



# Refuting the Fallacy: Redistributing Income Would End Poverty

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# What is an Economic Fallacy?

An economic statement believed to be true but is factually,  
empirically or theoretically incorrect

# What is the Claim?

- Direct redistribution of income would end poverty in Kenya
- This assumes all Kenyans would receive the same income

# The Measurement of Poverty

- Food Poverty
- Overall Poverty
- Extreme Poverty


# Overall Poverty

- Overall Poverty Line =
  - Cost of a food basket offering the minimum nutritional requirement**  
**(Kcal 2550 per adult per day) +**  
**minimum allowance for basic non-food needs (shelter, clothing, personal care)**
- Rural overall poor = monthly expenditure < Ksh. 3,252
- Peri-urban poor\*
- Core-urban overall poor = monthly expenditure < Ksh. 5,995

## Table 1: Kenya's Poor Population

	<u>Overall Poverty Headcount Rate (%)</u>	<u>Overall Poor People Population</u>
<b>National</b>	<b>36.1</b>	<b>16,401,000</b>
<b>Rural Areas</b>	<b>40.1</b>	<b>11,687,000</b>
<b>Peri-Urban Areas</b>	<b>27.5</b>	<b>920,000</b>
<b>Core-Urban Areas</b>	<b>29.4</b>	<b>3,795,000</b>

Source: Basic Report on Well Being in Kenya (KIHBS 2015/16)



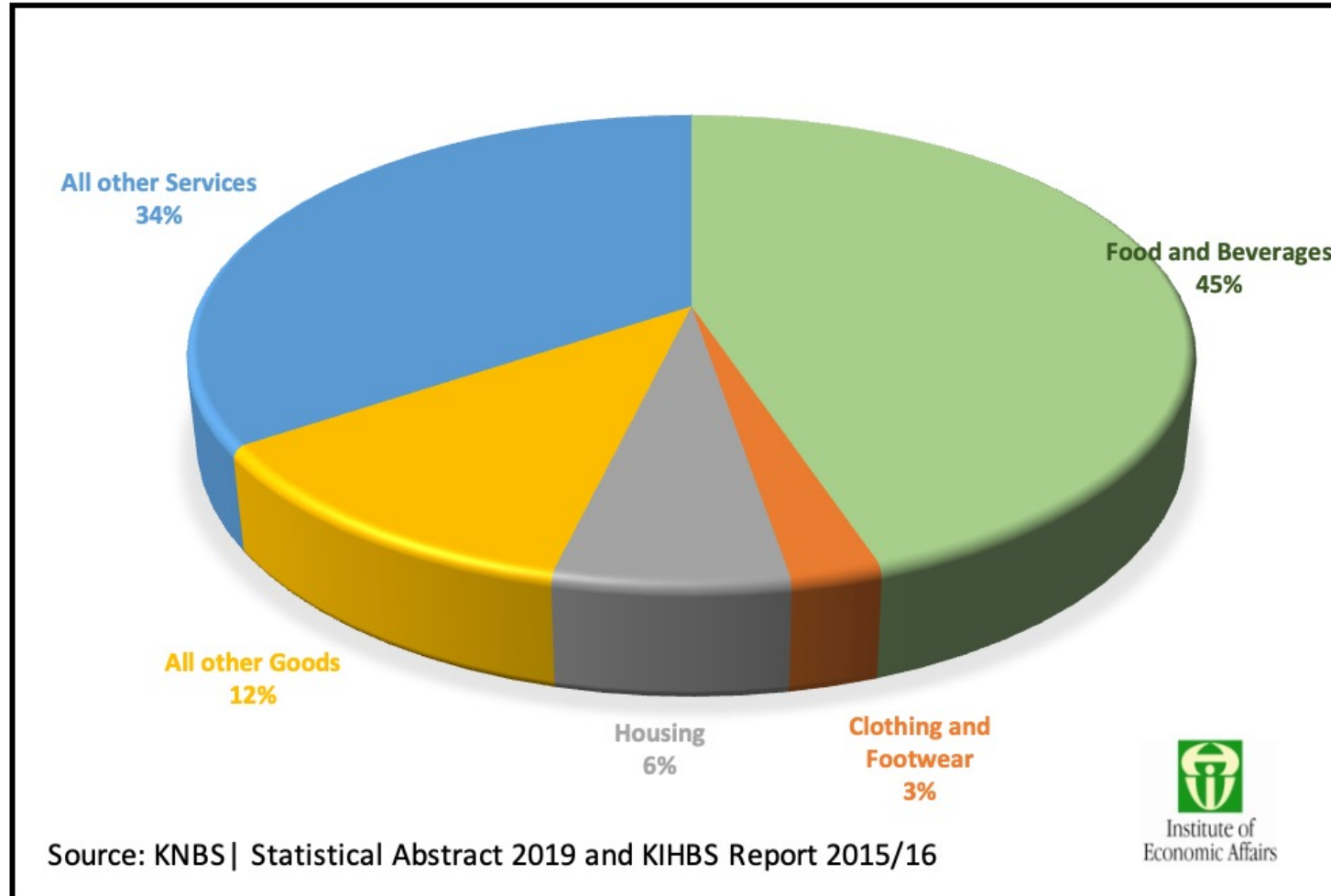
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**Table 2: Direct Income Redistribution per Capita**

