

Fiscal Redistribution in Latin America

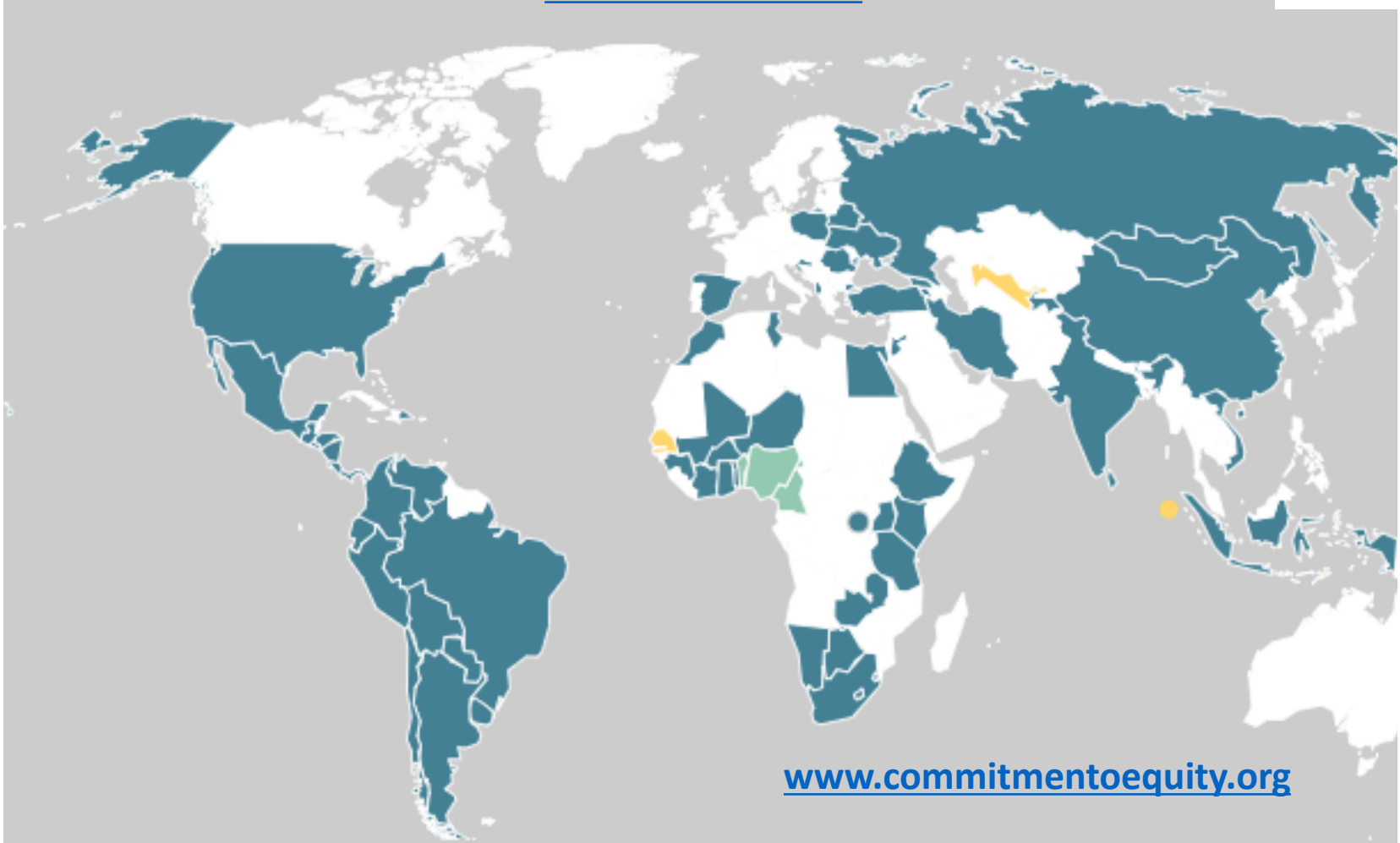
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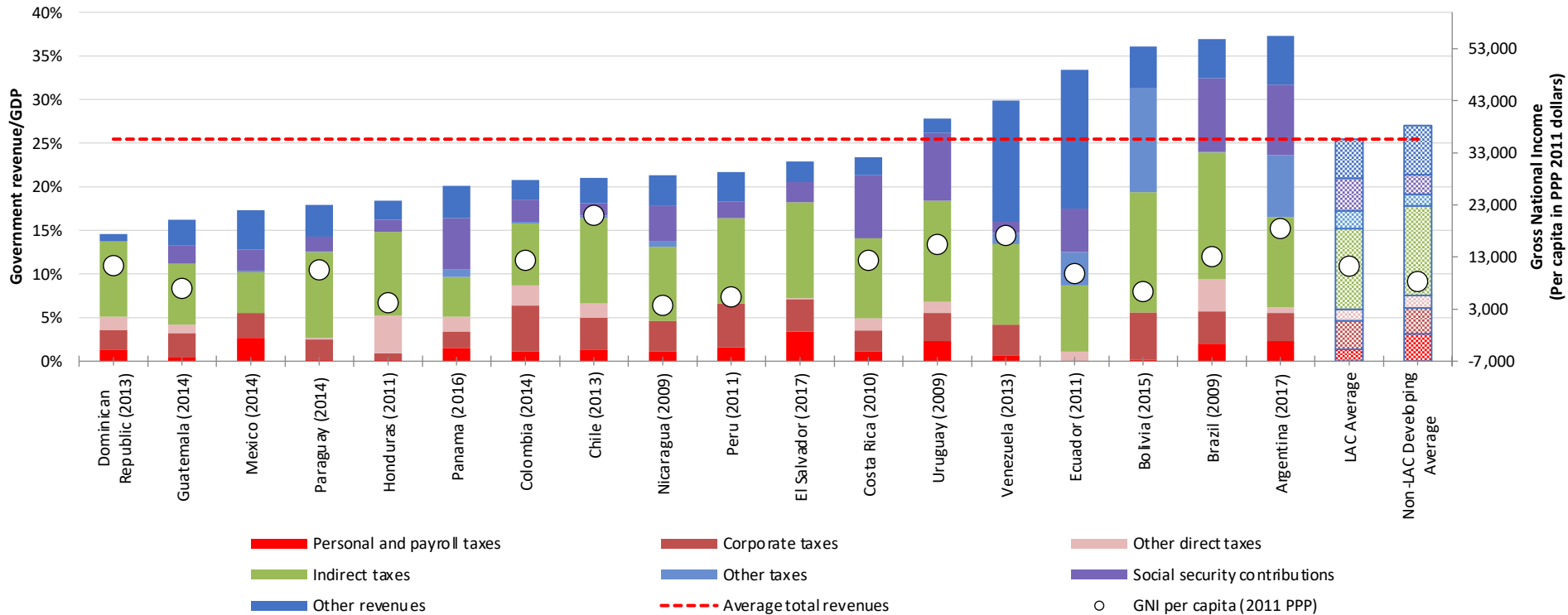
