New Directions in Welfare:
Conference Abstracts

Jorge Aguero
Social Welfare approach to evaluating the millennium development goals
We evaluate the progress to achieve the Millennium Development Goals (MDG) with a measure that is consistent with the main properties of a social welfare function. Our general approach includes, as a special case, the current evaluation methods of the MDG by international organizations. Our findings show that there are significant gains in worldwide welfare. The gains are even higher when considering the improvements of the poorest countries. While most of the progress comes from East Asia and Pacific, a welfare evaluation for Sub-Saharan Africa shows significant improvements in well-being, contradicting the common view of the region as a “failure.”

Erik Angner
The measurement of happiness: Arguments for and against subjective measures of well-being
Subjective measures of well-being – measures based on questions like “Taking things all together, how would you say things are these days – would you say you’re very happy, pretty happy or not too happy these days?” – are receiving increasing amounts of attention. Criticism of such measures often focuses on the question of whether happiness and related mental states can be measured. The aim of this paper is to summarize and evaluate measurement-theoretic criticisms of subjective measures. The main thesis is that efforts to measure happiness are associated with no particular measurement-theoretic issues, and that the real problem lies elsewhere.

Soren Arnberg
The effect of mandatory labour market pensions on total household saving
We estimate the effect of the introduction of Danish mandatory labour market pension schemes begun in 1993 on total household saving. The effect is identified using a large panel of individual administrative records exploiting differences in coverage, speed and timing of the implementation of the reform. The reform generates large additional household saving of the average magnitude of 75 cents per Euro mandatory pension saving. The effect is smaller for older households who are nearer retirement. The results point to mandatory pension saving having a large effect on total household saving. Thus, pension reforms introducing mandatory saving have macroeconomic implications.

Martin Binder
Reconciling normative and behavioral economics: A fresh look at adaptive preference formation.
Adaptive preference formation poses a vexing problem for normative economics: Preferences which constitute the measuring rod for welfare are in turn shaped by the (economic) situation of the individual, leading to problems epitomized by Sem’s “hopeless beggar”. Different solutions doer the “adaptation problem” have been proposed in the literature, typically centering on demanding rationality and information requirements. We argue that in order to cope with this and related problems of preference endogeneity, welfare economics rather needs to account for psychological insights into the mechanisms driving preference formation. We then use these insights to suggest and apply a procedural criterion of autonomous preference formation.
Sigbjorn Birkeland
Negotiations under possible third party adjudication
The effect of possible third party adjudication on negotiation behaviour is studied in an economic experiment. The negotiation phase is preceded by a production phase that allows for different principles to guide the division of the joint production. The production history has a large effect on the negotiation outcome. The experimental result shows that possible third party adjudication lower the dispute costs by reducing the number of rounds of alternating offers. In pure negotiations the first offer is weakly related to the production history which has an effect on the number of rounds of negotiations.

Han Bleichrodt, Kirsten I.M. Rohde, Tom Van Ourti
Experimental tests of multidimensional inequality measures
Reducing inequality in well-being is an important aim of social policy. Most empirical research on inequality measurement has focused on a single dimension. Well-being is however, multidimensional, being determined by several dimensions simultaneously. A number of multidimensional inequality measures have been proposed in the literature, but no insight exists into which of these measures most closely connects with people’s preferences. We test several of the assumptions underlying these measures. We find support for measures implying that decreases in the spread of dimensions that are socially desirable. Our data are not consistent with measures implying that decreases in the correlation between dimensions are socially desirable. Finally, we obtain support for a two-stage procedure where the first stage measures inequality in the distribution of each dimension and the second stage aggregates these dimension-specific inequality measures.

Werner Brouwer
Welfare economics in the difficult area of health: the example of finding a monetary value of health gains
Economic concepts and evaluation are becoming increasingly popular in the health care sector. While welfare economics may importantly contribute to decision making in the health care sector, the application of conventional welfare economic concepts and tools are troublesome. One important example is the estimation of the monetary value of health. It seems that values underlying conventional welfare economic analyses may conflict with basic values in and organisation of health care systems. Other frameworks, such as extra-welfarism or the capabilities approach, may be required to move forward.

Richard Brown
Self-assessed welfare as a driver of migrants’
To analyse migrants’ remittances motivations we adapt a mixed-motives model of private transfers incorporating subjectively-assessed recipient welfare in place of the conventional poverty line. We test this non-linear model with customized household survey data finding evidence supportive of altruism for households below a subjective threshold and, unlike previous studies, a positive, exchange- or self interest- motivated relationship for those above the threshold. The conventional linear model using the standard poverty line applied to the same sample uncovers neither relationship. This indicates that crowding-out or crowding-in of remittances can occur when recipients’ subjective welfare improves, depending on the pre-transfer welfare level.
Gianluca Busilacchi

**Comparative social policy and capability approach**

So far, the capability approach has been mainly used to analyse welfare in developing countries, rather than to evaluate welfare state in Europe and US. However the capability approach entails many theoretical principles that may be very helpful to assess social policy, especially the modern European social policy launched through the commitment to a "European active and dynamic welfare state" (Lisbon Agenda). In this paper I will aim at showing that the capability approach can provide a sound theoretical underpinning for social policy and can be applied as a valuable ‘toll-box’ for social policy analysts and policy makers.

Samuel Cameron

**Medium to high culture non-mega events as regeneration strategies**

This paper considers the status of mega and non-mega events in terms of cultural magnetism and the willingness of local authorities to grant subsidy on the basis of various arguments. We then look at a compare and contrast case study of two specific non-mega events, the Leicester Comedy Festival and the Huddersfield Contemporary Music Festival.

Dr Phillip Clarke

**An abbreviated social evaluation function, health care and rule of rescue**

Health care resources are increasingly allocated using methods such as cost-effectiveness. These typically measure average benefits and costs and not their distribution. We consider ways of adjusting the magnitude of benefits and costs using an abbreviated social evaluation function that includes both their mean value and a measure of their distribution across individuals. We then examine the implications of this adjustment for resource allocation between preventative and treatment interventions. In particular we argue that such an approach is potentially a way of formally incorporating the “rule of rescue”, when less cost effective interventions are funded if they treat identified individuals.

Joan Costa Font

**Evaluating institutional reform: political decentralization and health system satisfaction**

The evaluation of the performance of institutions and institutional reform is a performance of for front of the public economics debate. Instruments on stake are still at its infancy. Self-reported satisfaction with one particular institution stands as way to examine the extent to which institutional changes are perceived as influencing certain health system policy dimensions, primarily non clinical outcomes. This paper examines whether decentralization leads to an expansion of self-reported satisfaction with the health system. We draw upon the example of Spain a country that has experienced a significant decentralization of the health system to examine the influence of the time of decentralization in self-reported health system satisfaction. Preliminary findings point towards a satisfactory effect of decentralization, and suggest that an additional year of decentralization increases self–reported satisfaction.

Maria Cubel

**Segregation and Social Conflict**

The purpose of this paper is to explore the link between segregation (income segregation and racial segregation) and social conflict taking into account racial preferences for segregation (or integration) and income distribution. Different equilibrium solutions with segregation or integration are obtained. We define the necessary conditions for equilibrium and analyze their stability and their implications in terms of social conflict. Finally, some policy recommendations emerge from the analysis.
Patricio Dalton and Sanyantan Ghoshal
Behavioral and decisions and welfare
What are the normative implications of behavioral economics? We develop a general and simple theoretical framework to answer this question. Although we show that revealed preferences cannot, in general, underpin welfare, we offer conditions validating such a link. We propose a normative criterion based on individual autonomy that refines the existing criteria and justify a new class of policy intervention we label soft-libertarian. Our theory is falsifiable, and with some information about the choice procedure and psychological states, the testable implications of behavioral decisions and standard decisions are distinct. We apply our theory to study the link between chronic deprivation and aspirations failure.

Conchita D’Ambrosio
Measuring, Multidimensional Poverty: the Generalised Counting Approach
We examine the measurement of multidimensional poverty following the counting approach. In contrast to earlier contributions, dimensions of human well-being are not forced to be equally important but different weights can be assigned to different dimensions. We characterize a class of individual multidimensional poverty measures reflecting this feature. In addition, we axiomatize an aggregation procedure to obtain a class of multidimensional poverty measures for entire societies allowing for different degrees of inequality aversion in poverty.

