

Redistribution and Poverty Reduction: Do Political Regimes Matter?

Nora Lustig

Samuel Z. Stone Professor and Director of CEQ Institute
Tulane University
Nonresident Senior Fellow CGD, IAD, WIDER-UNU

LACEA – Presidents’ Panel on
Populism

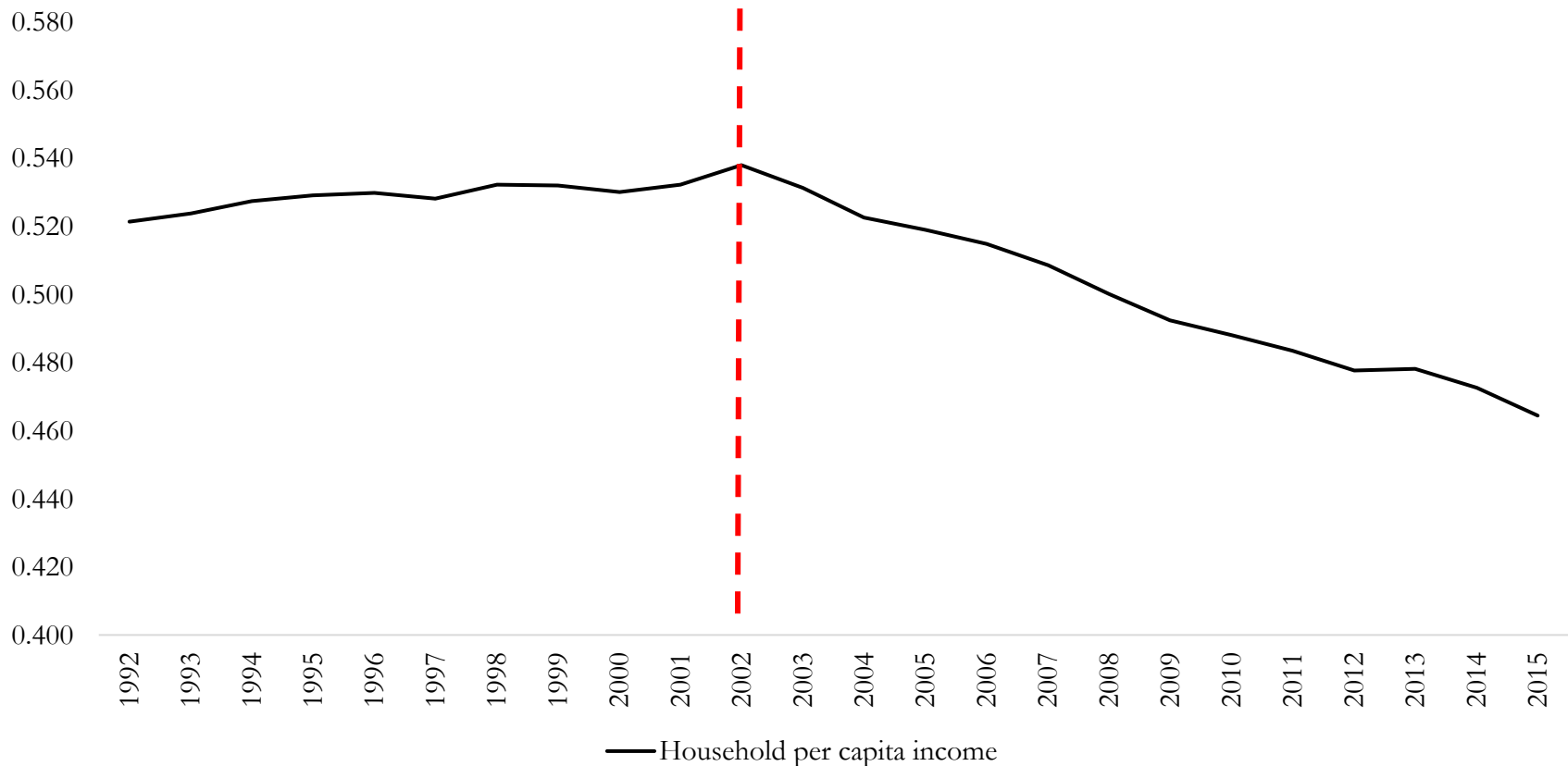
Buenos Aires, Argentina

November 10, 2017

- Inequality and poverty declined throughout the region since the turn of the millennium
- Reduction took place under very different types of political regimes
 - Populist or Radical Left
 - Social Democratic Left
 - Center-Right
- Does type of political regime matter?
 - Extent of inequality and poverty reduction
 - Extent of fiscal redistribution
 - Fiscal sustainability

REDUCTION IN INEQUALITY LATAM: 1992-2015

Unweighted averages of the Gini coefficient, Latin America (18 countries)



Source: Lustig (2017) "Social Agenda: Are Recent Gains at Risk?" Sol Linowitz Forum, Washington D.C., June 22-24.