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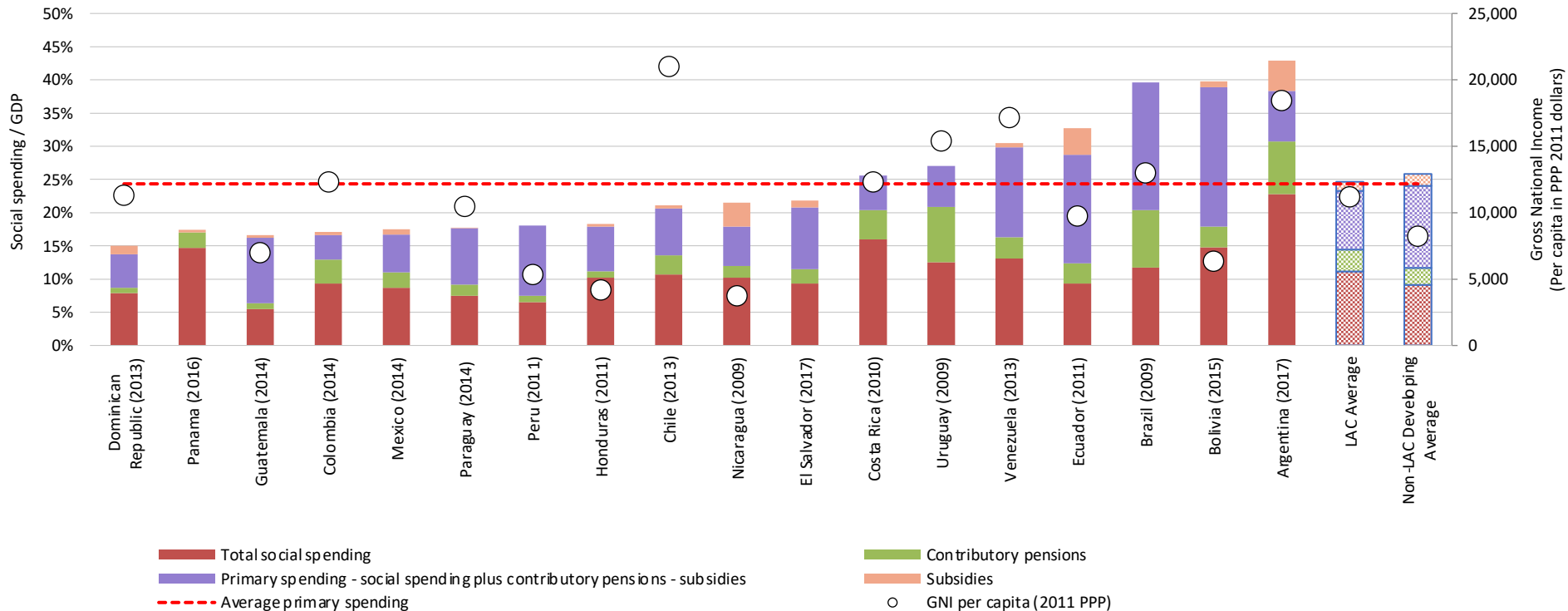
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Composition of total government revenues as a share of GDP (decade 2010)