Koen Decancq
Copula-based measurement of dependence between dimensions of well-being
The dependence between dimensions of well-being plays a central role in pluralistic theories of distributive justice and in the measurement of multidimensional inequality. A society is said to be more dependent when the positions of the individuals in the well-being dimensions are more aligned or correlated. This paper proposes a copula-based framework to order societies with respect to their dependence. The concordance relation, a copula-based partial dependence relation is compared to alternative dependence relations by analyzing the rearrangements leading to an increase in dependence. A class of multidimensional measures of dependence that is consistent with the concordance dependence relation is characterized. Prominent members of the class are the multidimensional generalization of Spearman’s rank correlation coefficient and Kendall’s tau. Finally, the concordance relation and measures are applied to test the hypothesis of increased dependence in contemporary Russia between three dimensions of well-being: standard of living, health and schooling.

Paul Dolan/Tessa Peasgood
Using subjective well-being to value non-market goods
This paper explores the use of subjective well-being (SWB) measures as a direct metric of value and as a means of establishing monetary valuations for non-market goods. We consider the strengths and weakness of valuations based on SWB data in comparison to the more conventional use of willingness to pay (WTP). Since monetary valuations generated from SWB data are easily estimated and have strong appeal to policy makers, it is important to be clear about their potential contribution to policy. Some of the data from the British Household Panel Survey. We argue that given problems with generating compensation-income through SWB models, a more constructive approach would be to focus only on absolute changes in SWB.
Rebeca Echavarri

Autonomy to prefer, social deliberation and Environmental preservation

Institutions explain, to a great extent, individuals’ reasons for their behaviour while at the same time institutions results from decisions taken by current and previous generations. In this framework we study environmental commitments. The influence of institutions is captured by measuring individuals’ ‘autonomy to prefer’. Then using information gathered from decision makers of the largest Spanish firms belonging to sectors of greater environmental impact, we test the relationship between a person’s autonomy to prefer and her values (self/other regarding). We also test if environmental commitments of institutions respond to individuals’ values, controlling for the population’s space for deliberation (e.g. the stakeholder pressure).

Guido Erreygers

A dual Atkinson measure of Socioeconomic inequality of health

The Atkinson index of income inequality is bases on a comparison of the average income with the equivalent income, where the equivalent income is defined as the level of income which, if given to everyone, would generate the same social welfare as the existing distribution of income. In this paper I explore the possibility of extending this approach to the measurement of socioeconomic inequality of health. I assume that an individual’s welfare level is determined both by the income and the health status of this individual. Using a general form of this function I derive an Atkinson measure which gives exactly the same result when applied to incomes and when applied to health. I explore the properties of the index, and examine the requirements it imposes upon the measurability of health.

Marc Fleurbaey, Stephane Luchini, Erik Schokkaert

Equivalent income and economic evaluation of health care

In this paper, we first present a theoretical framework based on the concept of equivalent income that allows to account for distributional concerns that respect people’s preferences. Second we present an implementation of this framework based on a stated preferences survey.

Heba Elgazzar

Economics vs. Income Equality: an empirical study of health care determinants in Egypt and Lebanon

The relationship between economic status, income and access to care is critical for informing health-financing policy, but relatively little evidence exists for the Middle East region. The objective of this paper is to compare the economic determinants of the use of health services in two middle-income countries with contrasting financing systems, Egypt and Lebanon. Data were obtained from the 2001 World health Organization Multi-Country Survey Study; analysis is based on multivariate econometric analyses of physician visits and inpatient admissions. Results suggest that the effect of economic status on utilization is stronger than the effect of income, particularly in the case of physician care. The effect is more pronounced in the case of Lebanon as compared to Egypt. In addition, the effect is more pronounced regarding the probability of accessing care as compared to the intensity of services. Results are discussed within the context of the role of the state alleviating inequality in access to health services, particularly preventative care.
Mohamed Ali Essafi
Extending effective freedom to strategic-preferences game

The merit attached to Sen’s capability approach is that a person’s capability identifies that person’s Effective Freedom. By incorporating choices- attributes as external capabilities, an agent’s Extended Effective Freedom is determined not only by that agent’s ability to achieve the desired outcomes or functioning, but also, by the ability of others to interfere with his/her preferences over capability set. Especially, we depart from the coexistence of preferences interactions and uncertainty to relate the notion of optimal capability as optimal freedom to the Nash Equilibrium concept.
We will show how an agent can achieve strategic preferences from his/her strategic preferences-game representation to maximize her/his capability.

Sakiko Fakuda-Parr
Social evaluation from the human rights perspective: proposal for an index of economic and social rights fulfillment

Although human rights and development evolved as separate fields of study and policy over the 20th century, in the last decade, the realization of all human rights – economic, social, cultural, civil and political – has become widely accepted as an important end of the development process. The concept of ‘human rights based development’ has gained ground as a development discourse and as an operating principle of many development agencies. Sen has clarified the conceptual overlap between human rights and human capabilities, and subsequent work in the Human Development Reports and elsewhere has developed complementarily between capabilities/human development and human rights approaches to development. This paper develops a human rights based approach to social evaluation and identifies features that are distinct from the human rights approach. It uses a new index of economic and social rights fulfillment to demonstrate these differences.

Francesco Farina
A Comparative Study on Preferences for Redistribution

Differences in people’s attitudes towards inequality in Anglo-Saxon countries vis-à-vis continental-European countries depending on whether merit, effort or luck determine success in life have been recently investigated (Alesina-Glaeser, 2004; Corneo-Gruner, 2002; Durante-Putterman (2008), Esarev et al., 2006; Charness and Levine, 2007; Hermann et al., 2008). We conduct cross-country experimental research in countries different in terms of institutions and social norms such as the UK and Italy. We look at cross-cultural differences influencing individual motivations and mutual reciprocity expectations and examine how individuals’ preferences for payoffs redistribution are affected by changes in the determinants of such differences.

Marc Fleurbaey
Behavioural Fair Social Choice

“Fair social choice” is an approach to social choice which relaxes Arrow’s axiom of independence and obtains reasonable social criteria that incorporates concepts of fairness. It does not involve interpersonally comparable utilities but does rely heavily on individual ordinal non comparable preferences over personal situations. Behavioural economics has shaken the view that individuals have well-defined, consistent and stable preferences. This raises a challenge for the fair social choice approach, especially if it is meant to inspire applications with Bernheim (2008), argues that behavioural economics is compatible with consistency of partial preferences. The paper then revisits some key results of theory of fair social choice in a framework with such rarefied preferences.
Frank Flinterman
The divergence of monetary and self-reported poverty measures in new EU member states
We review the literatures on monetary and self-reported poverty measures and apply both concepts in a multilevel analysis of newly available Eurostat household survey data on new EU member states. Our findings point to the importance of public goods in explaining divergence between monetary poverty and self-reported poverty.

Terry Flynn
Sen, McFadden and Kahneman: Two out of three ain’t bad
The ICEPOP CAPability instrument (ICECAP) was administered as part of a quality of life survey to 4300 citizens of Bristol, UK. Index values, previously elicited from a best-worst scaling exercise, were applied to respondents’ answers to the five ICECAP questions. These values reflect the average preferences of British older people. Comparison of these with respondents’ self-rated happiness scores revealed rating scale bias in the latter. Other things being equal, the older a respondent was, the higher (s)he rated his/her life. Therefore, public policies that value capacity to benefit using self-rated happiness scores are likely to discriminate against older people.

Margherita Fort
The causal effects of education on the obesity of Europeans
In this paper we identify the causal effect of education on the conditional quantiles of BMI. We use the exogenous variation in schooling induced by the compulsory school reforms implemented at different times and with different intensity in 11 European countries after the Second World War. Differently from previous literature using the same instruments, we allow for heterogeneity in the impact of education along the conditional distribution of BMI. Our evidence suggests that one additional year of (compulsory) education reduces the BMI of European females by 1.82% - a moderate effect but more than twice the value found by Cutler and Lleras-Muney in US data. Instrumental variable quantile treatment effect estimates show that the causal effect of education is larger for females having a higher BMI, which suggests that additional education can help reducing health inequalities.

