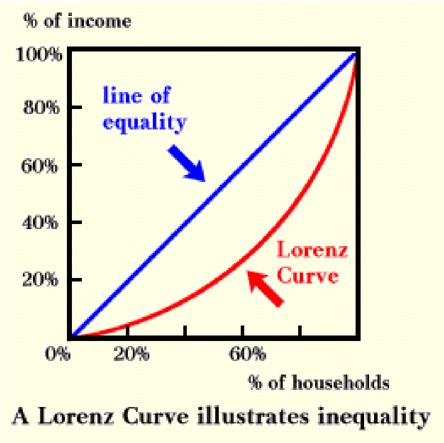
Fiscal Policy

Distribution of income to show inequality due to taxation



Lorenz curve

Lorenz curve: Actual distribution of income
More inequality -> curve global min pulled downwards

Gini coeff: $\frac{\int(line\ of\ perfect\ equality - Lorenz\ curve)}{\int(line\ of\ perfect\ equality)}$

$0 \leq Gini\ coeff \leq 1$
where 0 = perfect equality, 1 = perfect inequality

Indirect tax benefits

- Everyone pays it even those who don’t pay income tax
- People unaware of how much tax is paid (‘stealth taxes’)

Demand-side vs supple-side policies

Demand-side	**Supply-side**
Current gov’t spending (*public services*) - Public sector wages	Capital spending (*create capital*) - Infrastructure
Transfer payments - Benefits	