Notes:
 - Countries ranked by total government revenue (collected in the year in parenthesis) as a percentage of GDP
 - **Source:** see bibliographical reference by country at the end of this presentation.

Primary and social spending and subsidies as a share of GDP (decade 2010)

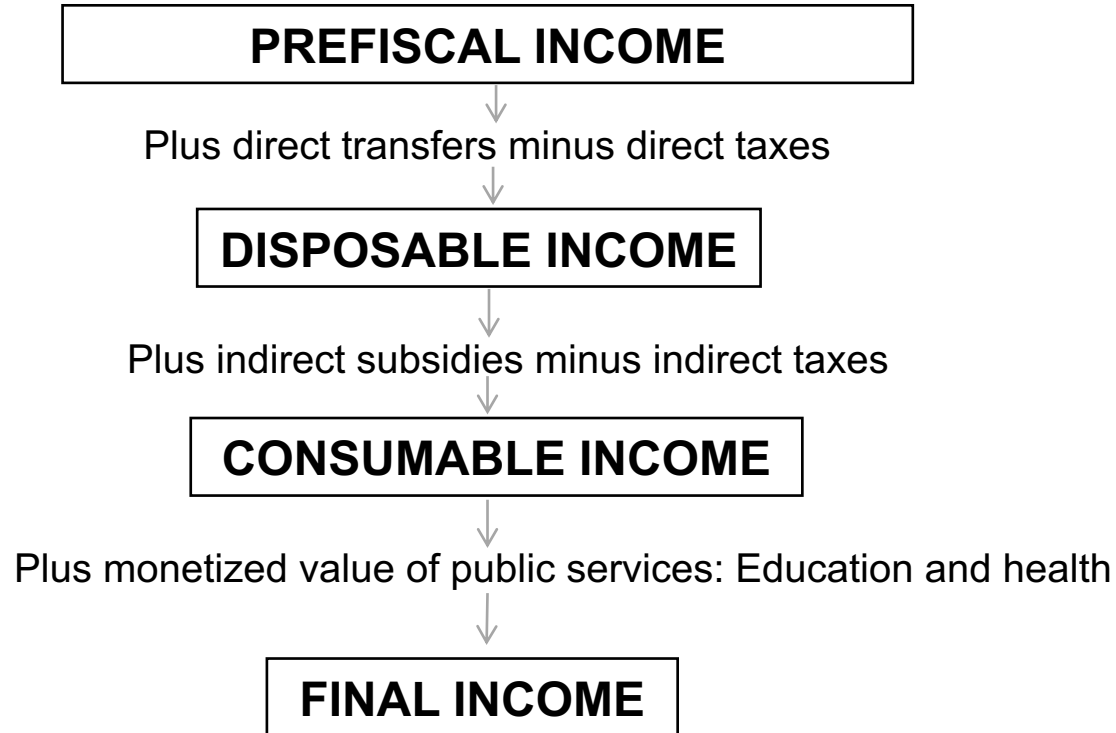


Notes:

- Countries ranked by primary spending (executed in the year in parenthesis) as a percentage of GDP
- **Source:** see bibliographical reference by country at the end of this presentation.