Simon Gaechter
Title and Abstract
To follow

Wulf Gaertner
A questionnaire – Experimental Study of Equity evaluations over time
Most of the studies in empirical social choice are snapshot-like. They show the evaluative behaviour of a certain number of respondents at a particular point in time. In other words, these studies do not allow to check whether the results are found are intertemporally stable or not. In this paper, we present our own findings which stretch over a period of roughly 15 years. We describe and discuss two situations that were given to (mostly) undergraduate students in economics and business administration at the University of Osnabrueck in Germany.

The first situation required that a decision be made between improving the everyday life of a handicapped person and offering education to intelligent children. The second situation required the respondents to take a decision between promoting economic growth at the expense of restricting basic human rights and a slower economic recovery going hand in hand with a full warranty for these human rights. Over investigation shows significant changes in the evaluative behaviour of our students over the period considered.
Gaia Garino  
Debt and risk preference: A household level analysis  
We explore the relationship between risk preference and the level of unsecured debt at the household level within the context of a two-period theoretical framework, which predicts that debt is a function of risk aversion. We test the predictions of our theoretical framework for a sample of households drawn from the U.S. Panel Study of Income Dynamics and the U.S. Survey of Consumer Finances. Our empirical findings suggest that risk preference is an important determinant of the level of unsecured debt acquired at the household level with risk aversion serving to reduce the level of unsecured debt accumulated by households.

Enrico Giovannini  
Towards a taxonomy to measure well-being and the progress of societies  
The attention paid by analysts and policy makers to the measurement of well-being is growing and the current economic crisis represents a key opportunity to reach a consensus and influence political visions about the future of our societies. The preliminary results of the Commission on the “Measurement of economic performance and social progress” established by the French President Sarkozy and the proposals emerging from the OECD-hosted Global project on “Measuring the progress on Societies” will be presented.

Bizzotto Giulia  
Estimating capabilities: A structural equation model for Atypical workers  
The aim of this paper is to analyze the well-being of atypical workers using Sen’s capability approach. We define as atypical workers who have an employment contract different from a full time permanent one. After drawing a list of capabilities for workers and providing a methodological justification for it, we focused on two particular capabilities: “Bodily health” and “Mental well-being”. The development of a special Structural Equation Model enables us to use functionings as indicators of well-being, to account for its multidimensional aspects and to represent the reciprocal influences between different capabilities. The results of our estimation are forthcoming: we expect to highlight the channels through which workers' well-being is impacted by the employment form.

Hamid Hasan  
Capabilities Measurement: A LISREL approach  
Measuring capability has been an unresolved empirical problem since Sen’s seminal contributions in welfare economics. The present paper is an attempt to resolve this problem by developing an index of improvement using empirical indicators of basic human goods at three levels of assessments—preservation, betterment, and adornment of basic human goods. Analytically, a rising capability curve shows an improvement in capability and vice versa. Empirically, a lowering of level one assessment indicators and rising of indicators of assessment at other two levels show capability enhancement. This approach will, in turn, provide a 3-pronged human welfare development strategy.
**Astri Drange Hole**

**The Importance of Moral Reflection and Self-Reported Data in a Dictator Game with Production**

This paper studies how individual behaviour is affected by moral reflection in a dictator game with production, and the informational value of self-reported data on fairness. We find that making individuals reflect on fairness before they play the dictator game not only increases the weight they attach to fairness in distributive choices, but also has a strong effect on what people consider fair. Furthermore, we find that even if self-reported data have substantial informational value, it does not add explanatory power to a random utility model estimated on purely behavioural data. Finally, by studying the behaviour of individuals who deviate from their self-reported fairness ideal, we do not find much support for the hypothesis that people are self-serving in their choice of fairness ideal.

**Francisco J Husillos**

**Autonomy to prefer, social deliberation and environmental preservation**

Institutions explain, to a great extent, individuals’ reasons for their behaviour while at the same time institutions result from decisions taken by current and previous generations. In this framework we study environmental commitments. The influence of institutions is captured by measuring individuals’ ‘autonomy to prefer’. Then using information gathered from decision makers of the largest Spanish firms belonging to sectors of greater environmental impact, we test the relationship between a person’s autonomy to prefer and her values (self/other regarding). We also test if environmental commitments of institutions respond to individuals’ values, controlling for the population’s space for deliberation (e.g. the stakeholder pressure).

**Graham Hunter**

**An Overview of the Capabilities Measurement Project**

There has been much discussion about whether capabilities can be measured. On the negative side, are concerns about the apparent impossibility of directly enumerating the options that a person has. However, it is widely accepted that health and education do provide useful indicators of opportunity and ability that go beyond income (which itself might only be regarded as an indicator of consumption capabilities). In this project, spanning nearly a decade in time and involving economists, philosophers and social scientists we explore the extent to which capabilities can be measured and argue that, according to the conventions used in social and household surveys, it is perfectly possible to develop a wide range of indicators covering many aspects of life quality that are potentially of interest to researchers and policy makers concerned about poverty alleviation and the promotion of human flourishing.

**Ilja Neustadt**

**Willingness to Pay for Income Redistribution**

In this paper, preferences for income redistribution are elicited through a Discrete Choice Experiment (n=1008). In addition to the amount of redistribution as a share of GDP, attributes also included its uses (working poor, unemployed, old age, families with children, ill health) and nationality of beneficiary (Swiss, Western European, Other Foreigners). Willingness to pay for redistribution increases with income and education, contradicting the conventional Meltzer-Richard (1981) model. The Prospect of Upward Mobility hypothesis, Hirschman and Rothschild (1973), Benabou and Ok (2001) receives very partial empirical support.
Katsushi Imai
Fertility, parental education and development in India: evidence from NSS and NFHS in 1992-2006

This paper empirically investigates the determinants of fertility drawing upon the large nation-wide household data in India constructed by NSS and NFHS in 1992-2006. First, the negative and significant association is found between the number of children and mother’s education even if the latter is endorgenidsed, or if parental wage equations are incorporated into the model. Second, father’s education became increasingly important in reducing fertility after 1998. Third, the negative effect of expenditure on fertility is found when the former is treated as exogenous, but not once instrumented. Finally, pseudo panel models confirm the negative effects of parental education.

Marina Selini Katsaiti
Model of choice: Food consumption, weight preferences and obesity rates

The purpose of this paper is to construct a macroeconomic model that can help explain the origins of obesity due to certain economic aggregates such as capital accumulation. Under the framework of a two-sector economy, one producing food and the other producing a composite consumption good, we investigate the effect of technological progress that results to lower prices in the food sector on food consumption and thus on average weight in the population. Heterogeneity is introduced by allowing individuals to differ in their patience levels. We also allow for different sectoral labor decomposition, and allow our agents to expend different amounts of calories depending on whether they work in the service or the agricultural sector. As a last thing we introduce borrowing constraints and examine how they influence consumption decisions. We derive results that explain which factors cause increasing obesity rates and propose policy implications. To check our theoretical results we apply econometric methods in order to verify whether and to what extent our model can replicate the data.

Hayat Khan
Economics of Agents with social preferences: The third fundamental theorem of Welfare Economics

The two fundamental theorems of welfare economics assume that individuals are self-centered. This paper explores, SR and LR, theoretical dynamics of replacing the self-centered individual with an agent whose choices are sensitive to social outcomes of his decisions (called social-preferences). This leads us to the Third Fundamental Theorem of Welfare Economics (TFTWE) which asserts that when agents have social preferences markets, perfectly competitive or with some degree of imperfection, endogenously achieve Pareto-Optimal and equitable distribution. Unlike the SFTWE, the TFTWE holds when there are non-convexities (preferences or production). Sen’s capabilities improve ensuring higher welfare and possible equity efficiency trade-off reversal.

