Equality of Opportunity and Freedom from Poverty: Measurement and Optimal Taxation

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Abstract

In this paper we reconcile the ideals of equal opportunities and absence of poverty from a perspective of inequality measurement. A particular advantage of our approach is its appeal to the measurement of unfair inequalities. While standard measures of equality of opportunity are criticized for understating the extent of unfair inequalities due to informational shortcomings, our approach yields strong upward corrections of measured unfair inequality by acknowledging that judgments on the fairness of an outcome distribution are informed by multiple normative principles. Furthermore, we sketch an optimal tax model in which we ascribe the ideals of opportunity equalization and poverty minimization to the objective function of the social planner. As in previous works on non-welfarist income taxation, we find that marginal tax rates are not bound to be zero at the bottom and at the top of the ability distribution. Furthermore, the framework allows for negative marginal tax rates at some points of the ability distribution.

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