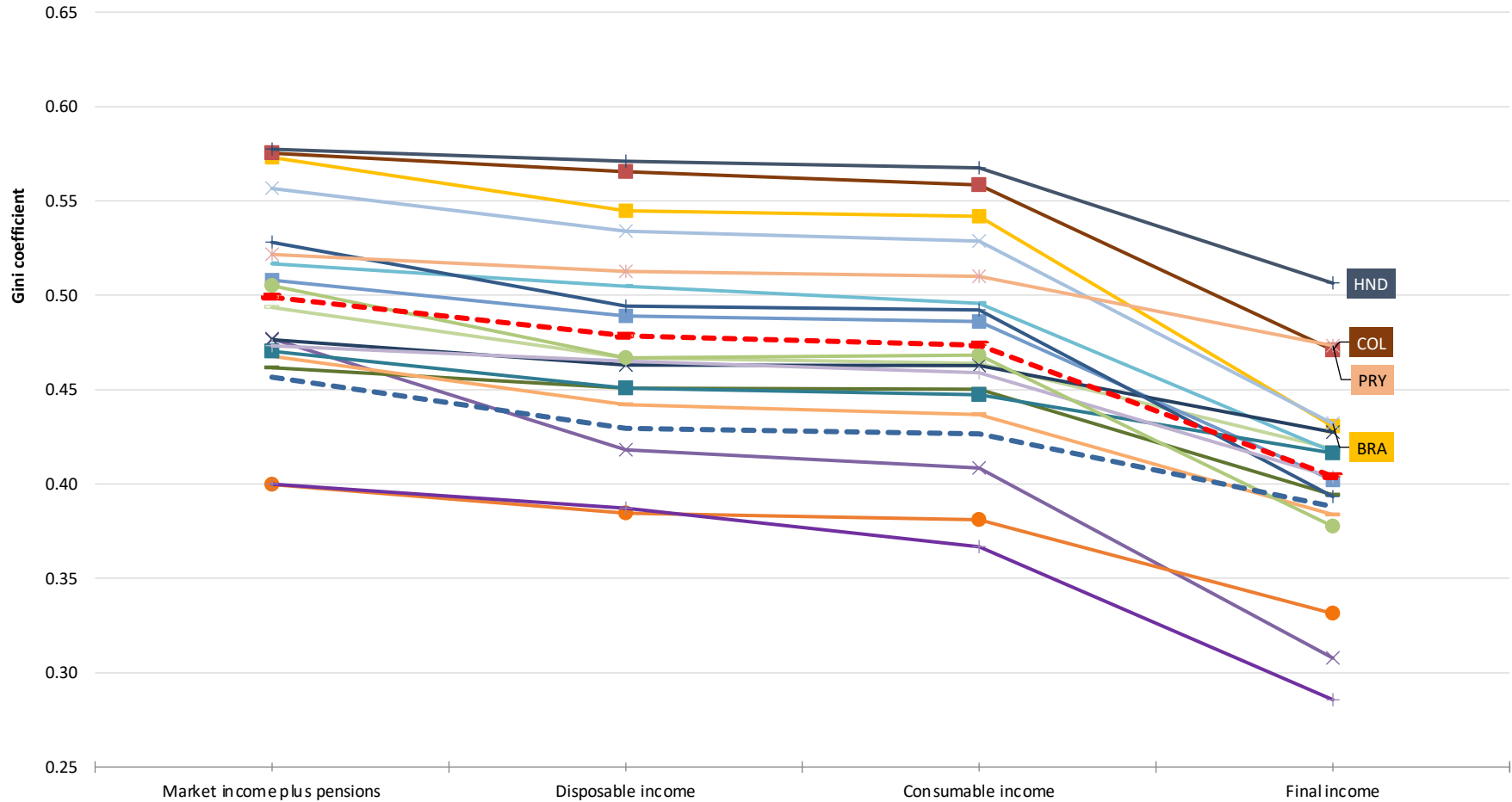
Fiscal Policy and Inequality

Core Income Concepts



Source: Lustig (2018)

