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**Economic Development and Income Inequality in Macau**

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## Abstract

Accompanying with the rapid development of economy in Macau, the problem of income inequality becomes more serious. Hence, it is necessary to measure the degree of income inequality in order to give hints to government for implementing related policies for the purpose of mitigating this socioeconomic problem. In this paper, Gini coefficient is the measurement of income inequality and we can obtain this estimation consistently and precisely by finding the best fit income distribution model first. Four income distribution models will be introduced and applied for Macau, and they are the lognormal distribution, log-logistic model, Singh-Maddala model and the Dagum model. After the calculation and computation, we find that the results of Singh-Maddala model fit the best for Macau's income distribution, and we have used these results to compute the Gini coefficient. Moreover, we also do the factors analysis of income inequality for Macau though OLS regression and find that the relationship between economic growth and income inequality follows the Kuznets inverted U-shaped hypothesis with statistically significant, and their relationship is bilateral causality. In addition, the unemployment rate and the female employment respectively have significant positive and negative relationship with income inequality. Furthermore, another important factor causing income inequality is economic structural change that it has a significant positive effect. Finally, some of the suggestions of policies have been given to the government for the purpose of improving income inequality in Macau.

Keywords: Income Distribution, Income Inequality, Lognormal Distribution, Log-logistic Model, Singh-Maddala Model, The Dugam Model, Gini Coefficient.

## Declaration

*I, SENG OI IAN, hereby state that this thesis is my own and original work, apart from the sections where origins are clearly stated. All the materials in this thesis have never been used (partially or wholly) in fulfilling the requirements for any degree or qualification in this or other universities prior to this submission.*

*Student's Signature:* \_\_\_\_\_

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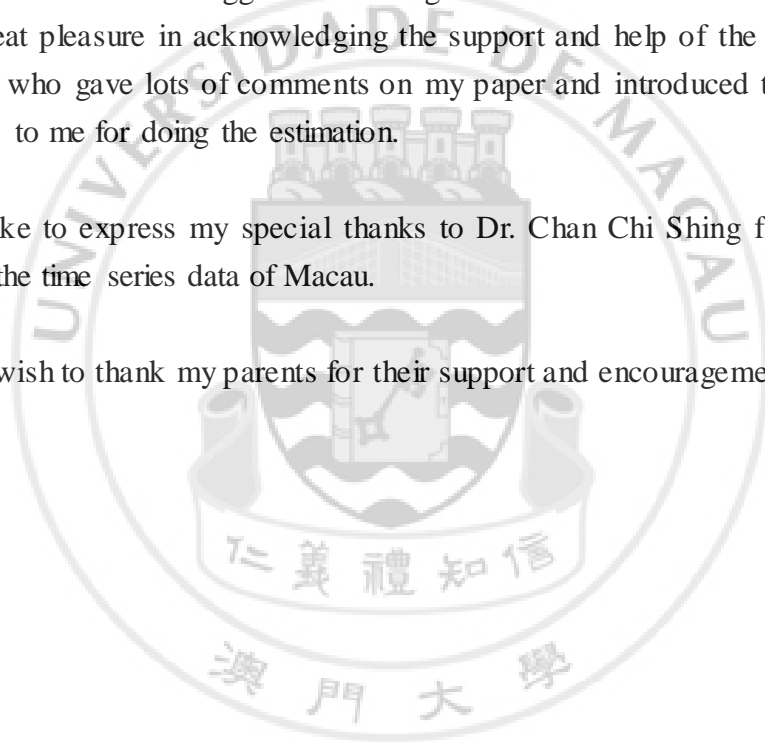
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## Contents

Chapter 1 Introduction .....	1
Chapter 2 Economic Background of Macau .....	4
Chapter 3 Measurement of Income Inequality .....	17
3.1 Income Distribution .....	17
3.1.1 Basic Concept of Income Distribution.....	17
3.1.2 Asymmetry in Income Distribution and The Income Density Function .....	18
3.1.3 Data .....	18
3.1.4 Lognormal Distribution .....	22
3.1.5 The Log-logistic Model .....	32
3.1.6 Singh-Maddala Model.....	37
3.1.7 The Dagum Model (Four-Parameter Model) .....	40
3.1.8 Determination of the Best Fit Model and the Summary Measures....	44
3.2 Measures of Income Inequality .....	50
3.2.1 Differences between Estimated Mean and Estimated Median.....	52
3.2.2 The Lorenz Curve and Gini Coefficient .....	53
3.2.3 The Theil Index.....	60
Chapter 4 Factors of Income Inequality .....	66
4.1 Factor Analysis.....	66
4.1.1 Economic Growth .....	66
4.1.2 Employment Factors .....	67
4.1.3 Dependency Ratio .....	67
4.1.4 Education .....	68
4.1.5 CPI Growth Rate .....	68
4.1.6 Economic Structural Change .....	69
4.1.7 Globalization and Trade Openness .....	70
4.1.8 Poverty .....	70
4.1.9 Secondary Distribution .....	71
4.2 Ordinary Least Squares Regression .....	73
Chapter 5 Conclusion and Suggestion .....	82
5.1 Conclusion .....	82
5.2 Policies Suggestions.....	83
References .....	86