribution is a political and social process, not economic
 - Institutions, norms, views, power balance, matter
- Further debate is needed to pin down details of what constitutes "fair distribution"
- We tend to focus what is measured, so need to be careful.





- To address "equality of opportunity", we might start with measuring "economic mobility."
 - How often do we see people move up economically?
 - Lumps all aspects of "opportunity" into 1 measure
 - Not perfect but a great start





- Solon (2002) JEP reviews the literature.
- "Benchmark"—U.S. studies using national panel data (PSID) to explore father's and son's income correlation (5-year averages)
 - About 0.25 0.5 intergenerational elasticity for studies in the 90s.





- Repeated in other countries, in many studies using different data sets.
 - Range from 0.13 in Sweden and Finland (2000, 2001, respectively) to 0.57 in Great Britain (1997)
 - Malaysia about 0.26 (1995)
- Techniques may differ due to data circumstances.
- Do we consider these "high" or "low"?





- Final Aim: Collect data at national level for Thailand to institute an official measure.
- Immediate goal—develop intergenerational income correlation measure
- Questionnaire
 - Demographics, economic variables of self and parents
- Correlation
 - Good data—Income correlation between parents and offsprings
 - Poor data—Impute incomes from demographics, then correlation







- Probability of "upward" mobility
 - Lowest to highest, to second highest, etc.
- Mobility from different starting income levels







 Ex: (Made up Numbers) Probability of Reaching an income level, starting from the lowest level (1 lowest, 5 highest)

Income Level	Prob
1	0.70
2	0.20
3	0.07
4	0.02
5	0.01





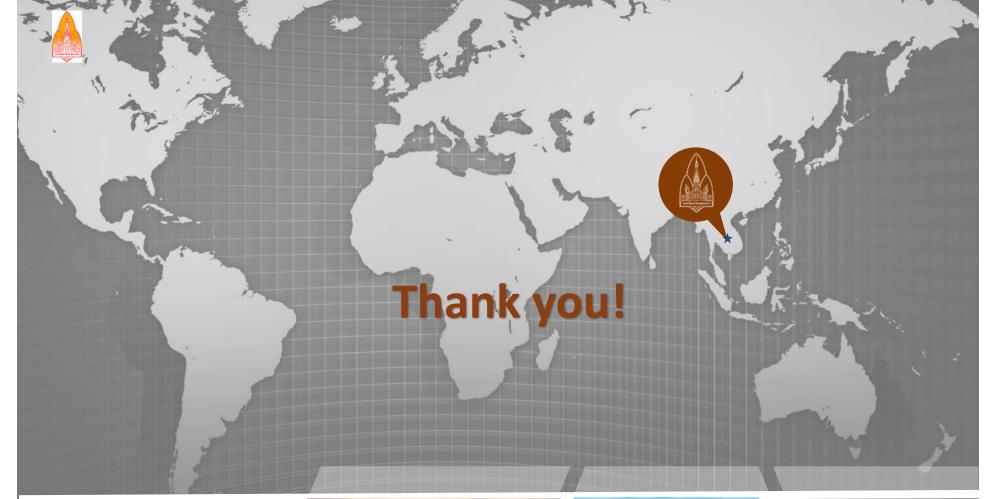


- Summary of opportunity for upward mobility
- Determine which income group to focus policy.
 - Helps to pinpoint actual variables to address
- Important to study "success function" concurrently, being sensitive to context.
 - Human capital, labor economics





- Measure to manage—opportunity equality should complement outcome equality
- Issues still remain as to what constitutes "opportunity", both theoretical and econometric
- This presentation suggests using mobility as measure of opportunity.



THE REAL PROPERTY AND

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