"Country Inequality Rankings and Conversion Schemes"

Comments on the revised version

The paper investigates the variations in the rankings due to household equivalent income conversion schemes of the countries based on Mean Logarithmic Deviation, Theil's Index and Coefficient of Variation and the within and between group inequality components of these indices using LIS data and finds that the rankings based on the two different equivalent schemes do change for some cases.

A better result could have been obtained by taking equivalent scales on the basis of age-sex combinations of the households. It is however understood that the authors tried to establish their hypothesis on the basis of the simplest assumption of one parameter function of the household size for the equivalent scale.

The main discussion centres on the point of taking equivalent income deflating it by a one parameter function of the household size.

Another objection which has been raised that the deflating factor of income to arrive at equivalent income is independent is independent of prices and the income level. However, then the case becomes too complicated to deal with. Moreover, in the absence of more information about the effect of prices and income on the patterns of expenditures for varying household size (and household composition, to be more precise) one has no alternative other than taking this simplest approach.

The need based weights imply that the household has been taken as the unit of analysis, whereas the social welfare function is an aggregation of the individual members, which conforms to the ethical view that each member is considered equal.

The paper is smoothly written and insightful.