Fiscal policy and inequality (pensions as deferred income)



Fiscal Policy and Inequality

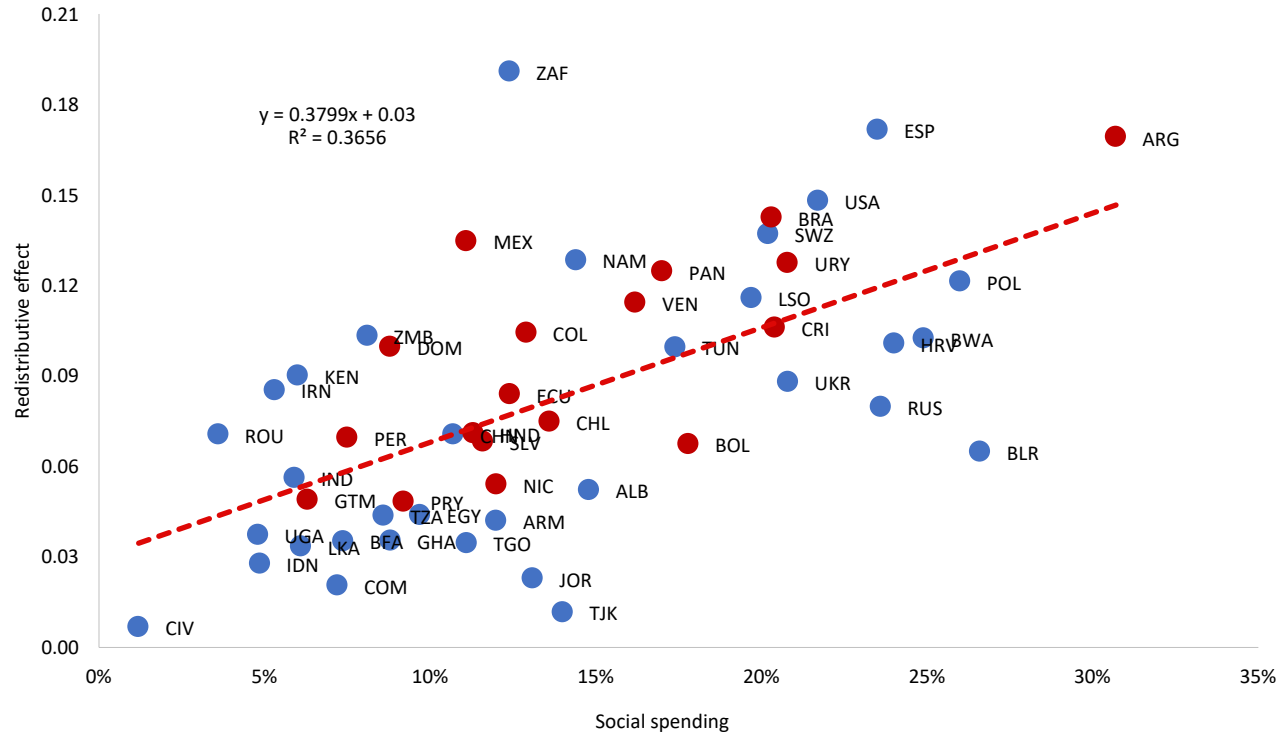
In sum...

