REVIEW


*Horizontal Equity, Uncertainty, and Economic Well-Being* is an outcome of the fiftieth Conference on Research in Income and Wealth, held in 1983 in Baltimore, Maryland. This edited volume consists of fifteen papers and commentaries written by distinguished economists and other social scientists in an attempt to measure the multi-faceted concept of “economic well-being.” Two major objectives are: (1) to examine some recent measurement techniques that gauge the extent of economic well-being among various population subgroups, and (2) to investigate the potential implications of economic well-being indicators on public policies. In order to accomplish these aims, individual- and societal-level issues are explored in relation to economic well-being including the federal tax system, environmental hazards, consequences associated with retirement, child support payments, government disability programs, unplanned changes in family composition, transfers of family wealth, and health/medical risks. Below, findings from several studies in this volume are presented, which illustrate the breadth of research on horizontal equity, economic uncertainty, and economic well-being. The review concludes with a general assessment of this collection of articles.

Horizontal equity has traditionally been defined as “the equal treatment of equals,” or “the equal treatment of individuals within a defined group.” More specifically, the horizontal equity principle states that persons who earn equal incomes and have equal savings should pay equal taxes and, furthermore, that public assistance benefits should be distributed evenly to equally needy families. Therefore, the tax-transfer system is mismatched, or horizontally inequitable, when individuals do

not pay their “fair share” of taxes because of special tax subsidies or when public benefits are inequitably and unfairly dispersed.

Plotnick extensively examines this issue with five different measures, suggesting that a horizontally equitable distribution is present only when the rank order, or the relative position of an individuals' before and after tax income, is maintained. The optimal income distribution, therefore, is one where persons with higher initial incomes also have larger incomes after taxes than those earning less. Berliant and Strauss, conversely, argue that changes in the rank order of the units do not necessarily signify unequal treatment of individuals in the tax system and, in fact, point out that the no-rank-reversal criteria for a horizontally equitable distribution to exist is false. They state that even though rank reversals in income may occur, tax rates and public benefits could still be distributed equally among individuals within each economic group. Despite the differences in these two conceptions, findings from both studies indicate that persons within similar economic positions experienced a substantial amount of horizontal inequity. The authors also point out the significance of these measures on public policies, such as the distribution of assistance monies, tax and welfare reforms, subsidized public housing, and the increased social tensions that could result when equals are treated unequally.

The volume also includes several articles examining the economic uncertainties associated with inflation, high medical costs, and retirement. Burkhauser, Butler, and Wilkinson, for example, contribute an important article dealing with the economic uncertainty faced by retirement. Specifically, income levels were compared between retired males and employed men near retirement in order to determine the long-term consequences of retirement on economic well-being. Data from the Retirement History Survey (RHS) revealed that a comprehensive income measure, which accounted for wage earnings, privately held assets, government transfers, and accumulated wealth generated over the life cycle, was a better predictor of economic well-being than a realized income indicator, which did not include a measure of accumulated wealth. The findings, therefore, suggest that a realized income measure may underestimate potential consumptive levels and overstate the drop in economic well-being of retired persons.

As another illustration of this volume’s central focus on economic