Stanislaw Maciej Kot
On the parametric distribution of welfare: a theoretical background and applications

The aim of this paper is to uncover unobservable welfare distribution from observable income distribution. The theorems presented in the paper establish the relationship between the parameters of these distributions and the parameter of the constant inequality aversion function. One of the proved theorem states, however, that the mutual calculations of certain pair of parameters of welfare distribution is impossible without additional assumption. The proposed method enables the estimation of inequality aversion parameter and the mean (social welfare function), welfare inequality and other characteristics of welfare distribution. This method is applied to Polish income data for the years 2000-2005.
Emily Lancsar
A new method of welfare assessment in discrete choice experiments: calculating individual level welfare measures to explore heterogeneity

Traditionally, Hicksian welfare measures derived from random utility choice models estimated from discrete choice experiments (DCEs) have been applicable only to a “representative agent”. Unlike recent work that has tried to disaggregate such welfare measures to account for heterogeneity in a top-down manner, this paper takes a bottom-up approach by harnessing a new form of DCE and a new analytical method to estimate separate models for each individual from which, for the first time, the compensating variation is calculated directly for each individual. This new approach is demonstrated in the context of treatment for cardiac arrest and compared to welfare measures estimated from a traditional pooled level representative agent model. Methodological and policy implications are explored.

Thomas Lange
The happiness of being self-employed: A function of personality traits or procedural utility?

Most studies in the economics discourse explain higher levels of job satisfaction amongst the self-employed, compared with salaried employees, by reference to greater procedural freedom. Psychology scholars, on the other hand, suggest that entrepreneurial satisfaction depends, at least in part, on specific personality traits. Utilising data from the 2006 European Social Survey and taking into account personality traits, personal values and indicators for workers’ autonomy, the empirical findings add further strength to economists’ argument. The results hold true for both, male and female sub-samples even when a multitude of socio-demographic characteristics, personal values and personality traits are controlled for.

Siong-Hook Law
Dynamics of finance-inequality nexus in developing countries

This study examines the dynamics of finance-inequality nexus in 35 developing countries. The empirical results based on the dynamic panel model of general method of movement highlighted the nonlinear U-shape relationship between financial deepening and income distribution in these countries. It implies the narrowing of income-inequality gap even at the early stages of financial development. This improvement, however, will only be sustainable until a threshold value. Further deepening above the threshold will lead to a deterioration of income inequality reflecting the inefficiency of the market above the threshold.

Tobias Lechtenfeld
Women and Successful Poverty Reduction in South East Asia

Poverty headcounts have been falling dramatically in Thailand and Vietnam in the last decades. Despite the acclaimed success little is known about typically vulnerable groups, such as single mothers and other types of female-headed households. Using a unique panel we investigate the depth of poverty and prevalence of vulnerability, focusing clearly on policy implications. Special attention is given to the non-income poverty, inter-generational transmission of poverty, and the ability to cope with adverse shocks. Country differences are used to give an outlook on different stage of human development in both countries.

Dr George Leeson
The concept of modern retirement: contribution and responsibility – evidence from the Global Ageing Survey (GLAS) – Roundtable Contribution

The prospect of a relatively long life is real for large proportions of the world’s population, and we as individuals want and are able to contribute to our families and our commitments. There lies the challenge and there lies the opportunity for every individual, every country and every government in a world of increasing longevity.
Around the world key factors of global ageing are independence, activity and control, which continue to appositive quality of life post-retirement. Good health continues for most until well in their 70s and even 80s. Families are the buttress of society, the phenomenon we identify with and within we exhibit significant feelings of intergenerational solidarity. The over 50s are not simply passive recipients of increasing amounts of support from their family, from their community and from their society. These cohorts provide significant amounts of support within the family; they are engaged in voluntary work; and substantial proportions continue to work after traditional retirement age because they want to, and they plan to continue working for as long as possible.

This presentation will discuss the emergence of the concept of modern retirement – contribution and responsibility – drawing on evidence from the third wave of the Institute’s Global Ageing Survey which covers approximately 44,000 individuals aged 40-79 in more than 20 countries across North America, South and Central America, Europe, Asia and Africa/Middle East.

Christian Leonard
The individual responsibility of the patient in post-welfarist approaches of distributive justice and in the real world

The idea that we have to bear the financial consequences of our actions and decisions is a powerful idea in egalitarian approaches, but also among political decision makers. However, the way in which people are to be made ‘responsible’ is not always explicitly spelled out. Mainstream proposals for implementation are nowadays largely confined to financial responsibility, which we argue should be called ‘pseudo-responsibility’. We suggest an alternative approach based on the ‘capability’ concept of Sen and the ‘autonomy’ concept of Illich. The aim is to make people ‘capable’ and autonomous enough to take real responsibility.

Jeanne Lievaut
Does a policy exert influence on the decision of general practitioner about his private practice: A longitudinal approach

Our article is the empirical study. The aim of the paper is to understand how a policy exerts influence on the physician choose to begin or to close his private practice. We use a representative sample of 8131 French self-employed physicians over the 1979-2000 period (from the national base). In order to obtain consistent results we use a scoring procedure and Multiple Component Analysis. The results show that policy, which is based on accounting and manager, can change the behaviour of private practitioners and can engender opposition reactions. It means, that the inequalities in the access to the care will increase in the disadvantaged regions.

Tobias Lindner
Allocating public goods via the midpoint rule

We study the properties of the following midpoint rule for determining discrete quantities of different public goods under a budget constraint. Each individual submits a proposal and the feasible allocations are ranked according to the sum of their distances (in the natural metric) to the individual proposals. One of the allocations with minimal aggregate distance is chosen. We prove that the midpoint rule is strategy-proof if all individuals have metric single-peaked preferences, Furthermore, we study the robustness to manipulation of the midpoint rule by simulations.

Maria Ana Lugo
Social interactions and school achievement in Argentina

Argentina is a highly unequal society with an increasingly segregated educational system. As economic gaps widen, children have fewer and fewer opportunities to interact with others from different social background. This paper explored the likely impacts of this trend on students’ academic achievement in Argentina and the potential effect of policies to redress segregation.
builds a theoretical framework combining two opposing social interaction views: the role models and the competition hypotheses. A direct consequence of this approach is that the allocation of students across schools on economic grounds plays an important role in the aggregate test scores results. Data on test scores of 10-11 year old children in Argentina is used. The identification is based on school fixed effects and the random assignment of students across classes within schools. Positive role models have significant effect on both rich and poor. However, when social distances are large, ‘role model’ effects are outweighed by the detrimental impacts of competition on the very poor. These results provide a more nuanced and theoretically grounded picture of the effect of social interactions on student performance, going beyond the estimation of mean peer effects that have become standard in the literature.

Roland Iwan Luttens
Voting for redistribution under desert-sensitive altruism
We endow the individuals that differ in skills and tastes for working with altruistic preferences for redistribution in a voting model where a unidimensional redistributive parameter is chosen by majority voting in a direct democracy. When altruistic preferences are desert-sensitive, i.e. when there is a reluctance to redistribute from the hard-working to the lazy, we show that lower levels of redistribution emerge in political equilibrium. We provide empirical evidence that preferences for redistribution are not purely selfish and that desert-sensitive motivations play a significant role. We estimate that preferences for redistribution are significantly more desert-sensitive in the US than in Europe.

Jolian McHardy
Gambling activity at the household level
We explore the determinants of gambling activity at the household level distinguishing between the decision of whether to gamble and the decision of how much to spend on gambling. The Family Expenditure Survey and the Expenditure Food Survey both provide detailed information upon individuals within household including their gambling behaviour: stakes (i.e. price), winnings and the level of participation within a specified period. Gambling activity covered includes: football pools; national lottery; bingo; bookmakers; and scratchcards. We estimate a simultaneous system of n gambling demand equations, allowing complementary or substitutability between different types of gambling activity.

Francois Maniquet
Fair family allowances
A family benefit system is a redistribution scheme where the tax paid and/or the subsidy received by the households depends on their number of children. We study family benefits that derive from the fairness principle that children should not be held responsible for the wealth of their parents. We first construct social preferences satisfying this principle. Then we maximize social preferences under the constraint that only gross income and the number of children are observable by the planner. Our result is that a fair family benefit system should pay family benefits to all households with children, though the amount should decrease with income.

