

Economics 3710
Economic Analysis of Canadian Public Issues
Spring 2012

Tuesday, March 13, and Thursday, March 15, 2012

Readings:

Frenette, Marc, David A. Green, and Kevin Milligan. 2009. Taxes, Transfers, and Canadian Income Inequality," *Canadian Public Policy* 35, 389-411.

Richards, John. 2007. "Reducing Poverty: What has Worked, and What Should Come Next," C.D. Howe Institute Commentary No. 255.

Discussion Questions #9

1. Why is the distribution of income in Canada important? What are the pros and cons of a more *unequal* distribution of income?
2. On page 390 of Frenette, et al., it says that "our analysis take market income as exogenous – we do not attempt to model behavioural responses." What does this mean? Why is it important when it comes to interpreting the results of their study?
3. Explain how taxes and transfer programs can change the distribution of income. What are the major transfer programs in Canada?
4. What happened to the before-tax and after-tax distributions of income from the 1980s on? What, if any, policies were responsible for these changes?
5. Which policies have had the largest impact on changing the after-tax and after-transfers distribution of income since the 1980s? Did the largest changes occur at the federal or the provincial level?
6. Canada is a country which enjoys a great degree of intergenerational income mobility? What does this mean? Does this factor increase or decrease the importance of an equal distribution of income in your opinion?
7. What is the LICO? How is it used in Canada? Is this different than the measures used in other parts of the world? Is the LICO a relative or an absolute measure of poverty?
8. What matters more, relative poverty or absolute poverty? Why?
9. What has happened to the overall level of poverty in Canada in the past few years? What policies, if any, are responsible for this?
10. Paraphrase the expressions "tough love" and "soft love."
11. What are some of the externalities that might be created by forcing people who are deemed employable to work?
12. What is the poverty gap? What does it measure?
13. Why is working considered better than receiving government transfer payments?
14. What explains most of the decline in the poverty rates in Canada according to Richards? 15. What "pockets" of poverty still exist in Canada? Why do they exist?
15. What does Richards recommend doing to further reduce poverty in Canada? How do these compare to the rather blunt policy instruments that are normally used for poverty alleviation?