

reducing income inequality

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notes:

Why should inequality be reduced?

- Fairness → people can't control all factors
- Social stability → prevents unrest, builds trust
- Economic growth → more access to education/healthcare
- Reduce poverty → guarantees basic needs
- Better health & well-being → less crime, longer lives

What can the government do before people enter the labour market?

- Education: compulsory → equal opportunities, less generational inequality
- Integration: language & participation programmes for newcomers
- Legislation: anti-discrimination, equal pay laws

What can the government do after people enter the labour market?

- Taxes: progressive: rich pay more → gap shrinks
- Social security: benefits as safety net (unemployment, child benefit, etc.)
- Quasi-public goods: subsidised education & public transport → more access

How do taxes help reduce inequality?

- Progressive system → higher incomes taxed more
- Revenue funds social programs (education, housing, subsidies)

What is the Matthew effect?

- "To those who have, more will be given"
- Wealthier groups benefit most from social policies

How does social security reduce inequality?	<ul style="list-style-type: none"> • Replacement income (e.g. unemployment benefit) • Supplementary income (e.g. child benefit) • Financed by taxes & contributions • Safety net prevents poverty
How do quasi-public goods reduce inequality?	<ul style="list-style-type: none"> • Education & transport subsidies → equal access to jobs & schools • Removes structural barriers to social mobility
Why might redistribution not be fully effective?	<ul style="list-style-type: none"> • Tax avoidance/evasion: rich hide or move money • Matthew effect: rich benefit more from social measures • Privatisation: higher prices → poor can't afford services
What are the consequences of privatisation?	<ul style="list-style-type: none"> • Higher prices, less accessibility • Government loses control • Inequality increases

summary:

Governments try to make society more fair by reducing inequality with taxes, social security, and education.

They help people get equal chances before and after the labour market.

But tax evasion, unfair benefits, and privatisation can make these efforts less effective, even though they still play an important role in creating a more equal and stable society.