Robert Metcalfe
Do wind farms matter?
In order to value non-market goods, economists estimate individuals’ willingness to pay (WTP) for these goods using revealed or stated preference methods. We conduct primary research to compare these conventional approaches with subjective well-being (SWB), which is based on individuals’ ratings of their happiness or life satisfaction. In the context of a quasi-experiment on a wind farm using our own unique panel dataset, this research represents the first direct empirical comparison of preferences and SWB over time for a non-market good. In particular, we consider the whether there are endogenously effects of policy and whether these might differ by preferences and experiences.
Alessandra Michelangeli  
**Wage Discrimination Measurement: In defence of a simple but informative statistical tool**

In contrast to standard statistical research based on pointwise measures of discrimination, we examine functional and numerical measures of wage discrimination in the spirit of the Lorenz curve. The First Order discrimination curve detects the effects of discrimination on the whole wage distribution. We refine it by deriving through integration the Second Order discrimination curve. We explore the relationship between these curves, other inter-distributional methods based on the Lorenz curve and some popular discrimination indices. We use standard economic size distributions to recover closed forms of discrimination curves. The main results are illustrated on PSID data, year 2005.

Luis Miller  
**Promoting justice by treating people unequally: An experimental study**

Which inequalities among individuals are considered unjust? This paper reports the results of an experiment designed to study distributive choices dealing with arbitrarily unequal initial endowments. In a three person distribution problem where subjects either know or do not know their endowments, we find impartial behaviour to be a stable pattern. Subjects either compensate for initial inequalities fully or not at all in both conditions, and they do so more often when they do not know their endowment that when they know it. Moreover, the type and the size of the good to be distributed also affect the frequency of impartial behaviour.

Jonathan Michie and Christine Oughton  
**Managerial, institutional and evolutionary approaches to environmental economics; welfare and policy implications**

Research on environmental economics and policy has been dominated by neoclassical theory. While there have been significant advances in this approach – including, more sophisticated analysis of imperfect information, endogeneity and time – a number of its underlying characteristics continue to limit its relevance to modeling firm behaviour, innovation and change. The limitations spring fundamentally from the underlying model of rational choice, the treatment of innovation and the lack of analysis of institutions. In this paper we explore these limitations and show how alternative evolutionary, institutional and managerial theories provide insights into environmental problems, economic outcomes and policy choices.

Sophie Mitra  
**Well-being among persons with mental disorders**

This paper uses Sen’s capabilities approach to develop an empirical understanding of the well being of persons with mental disorders. Our objective is to measure the extent to which selected, measured capabilities and functionings covary with self-reported quality of life measures for persons with mental disorders. We will use the 2006 Medical Expenditure Panel Survey (MEPS), a nationally representative U.S. survey, to identify mental disorders through medical condition (ICD-9) codes, and to access detailed data on demographics, income, employment, functional limitations, health insurance coverage, and utilization of medical care. This study is part of a 5-year NIH funded Center to Study Social Recovery for this population.

Vasco Molini  
**Adult BMI as a health and nutritional inequality measure: applications at macro and micro level**

Inequalities in health and nutrition have in recent years started to receive growing attention from scholars and policy makers. Most literature focuses on child malnutrition, while adult health and nutritional deficiencies, in particular of men, are under-exposed. In this paper we explore the suitability of adult Body Mass Index, a simple indicator of nutrition and health
status, for measuring health and nutritional inequalities between and within households, noting relevant advantages over other non-monetary measure. In order to show the use of BMI, our paper compounds a macro analysis, comparing female BMIs at the country level, and a micro one, comparing female and male BMIs in Vietnam. Our findings are noteworthy both at macro and micro-level. At macro-level, we estimated an analogue of the Kuznets-curve, finding a U-shaped relation between development (Human Development Index) and health and nutritional inequality (female BMI). At micro-level, exploiting the panel data characteristics of the Vietnam dataset, we show how income improvements registered in the 1990’s benefited males much more than females, showing a clear gender bias in the intra-household allocation of food and health care, in particular among the rural poor and ethnic minorities.

Seong Hyeok Moon

Multi-dimensional Human Skill formation with multi-dimensional parental investment

Parental investment has been proposed as a key determinant of human skill. Accounting for its multi-dimensional nature allows a more nuanced understanding of the skill formation process. Human skill itself is also multi-dimensional. This paper provides a consolidated framework to analyze a multi-dimensional skill formation process with multi-dimensional parental investment. A dynamic factor model is employed as the main workhouse and empirical results from Children of the National Longitudinal Survey of Youth 1979 (C-BLSY79) are presented for various demographic groups. The results suggest that different kinds of parental investment contribute to the formation of different types of skill at different developmental stages. Implications for policy design and inter-generational transmission of inequality also are discussed.

Illja Neustadt

Willingness-to-pay for income redistribution: evidence from a discrete-choice experiment

In this paper, we elicit preferences for income redistribution of Swiss citizens by applying a Discrete-Choice Experiment to a representative sample. Our study provides an estimate of the total desired amount of redistribution as a share of disposable income. Furthermore, we estimate the marginal willingness-to-pay (WTP) values for different redistributive goals, viz. for redistribution in favour of groups of recipients and their nationality. We also examine differences in WTP values with regard to the channel of redistribution (federal, regional, communal).

Geranda Notten

Multidimensional poverty in the Republic of Congo: being poor in many ways

We show that a multidimensional approach to poverty does not only have to be used for summarizing poverty in a single index or for comparing deprivation rates between dimensions. We argue and illustrate that such an approach can additionally provide a contribution to a better understanding of the relationships between dimensions by studying the prevalence of multiple deprivations at an individual level. More precisely, this study investigated the degree of overlap in deprivations of individuals and analyzed to what extent persons suffering from multiple deprivations have different characteristics and problems than persons suffering from only one deprivation or none at all. In essence, our method consists of the application and extension of the tools that are typically used in a standard poverty analysis to that of a multidimensional poverty analysis. We illustrate this approach by taking the Republic of Congo as a case study.

Gbadebo Odularu

Education and income inequality in Nigeria

Income inequalities in Nigeria in part become explainable. First, it is reasonable to attribute inequalities in part to the past defective colonial economic policy. In regards to the concentration of socio-economic and other development programmes in the urban centers, where white administrators and their allies, the African elites were found while the rural areas, where the majority of the Africans lived were neglected. Thus, the pivotal development advantages,
which the urban centers and city dwellers enjoyed in terms of education, employment opportunities and health facilities, to mention the few, set the skewed structure of development. In other words the dichotomy between the urban and rural areas with respect to poverty distribution, income inequality, unemployment and level of education in part becomes explainable. The broad objective of the study is to examine the causal relationship between education and income inequality in the Nigerian economy.

Sub-objectives of the study are as follows:
1. To identify the factors that lead to income inequality and the effect they have on income inequality.
2. To examine the measures of income inequality.
3. To examine how the level of educational attainment of individuals and affects the income they receive.

**Ewin Ooghe**

**Designing a school incentive system: equality of opportunity and school accountability**

The research question is how we should divide financial means over the different schools to ensure equal opportunities for all children. We take Schokkaert and Van de Voorde’s (2004) model, based on Bossert and Fleurbaey (1996), as a starting point and provide an application/illustration for Belgium on the basis of the longitudinal SiBO-dataset.

**Lars Peter Osterdal**

**Ordinal comparison of multidimensional deprivation: theory and application**

This paper develops an ordinal method of comparison of multidimensional inequality. In our model, population distribution g is more unequal than f when the distributions have common median and g can be obtained from f by one or more shifts in population density that increase inequality. For our benchmark 2x2 case (i.e. the case of two binary outcome variables), we derive an empirical method for making inequality comparisons. As an illustration, we apply the model to childhood poverty in Mozambique.

