

DISTRIBUTIONAL CHARACTERISTICS OF INCOME INSECURITY IN THE U.S., GERMANY AND BRITAIN

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This paper studies income volatility using recent data from the Cross National Equivalence File (CNEF). Techniques from the inequality literature are applied to longitudinal household incomes and we refer to the results as measurements of income insecurity. Using this method we examine (i) cross national differences in average insecurity levels, (ii) the effects of taxes and transfers on the insecurity levels of different income groups and (iii) the relationships between income insecurity and long-run household income. We find that insecurity in pre-government incomes is highest in Britain and lowest in Germany. However estimates of insecurity in post-government incomes are highest in the U.S. It is shown that insecurity in market incomes is heavily concentrated around low income households; however governments appear effective in insulating low income households from this phenomenon.

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