

Parallel Session 6B: Well-Being across Time and Space

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Preferences for Redistribution and Inequality in Well-being across European Countries A Multidimensional Approach

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Abstract

This paper aims at providing measures of inequality in personal well-being in the 26 European countries covered by the EU SILC database in 2006, using a multidimensional approach. This entails addressing various crucial questions, which introduce unavoidable levels of arbitrariness, regarding the dimensions of well-being, their degree of substitutability and their relative importance. In addition, considering inequality in well-being also entails the choice of how to measure inequality. We use here a normative approach based on the now classical Atkinson (1970) approach, in which the social welfare function (SWF) is defined choosing the size of parameter of aversion to well-being inequality (ϵ). The major distinctive contribution of this paper is to consider differences in aversion to inequality among 26 European countries: we estimate this heterogeneity using observed tax data and assuming that the principle of absolute equal sacrifice inspires the country specific tax structure. The empirical outcomes show that the assumptions at the basis of the model can be considered plausible for the 26 countries considered. These parameters are then used to estimate inequality in multidimensional well-being, approximated by three crucial dimension of human life: health, income and education. Results show that the usual assumption of homogeneous inequality aversion across countries may be quite misleading in describing absolute and relative inequality levels. Sensitivity analyses to changes in the assumptions of the degree of substitutability of the attributes and their relative importance provide expected results.

Keywords: multidimensional well-being, inequality, preferences for redistribution
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