**Rafael Pinilla-Pallejá**

**Quality of life potential (QLP) micro simulation for social and health policy evaluation**

This paper describes the fundamentals and operative methodology to estimate, using micro simulation techniques, a set of welfare indicators denominated Quality of Life Potential (QLP). QLP depends mainly on net income, a poverty line, leisure time, health and longevity. QLP is sensitive to other social characteristics as employment and activity, education and ageing. Data used to estimate QLP are the last available life tables, time use surveys and EU-SILC surveys.

We will show the applications of QLP for evaluation of social and health policies, while the main advantages and limitations of QLP and its micro simulation program will be discussed.

**Prasanta K Pattanaik**

**Choice, internal consistency and rationality**

Several examples due to Luce and Raiffa and Sen show how the choices of an agent may plausibly violate very weak ‘internal consistency conditions’, such as Chernoff’s condition (Sen’s condition alpha). Recently, there have been some attempts in the literature to accommodate such phenomena within the standard framewpork of the theory of revealed preference. Our paper examines the significance of the examples of Luce and Raiffa and Sen for the conception of rationality of choice in terms of internal consistency.
Satya Paul

Happiness and income inequality

In almost all the empirical studies that analyze the relationship between income and happiness, the causality is assumed to run from income to happiness. This paper explores the possibility of a reverse causality running from happiness to income. The research methodology consists of first estimating an income generating function and then decomposing income inequality measure by estimated income flows associated with age, sex, education, happiness, occupation and residual term provided by the income function. The income generating function is estimated based on panel data on self reported life satisfaction (happiness) and other relevant variable for 8530 individuals from the five waves (2001-2005) of the Household Income and Labour Dynamics in Australia (HILDA) surveys. Sensitivity of contributions of happiness and other variables to the income inequality is checked using alternative decomposable measures of inequality.

Andreas Peichl

The impact of flat tax reforms on the development of richness in Europe

European welfare states are under pressure because of population ageing and globalization. Increasing inequality and a wider gap between rich and poor are expected as a consequence of fundamental tax reforms. The aim of this paper is to analyse the impact of flat tax reforms on the development of richness in Europe. The chance in richness is rather small for inequality neutral flat tax scenarios. However, when allowing inequality to increase, richness in increasing in all countries according to all measures. This redistribution from rich to nonrich might explain why a flat tax is not very popular in Western Europe.

Vito Perragine,

Measuring Long Term Inequality of Inequality

This paper, which relies on Roemer’s (1998, 2006) theory of equality of opportunity (EOp) aims at introducing a dynamic version of EOp for measuring social welfare and income inequality. An egalitarian redistribution policy should according to Roemer equality of opportunity theory only seek to equalize those income differentials for which the individuals should not be held responsible, because they depend on circumstances that are beyond their control. Thus, not only the outcome, but also its origin and how it was obtained matters. The EOp-criterion is interesting from the policy point-of-view, since the majority of citizens in most industrialized countries, although not unfavorable to redistribution, seem sensitive to the way a certain outcome has been attained. Redistribution is more likely to receive support if it is designed to correct circumstances that are beyond people’s control. On the other hand, if a bad outcome is associated with a lack of effort, redistribution is likely to be much less acceptable. Thus, as distinct from the standard utilitarian approach, the equality of opportunity approach is non-welfaristic; one needs to know the efforts expended by the individuals and not simply the outcomes they enjoy under them. The purpose of this project is to extend the static EOp-approach to deal with evaluation of streams of incomes rather than incomes acquired for a single year. To model dynamic EOp we can think of two different approaches. One consists of treating the period-specific marginal distributions as the basic quantities for defining and measuring equality of opportunity. This is basically the approach proposed by Bourguignon et al. (2006); they first aggregate individual incomes in order to evaluate the opportunity set at a given time t. Successively they introduce some criteria to rank different distributions of time streams of opportunity set in terms of equality of opportunity. An alternative approach aggregates the income stream of each individual into an interpersonal comparable measure of permanent
income and uses the distribution of permanent incomes as a basis for defining and measuring equality of opportunity. To explore the latter approach, we draw on the intertemporal choice theory and introduce a measure of permanent income which accounts for the costs associated with income fluctuations. The proposed measure of permanent income is demonstrated to form a convenient basis for developing a general framework for measuring long-term social welfare and inequality according to the EOp theory.

Nicolas Pistolesi
The link between inequality of opportunity for income acquisition and income inequality: the French example 1977-1993

We analyze equality of opportunity for earnings acquisition in France between 1973 and 1993 conditional on the father earnings in the earnings distribution using two waves of the French data set FQP. First, using stochastic dominance tools, we find that inequality of opportunity has remained stable when conditioning on the earnings level of the father, while it has diminished when conditioning on his rank in the earnings distribution. The former result is explained by the stable intergenerational earnings elasticity. The latter by the decreasing wage inequality in the previous generation. Then, we decompose the evolution of inequality of opportunity using the mean logarithmic deviation and the results of regressions of descendants' earnings on their parents' earnings. It is shown that the main reason beneath the reduction of inequality of opportunity lies in the decrease of earnings inequality taking place in the eighties.

Felix Povel
Perceived vulnerability to downside risk

I propose a new approach to vulnerability which I call “perceived vulnerability to downside risk”. Other concepts of vulnerability do not exclusively consider downside risks because they use a pre-determined threshold (e.g. the poverty line) as their benchmark for analysis. Instead, I opt for the current level of wellbeing of a household as reference point. Also, I use subjective risk perception for quantifying vulnerability since it overcomes shortcomings connected to the reliance on information about the past. I apply the proposed measure to data from Thailand and Vietnam and find significant differences concerning the determinants of vulnerability between both countries.

Catherine Porter
Life's ups and downs: Empirical considerations in the measurement of chronic poverty

There has been recent progress in the development of theory on welfare measurement over time. A number of axioms and new measures have been proposed in the literature. This paper scrutinizes such axioms and measures when applied in an empirical context, examining the tradeoffs and options in ranking welfare trajectories that exist when using panel data. These include the consequences of changing the elasticity of substitution between time periods, discounting over time, measurement error and missing data. The empirical application uses a panel dataset from Rural Ethiopia, with five rounds between 1994 and 2004.

Clemens Puppe
Diversity as a metric of opportunity

In the recent literature on freedom and opportunity one can distinguish two approaches. One approach based among others on Pattanaik and Xu’s seminal contribution on the simple cardinality rule, strives to formalize an “objective,” purpose-neutral notion of freedom. The other approach, developed among others by Amartya Sen, acknowledges the role of preferences in the evaluation of opportunities and has found a formal expression on the multi-preference approach.
The present paper develops a general framework for evaluating opportunities (“menus”) that is capable of representing either approach. On our account, the extent of opportunity is identified with the diversity of the available alternatives. This diversity, in turn, is composed of “atomic” opportunities. Whether or not the evaluation of menus will refer to underlying preferences over alternatives depends in this framework on the nature of the relevant atomic opportunities. In particular, we propose to conceptualize a purpose-neutral notion of freedom as an appropriate aggregate of “factual” choice possibilities and discuss the limitations of such an approach.

Thomas I Renström  
Critical-level utilitarianism in a growing economy  
In the present work we characterize the optimal trajectories of consumption, capital and population growth rates of a production economy entailed with critical-level utilitarian preferences and endogenous population size. Precisely, as for the transition towards the steady state, we show that while consumption and capital move in the same directions, the behaviour of the population growth rate, the time needed for achieving the state and the stability of the trajectory taken by the economy depend crucially on whether the steady state value of the population growth rate is an interior or corner solution. Moreover, comparative dynamics exercises on the steady state show that: a) A positive technological shock increases both capital and population growth rates, while reduces consumption; b) An increase of the critical level parameter increases consumption, leaves the capital intensity unchanged and decreases the population growth.

Mariano Rojas  
Happiness, quality of life, capabilities and livability in Latin America  
The paper starts with a discussion of human well-being related concepts such as: quality of life, happiness, capabilities, and livability. It argues that conceptualization must precede measurement and that these concepts should not been defined on the basis of their measurement, as it has been a common practice in welfare economics (e.g.: poverty). The paper bases its conceptual discussion about human well-being on a theory of value of human life. The empirical section uses micro-level information from the Gallup 2007 survey for the Latin American countries (approximately 18500 observations, 17 countries) to study the interrelationship among the four concepts.

