

2010 School Seminar Series

Waikato Management School
Te Raupapa



Growth, Inequality and Welfare: A Case-study on the New Zealand and Swedish Economic Reforms

Friday, 24 September 2010
1.10pm – 2.00pm
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Abstract:

Both New Zealand and Sweden had over many years a pervasive welfare system that ensured that an economic and social safety net was available to all who qualified by virtue of residency and/or citizenship. These "cradle-to-grave" welfare arrangements came gradually to become fiscally burdensome in both countries, and therefore subject to more and more vociferous criticism as being inefficient, and detrimental to the interests of many of those very recipients whose interests they were supposed to be protecting. As economic reforms gathered pace in both countries in recent times, the welfare arrangements, naturally enough, became the targets of some major changes and fiscal cutbacks. This paper examines, with the help of the concept of Lorenz dominance, the way the system was reformed in the two countries, and identifies the impact of the changes on people belonging to different income groups. It goes on to examine how economic reform in general has affected the economic performances of the two countries (the "efficiency" issue), and how the benefits of the reforms got shared out amongst their populations (the "equity" issue). The findings reflect some interesting contrasts in the outcomes of a very similar reform package used by the two countries on the overall level of well-being and its distribution in the two countries.

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