Abstract

The Pigou-Dalton principle applies to a single transfer between two individuals in the income distribution. This articles generalizes the principle for a composite transfer from an arbitrary number of individuals to a single one. Changes in inequality are completely described by the income of a pivotal receiver: if the transfer is given to an individual poorer (richer) than the pivot, the inequality decreases (increases). The equivalence with the single principle of transfer is proved and the pivotal individual is characterized for a family of inequality measures. Finally, we argue that the principle of composite transfers has a number of relevant applications for public policy.