Paolo Salardi  
The estimation of the health functioning production function for Brazil  
This paper aims to model and estimate the health functioning production function as a relation that conveys to what extent people are able to convert private and public resources into the achievement of the specific functioning ‘being healthy’. This conversion process is affected by a set of internal and external conversion factors identified by exogenous individual, social and environmental characteristics. The estimation of this function has been made by employing Brazilian data. By applying probit and ordered probit regression models, we find that Brazilian young people are the most vulnerable group that convert resources less efficiently into the achieved functioning. Moreover, women are the most relevant policyholder for the Brazilian public health services. We conclude that our empirical findings might be relevant for policy making once a more comprehensive approach of assessing individual well-being is accepted.

Ernesto Savaglio  
Poverty rankings in opportunity profiles  
Poverty reduction plays a prominent role in political debates in many countries. Methods and techniques to make poverty comparisons are necessary tools in order to design and to evaluate policies aimed at poverty reduction. Since the publication of Sen's (1976) pioneering paper on poverty measurement, in the last quarter century a great deal has been written on this subject. Several measures of poverty, including the one suggested by Sen (1976), are now available in the literature. However, in most of the existing literature, income or consumption expenditures has been regarded as the only
relevant dimension of poverty. But poverty is essentially a multidimensional phenomenon and the exclusive reliance on just one indicator can hide crucial aspects of economic deprivation. For example, two societies with the same distribution of monetary earnings, can hardly be thought of as equivalent in terms of poverty if in one of them fractions of the population are denied a number of basic rights and liberties such as the right to vote, freedom of speech, freedom of movement and so on.

The necessity to move from an income-based evaluation of social inequities towards a more comprehensive domain has been defended, among others, in the influential works of Rawls (1971), Sen (1980, 1997), Roemer (1996).

Altought the inadequacy of a unidimensional approach to evaluating social inequities is well recognized, it is nevertheless a common practice of economists to do so. One of the basic reasons for this is linked to the difficulties in data collection and data analysis. However, in addition to data limitation and empirical constraints, a multidimensional evaluation of poverty is by no means straightforward from a theoretical point of view. Little is known about how to compare different distributions of, say, rights, freedoms, primary goods, or functionings. The focus of the present work is, in fact, this particular measurement problem.

In this paper, we consider the problem of ranking distributions of opportunities on the basis of poverty. An individual’s opportunities are described by a set rather than by a scalar, as it is the case with income or consumption. As a consequence, the problem becomes that of ranking different distributions of opportunity sets.

To keep the approach as general as possible, the notion of "opportunity" is treated in an abstract way: we define an opportunity set as any finite set in some arbitrary space.

Opportunities may be thought of as non welfare characteristics of agents such as basic liberties, political rights, and individual freedoms; or as access to certain welfare enhancing traits; a further interpretation is in terms of functioning à la Sen (such as being educated, being well-nourished, avoiding premature mortality): in this case the opportunity set corresponds to the capability set of an individual.

The question of how to rank different opportunity distributions has been first addressed by Kranich (1996), who however focused only on inequality rankings. There is now an extensive literature concerned with the measurement of inequality of opportunity: see, for example, Arlegi and Nieto [1], Bossert, Fleurbaey, and Van de gaer [6], Herrero [10], Herrero, Ithurburu-Ormaetxe, and Nieto [11], Kranich [14, 15], Ok [16], Ok and Kranich [17], and Savaglio and Vannucci [20]. A survey of this literature may be found in Barbera' et al. [3].

On the other hand, the question of how to rank different distributions of opportunities in terms of the poverty they exhibit has never been addressed before. The present paper fills this gap. We address the problem of ranking profiles of opportunity sets on the basis of poverty.

A natural approach towards devising a poverty ranking for opportunity distributions is to try to extend the basic income poverty measures into our richer setting. We, therefore, design our analysis by studying alternative ways of extending the familiar notion of "poverty line" and the most well known poverty measures in the context of opportunity distributions. In order to identify the different value systems involved in the use of different poverty criteria we use the axiomatic methodology: we propose a number of properties that a poverty relation on the possible distributions (profiles) of finite opportunity sets should satisfy and we study their logical implications. We characterize two fundamental rankings: the Head-Count and the Opportunity-Gap poverty rankings. These generalize the most widely used poverty measures used in the income poverty framework, namely the head count ratio and the income poverty gap. In addition, we characterize axiomatically two lexicographic rankings based on the HC and OG rankings and a third one based on a linear combination of the head-count and gap criteria.
Felix Schlaepfer
Preference formation in surveys and in competitive information environments
How do isolated survey respondents’ stated preferences for public goods compare with preferences expressed by voters who have access to the competitive information environment of a public referendum? We address this question by conducting a field experiment with a sample of the general public in which we experimentally control the subjects’ access to the actual positions of competing parties and interest groups on specific novel policy propositions. We find that the “voter preferences” (i.e., the preferences formed with access to party positions) strongly differ from the preferences of isolated survey respondents. We conclude by discussing implications for economic welfare analysis.

Erik Schokkaert
Why empirical social choice?
Recently a growing number of questionnaire studies has shown that many approaches to justice, which have been developed by economists and philosophers, are far from generally accepted by lay respondents. This raises the question of the normative status of this empirical work; should the definition of justice not be settled by rational debate, rather than by simply following the will of the majority? In this paper we critically discuss the following propositions (in a natural order with respect to the role of empirical work): (a) empirical insights are useful if one wants social choice to have policy relevance; (b) empirical insights may enrich the debate about justice, although the latter should remain essentially “rational”; (c) empirical work is necessary complement to normative thinking, as it may fill in gaps in our knowledge and may help to take into account intercultural differences; (d) empirical work is essential to the normative debate, as theories of justice are meant to rationalize the arguments that come up in the debate among citizens. The discussion is illustrated with recent examples from the literature.

Lars Schwettmann
The Truncation of Efficiency Considerations: An Empirical investigation
In the realm of distributive justice the idea of truncated efficiency demands maximizing total welfare subject to a floor level of individual welfare of all people. Inspired by questionnaire experiments on income redistributions we confront subjects with allocated problems in hypothetical micro-justice contexts. Initially, support for truncated efficiency is low, but the introduction of aspects of responsibility and variations of information on benefits for recipients promote its popularity. Moreover, the principle of responsibility displays a remarkable influence on both the equality-efficiency trade-offs and on the fulfillments of needs. Other prominent behaviours are based on egalitarianism or the maximum equity criterion.

Zahra Siddique
Caste based discrimination: evidence and policy
Caste-based quotas in hiring have existed in the Indian public sector for decades. Recently there has been debate about introducing similar quotas in the private sector. This paper uses a resume-based audit to determine the extent of caste-based discrimination in the Indian private sector. On average, low-caste applicants need to send approximately 20 percent more resumes to get the same callback as high-caste applicants. Heterogeneities in this callback gap exist by recruiter characteristics; these are taken as suggestive of prejudice against low-caste workers. In addition, heterogeneities in the callback gap also exist by firm size.
Annamaria Simonazzi

Care regimes and national employment models

Rapid population ageing has dramatically increased the social and economic cost of elderly care. As a consequence of the search for cost effectiveness/reduction we observe a convergence in how the care market is organised: all countries are moving towards home care, private provision, and cash transfers. The paper’s aim is twofold. To argue that the way in which elderly care is provided and financed may entail large differences in the creation of a formal care market. National employment models in turn shape the features of the care labour market: in fact, they affect the quantity and the quality of the care labour supply, the size of the care labour shortage, and the degree of dependence on migrant carers. The paper presents a comparative analysis of various European country models of elderly care to show how these two factors combine to shape the characteristics of elderly care regimes, and their differing capacity to meet increasing demand for care either by using native workers or instead by resorting to immigrant workers to cope with labour shortages.