<b>Total Gross National Disposable Income (Ksh. T)</b>	<b>10.083</b>
<b>Population</b>	<b>47,564,296</b>
<b>Annual Income per Capita (Ksh)</b>	<b>211,985</b>
<b>Monthly Income per Capita (Ksh)</b>	<b>17,665</b>
<b>Daily Income per Capita (Ksh)</b>	<b>589</b>

Source: KNBS Economic Survey 2020

**Figure 1: Distribution of Household Expenditure**





**Table 3: Monthly Expenditure after Direct Redistribution of Income**

	<u>Share of Total Expenditure (%)</u>	<u>Ksh.</u>
Income per Capita	100	<b>17,665</b>
Expenditure:		
Food and Beverage	44.8	<b>7,914</b>
Clothing and Footwear	2.5	<b>442</b>
Housing	6.4	<b>1,131</b>
All other Goods	34.4	<b>6,077</b>
All other Services	11.8	<b>2,084</b>
Source: Presenters' Own Computation		

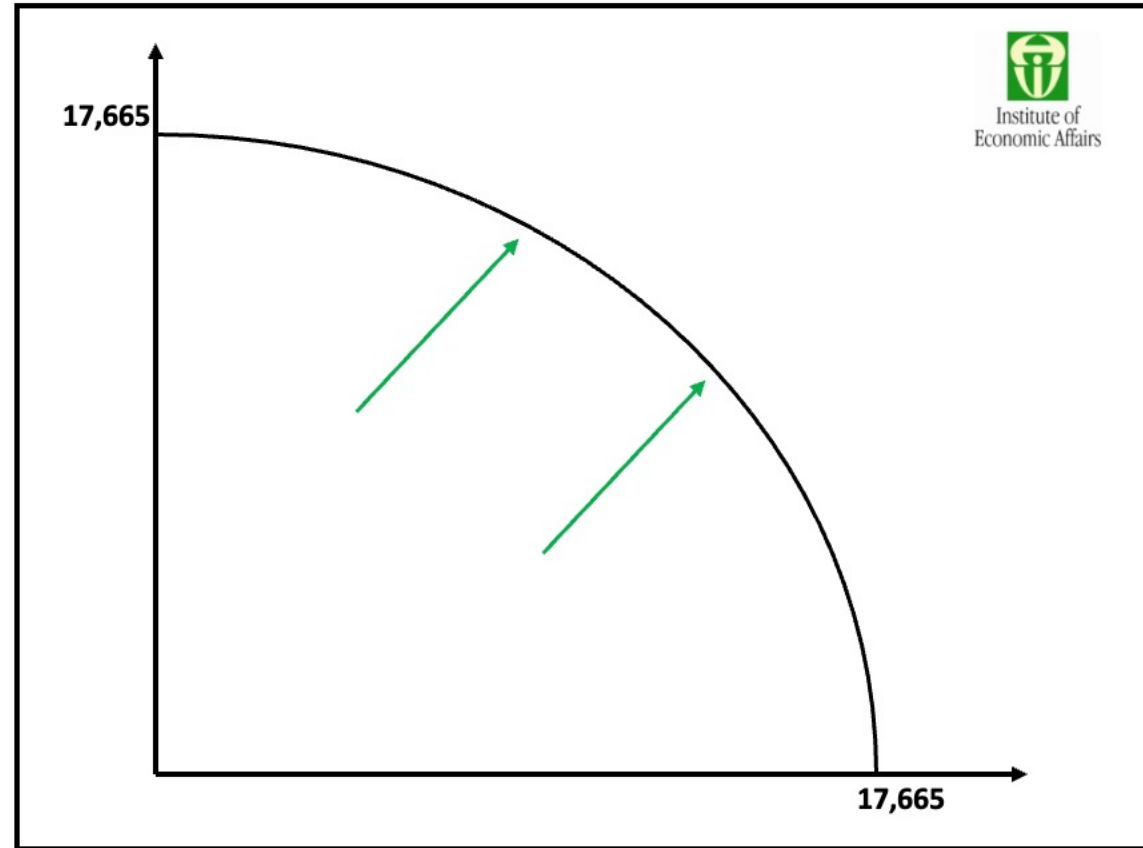


# Conclusions

- Might transcend food poverty but not overall poverty
- Direct redistribution of income = Pareto inefficiency
- Create perverse incentives
- Kenya's income level is too low to facilitate direct income redistribution

# Conclusions

Figure 2: Direct Redistribution Production Possibility Frontier



**Thank You**

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