- ❖ Fiscal system is equalizing in the 18 LAC countries
 - Direct taxes are always equalizing
 - Direct transfers are always equalizing
 - Indirect taxes are equalizing in 13 of the 18 countries
 - Indirect subsidies are equalizing in 13 of the 18 countries
 - Primary and secondary education spending is equalizing
 - Tertiary education spending is equalizing in 8 of the 18 countries
 - Health spending is always equalizing

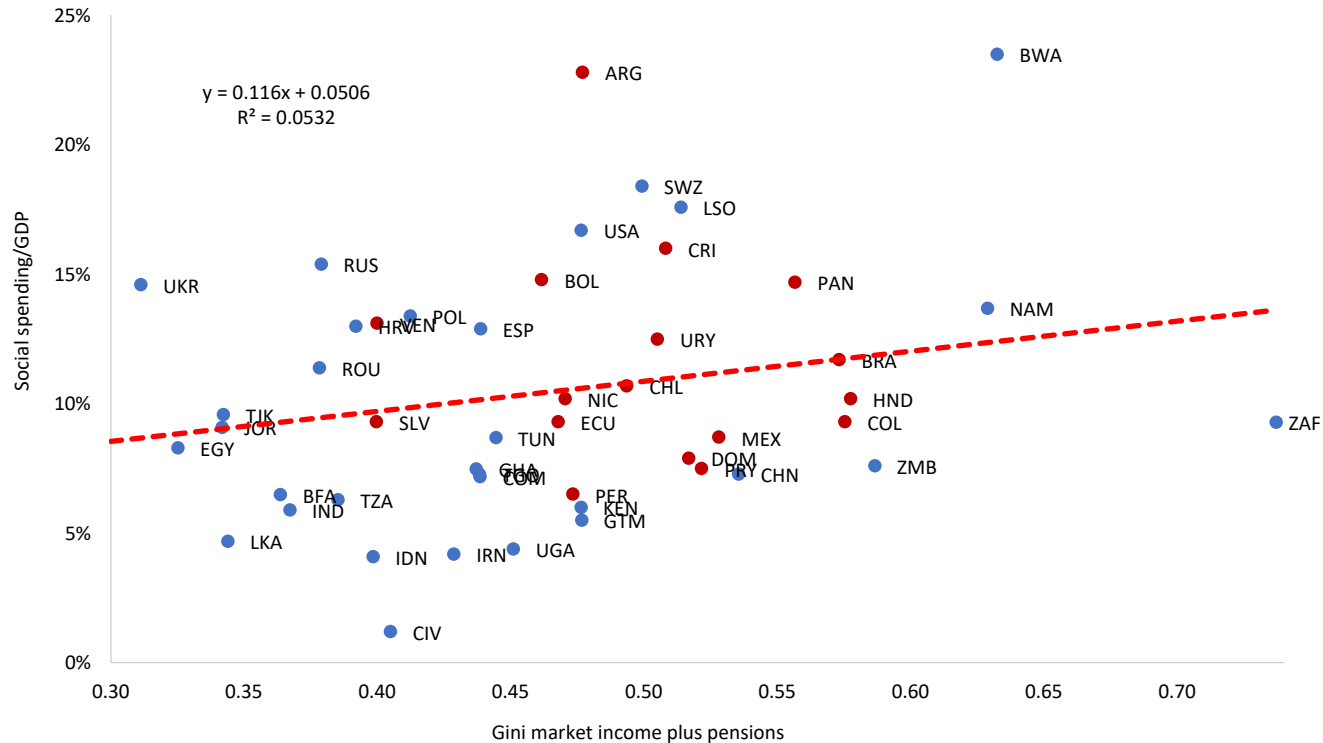
Fiscal Policy and Inequality

Size Matters: Higher Social Spending larger Redistributive Effect (PDI)

Redistributive effect = Gini of market income plus pensions minus Gini final income (Gini points)

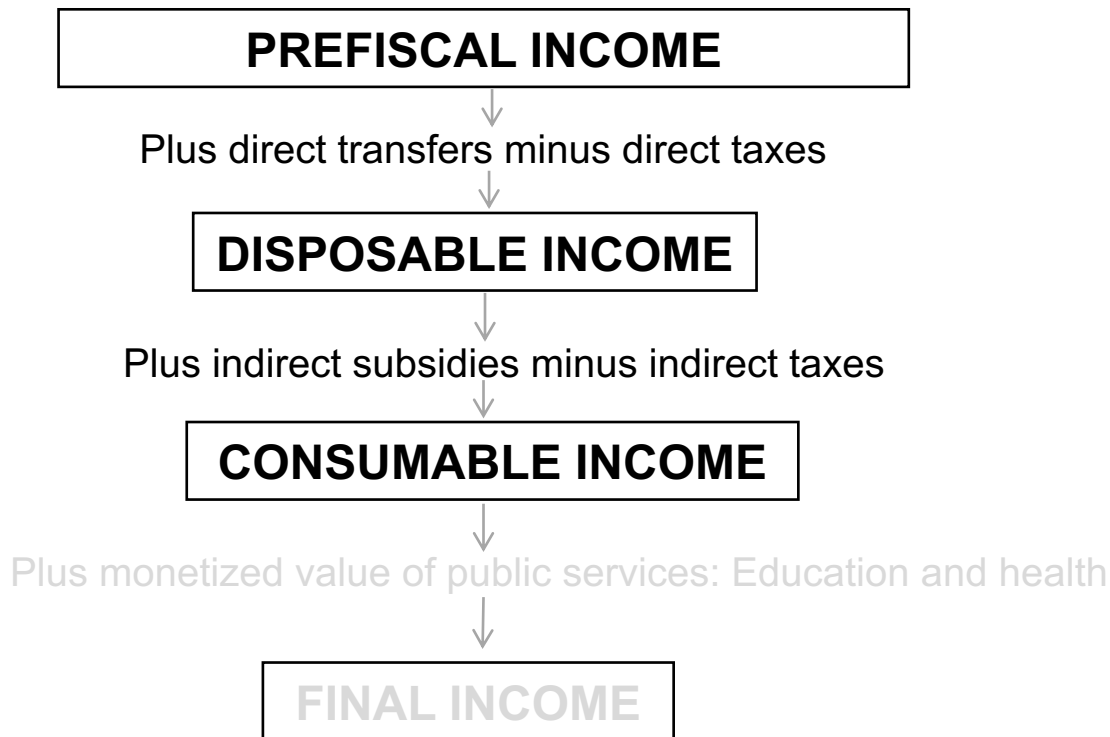


Robin Hood Paradox? No. More unequal, more social spending (PDI)



