

Should income inequality be praised? Multiple public goods provision, income distribution and social welfare* (preliminary version)

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Abstract

We investigate how income inequality affects social welfare in the model of voluntary contributions to *multiple* pure public goods. Itaya et al. (1997) have shown that maximization of social welfare precludes income equality in the model of a *single* pure public good. In contrast, we show that the result of Itaya et al. may not be valid in the setting of multiple pure public goods, that is, an income equalizing redistribution policy may raise social welfare. We also show that if altruistic preferences is strong enough, inequality-inducing redistribution policy is neutralized.

JEL classification: D31, D63, D64, H23, H31

Keywords: Public goods, Inequality, Social welfare, Voluntary provision, Income distribution, Inequality

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