Denisa Maria Sologon

Earnings dynamics at the EU level: Evidence from ECHP

This paper analyses the dynamic structure of individual earnings across 14 EU countries over the period 1994-2001 using ECHP. Understanding wage mobility is important from a welfare perspective, particularly given the large variety in national cross-sectional wage inequality. What is the source of this variation? Did the increase in cross-sectional wage inequality observed in some countries result from greater transitory fluctuations in earnings and individuals facing a higher degree of earnings mobility? Or is this rise reflecting increasing permanent differences between individuals with mobility remaining constant or even falling? Are there common trends in earnings inequality and mobility across countries?

Equally weighted minimum distance methods are used to estimate the covariance structure of earnings, decompose earnings into a permanent and a transitory component and conclude about their evolution.

Koichi Tadenuma

Universal social orderings

Universal social orderings make it possible to evaluate and compare social situations of any size (from one individual to several billions). We study how to extend the theory of social choice in order to select such orderings on a rigorous axiomatic basis. Key ingredients in such analysis are attitudes with respect to population size and the bases of interpersonal comparisons.

Hui-Boon Tan

Dynamics of finance-inequality nexus in developing countries

This study examines the dynamics of finance-inequality nexus in 35 developing countries. The empirical results based on the dynamic panel model of general method of movement highlighted the nonlinear U-shape relationship between financial deepening and income distribution in these countries. It implies the narrowing of income-inequality gap even at the early stages of financial development. This improvement, however, will only be sustainable until a threshold value. Further deepening above the threshold will lead to a deterioration of income inequality reflecting the inefficiency of the market above the threshold.
Karl Taylor
Modelling Charitable donations at the household level: Evidence from the U.S Panel Study of Income Dynamics
Using household-level data, we explore the effect of donations to the victims of the 2004 Indian Ocean Tsunami disaster upon other charitable donations, i.e. whether substitution or complementary effects exist. The empirical evidence suggests that donation specifically for the victims of the Tsunami are positively associated with the amount donated to other charitable causes, which implies complementary rather than substitution effects. This relationship exists when we decompose overall charitable donations into different types of philanthropy.

Panos Tsakloglou
Accounting for non-cash incomes in distributional studies
The usual proxy for welfare in distributional studies in developed countries is disposable income. This approach is misleading since a household’s command over resources is determined not only by its spending power over commodities it can buy but also on resources available to the household through the non-cash provisions of the welfare state, as well as private non-cash incomes. How should non-cash incomes be valued? How does the distribution of resources look like and how much is measured inequality affected by the inclusion of incomes in-kind in the concept of resources? How should the equivalence scales used in the analysis be modified? Does taxation retain its progressivity in the new distribution? The paper attempts to provide answers to these questions using the EUROMOD tax-benefit microsimulation model for a number of EU countries.

Apostolos Tsiachristas
The welfare effects of innovative pharmaceuticals: An international perspective from the Dutch experience
Policy discussions on new medicines are often focused on cost containment rather than on the benefits they produce. In this study, we identify systematic differences in policies towards pharmaceuticals between countries and calculate the welfare gains of 39 innovative medicines introduced in the Dutch market after 1997. Welfare gains are defined as the difference between the value of a QALY gained by innovative pharmaceuticals and their costs. The review shows that there are systematic differences among pharmaceutical policies and regulations between countries. It is further found that the welfare gains are substantial and amount to 101 per capita per year. The welfare gains could be higher if institutional barriers for an efficient utilization of innovative drugs are removed.

Giacomo Valletta
Health, Fairness and Taxation
This paper proposes a way to define social preferences for the allocation of income, labor and health based on a combination of efficiency and fairness principles. The final purpose is to use such social preferences to derive criteria for the evaluation of income tax schedules given the relevant incentive constraints. Individuals may differ in their preferences about consumption labor and health, in their (health-dependent) earning ability, and in their health disposition. The fairness principles considered here propose on one side to reduce inequalities deriving from factors that do not depend on individuals’ responsibility. On the other side, redistribution should be precluded among individuals with equal physical characteristics.
Luuk Van Kempen
The ‘downside’ of Women empowerment in India: An experimental inquiry into the role of expectation

The paper reports on a field experiment conducted among poor women organized in self-help groups in the north-east of India. The experiment tests in a simple game whether overly optimistic expectations with respect to the benefits of exercising agency reduces one’s appreciation of remaining with agency in the future. If so, unrealistic expectations may trigger behaviour that jeopardizes empowerment processes. It is hypothesized that negative emotions, such as disappointment, bring about such risks. We find that overstretched expectations may indeed work against empowerment if the gap between achieved and expected outcomes following increased agency is sufficiently wide. However, modest expectation gaps have the opposite effect and tend to promote attitudes conducive to empowerment. A tentative explanation for this result is offered by combining insights from recent work on the role of aspirations.

Maarten Vendrik
Social reference and adaption effects on happiness: A dynamic approach

This paper contributes to the empirical happiness literature by estimating social-reference and hedonic-adaptation effects on life satisfaction with respect to income and working hours in a full-fledged dynamic model. Our results for GSOEP panel data indicate strong relative concerns with respect to income in the long-run, but no relative concerns with respect to working hours. We also find hedonic adaptation with respect to absolute income and working hours and a strong intrinsic utility of working time. Still, private consumption and working hours are higher than socially optimal. A level of income tax that corrects this inefficiency is derived.

Marcella Veronesi
Children’s chronic health conditions and Mothers’ and Fathers’ Labor market decisions in the United States: The role of Asthma

I estimate the effect of children’s asthma on mothers’ and fathers’ labor supply and weekly earnings, using data from the Medical Expenditure Panel Survey for U.S. households with children 0-17 years old from 1996 to 2002. I compare these effects to those of a set of health conditions that includes deformities, congenital anomalies, heart problems, epilepsy and cancer. I find that single mothers with chronically ill children are the most affected group in terms of hours of work lost and reduction in earnings, and that fathers with an asthmatic child less than six years old work more hours per week.

Roberto Veneziani
The impossibility of non-interference

We analyse a principle of ’Non-Interference’ (NI) applied to social welfare orderings. NI captures aspects of liberal approaches to social decision making. Broadly speaking, it requires that an individual has the right to make society remain passive in all circumstances of change in his welfare, except when the welfare of the other individuals is also affected. In its full generality, NI produces an impossibility result: together with Pareto Optimality, it implies that a SWO must be dictatorial. However, when restricted in certain ways, NI turns out to be a useful principle to characterise several well known SWO which satisfy, in addition to Pareto Optimality, also Anonymity.
Elsy Verhofstadt
Challenges for direct capabilities measurement

Direct measurement of capabilities and/or functionings is scarce. Problems arise concerning the observability of capabilities and there is the challenge of the valuation of the functionings and/or capabilities. This paper wants to add to the kind of ‘primary data’ base research as it is pioneered in Anand & Van Hees (2006). We use a questionnaire which consistently makes the distinction between functionings and capabilities on the one hand, and between the measurement and valuation of these on the other hand. We compare between an objective and a subjective measurement and we include questions in order to explore the possibilities of the valuation of “refined functionings” (Fleurbaey, 2006).

Christoph Weiss
The effect of cognitive and non-cognitive abilities on earnings: different school systems

This paper estimates the effects of cognitive and non-cognitive abilities on earnings for individuals coming from different school systems. In the late 1960s, the British education system gradually moved from a system where tracking was determined at age 11 to a system with no tracking until age 16. I am comparing individuals who attended schools with early tracking with individuals from comprehensive schools. Cognitive and non-cognitive abilities are latent variables measured using the item response theory method developed by Spady (2007). Controlling for family background, I find that both cognitive and non-cognitive abilities have different effects on the distribution of earnings across the two school tracking systems.

Yuemei Ji
Identity and educational choice: A behavioral approach

Socioeconomic backgrounds greatly affect educational achievements. Distinguished from explanations based on expected utility theory, this paper explores the psychological mechanisms of generating educational identity and schooling choice. It offers a self-signaling model where self-esteem concern is introduced to the payoff function; the investment action signals ability and pushes the agent into cognitive dissonances when the perceptions of ability are time-dependent. I identify the conditions when the high ability agent fails to invest in education. The quality of school, the preschool and the social pressure (conservative/progressive) are crucial. It suggests public policy can help the poor by improving the early and later education