Fiscal Policy and Poverty

Core Income Concepts

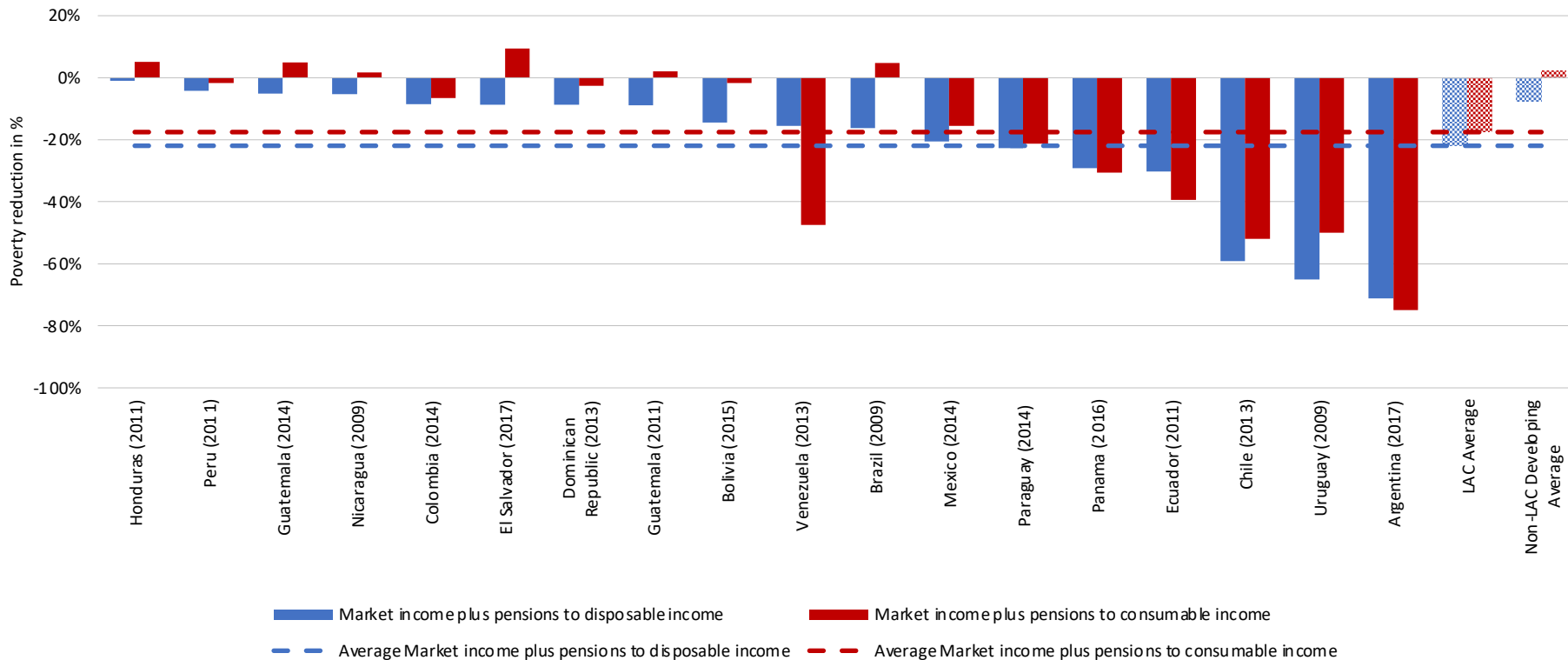


Source: Lustig (2018)

Fiscal Policy and Poverty (PDI)

Change in headcount ratio in %

Poverty line \$3.2 dollars 2011 PPP/day



Notes:

- Information ranked by poverty reduction in %.

Source: see bibliographical reference by country at the end of this presentation.

In conclusion

Fiscal systems are always equalizing but can often reduce the purchasing power of the poor

- ❖ Warning: unintended consequence of the domestic resource mobilization agenda can be making the poor worse off
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Spending on education and health is often pro-poor and almost universally equalizing

- ❖ Warning: is this favorable result because middle-classes and the rich are opting out?

Thank you!

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