HUMAN CAPITAL AND THE SIZE DISTRIBUTION OF INCOME IN DUTCH CITIES

BY

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1. INTRODUCTION

Of the three most commonly posited goals for economic policy – growth, stability, and equality – far more serious research has been concerned with the analysis of growth and stability than of equality. Several reasons account for the fact that equality is one of the less developed areas of inquiry by economists.

First, the whole concept of an income distribution is ambiguous and elusive from the standpoints of both comprehension and analysis. It is far easier to understand the concepts of growth as a familiar process of change and stability as fluctuations about a trend. Moreover, systematic analysis of growth and stability, whether quantitative or qualitative, tends to follow a more structured analytical tradition. Comprehension of a distribution is more difficult. Lorenz curves have clarified our understanding of the extent of inequality and permit comparisons of differences in inequality among groups, areas, or points in time. But, since they are geometrical representations, Lorenz curves are analytically awkward, particularly when causation is sought. The problem is simplified, though generality of the entire distribution is sacrificed, when attention is focused on segments of the distribution, as in analyses of the poverty population or of the rich and ‘super-rich’.

Second, it is more difficult to arrive at a consensus on an optimal
distribution of income than on an optimal or maximum rate of
growth or stability. Before we can analyze the effects of a 'good'
distribution of income, a good distribution must be defined. Setting
targets for an equitable distribution involves highly ethical issues
of which economists tend to be wary.

Third, empirical research on income distributions has been
frustrated by the unavailability of reliable quantitative information
and computers sufficiently large and fast for its processing. Fortu-
nately for the empiricist, improvements in statistical reporting
and in computer hardware are lessening the importance of this
deterrence.

Given these problems, the paucity of theoretical and empirical
research on the variations of the income distribution over time,
areas, and groups is hardly surprising.

The theoretical work of Mincer (27, 28), Becker (4, 5), Chiswick
(5, 13, 14), and others, together with the empirical research of
Kuznets (21, 22, 23), Al-Samarrie and Miller (3), Conlisk (15), and
Somermeijer (31) and Klaassen, et al. (38) represent solid inquiry
with important insights. Yet the bulk of this empirical work has
been based on national statistics. As exceptions, Somermeijer has
attempted to explain variations in income inequality among regions
in the Netherlands, and Al-Samarrie, Miller, and Conlisk have
attempted to explain differences in income distributions across
states of the U.S. Cities as observational units are virtually un-
touched in the literature. Only the limited work of B. B. Murray (29)
is available. Her sample was limited to the largest U.S. metropolitan
areas and none of her analysis was subjected to statistical estimation
or significance testing. The lack of attention to cities is curious,
since in cities the differences between rich and poor are most obvious
and the effects of redistribbutional policies may be most visible.

The research reported in this paper, with an emphasis on the
human capital approach, attempts to fill a gap in our knowledge by
explaining variations in income distributions over Dutch cities at
and between two points in time. Part I presents a theory for the
explanation of variations in urban income distributions, empirical
results are described in Part II, and tentative conclusions are
drawn in Part III.

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2 Numbers in brackets refer to publications in 'References' listed at the end of the
article.