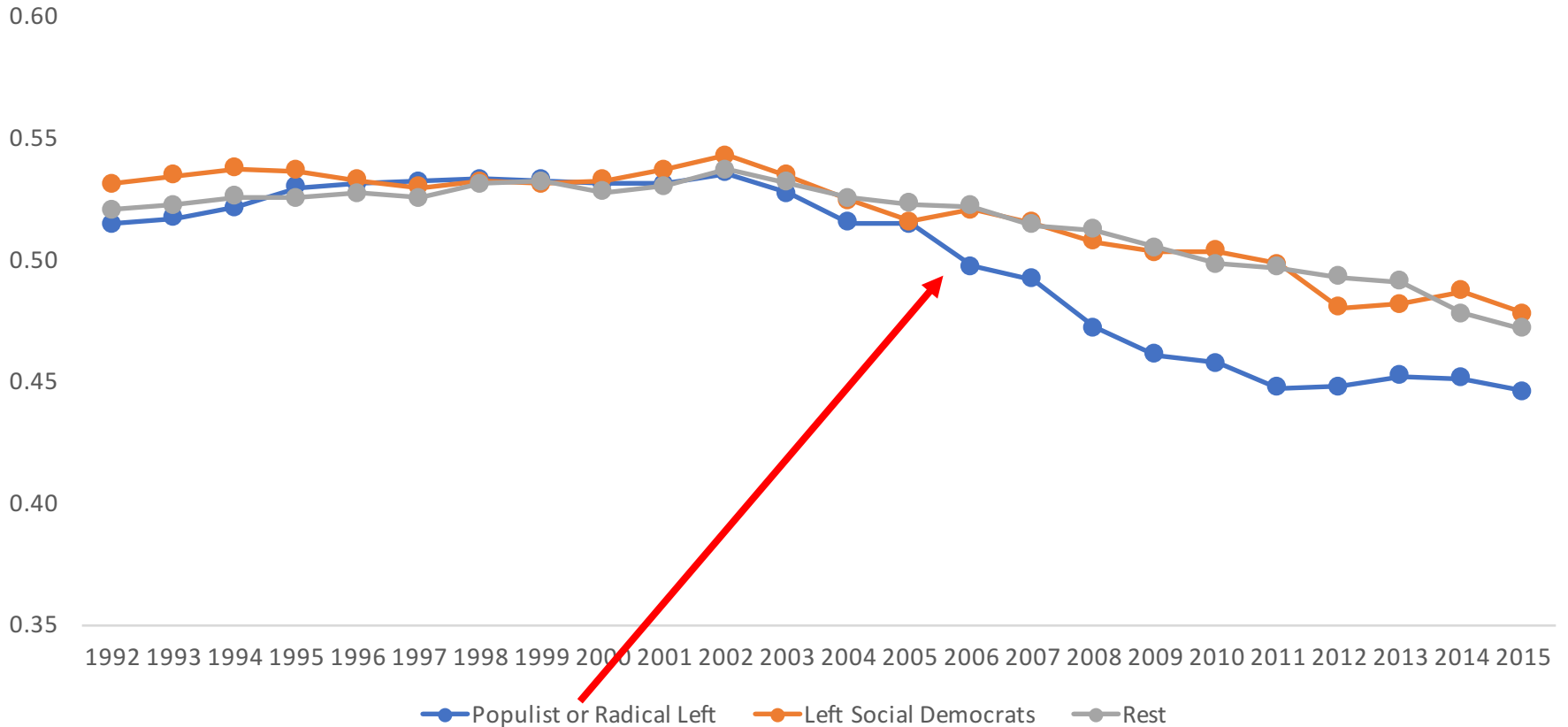
Table 1: New Left Political Regimes in Latin America

**Populist or
Radical Left in
Red Quadrants**

Country	Leader	Took Office	Effective year*	Classification ^{1/}
Argentina	The Kirchners	May-03	2004	Left Populist
Bolivia	Evo Morales	Jan-06	2007	Left Populist
Brazil	Lula da Silva	Jan-03	2004	Social Democratic
Chile	Ricardo Lagos	Mar-00	2001	Social Democratic
Ecuador	Rafael Correa	Jan-07	2008	Left Populist
Nicaragua	Daniel Ortega	Jan-07	2008	Left Populist
Uruguay	Tabaré Vázquez	Mar-05	2006	Social Democratic
Venezuela	Hugo Chavez	Feb-99	2000	Left Populist

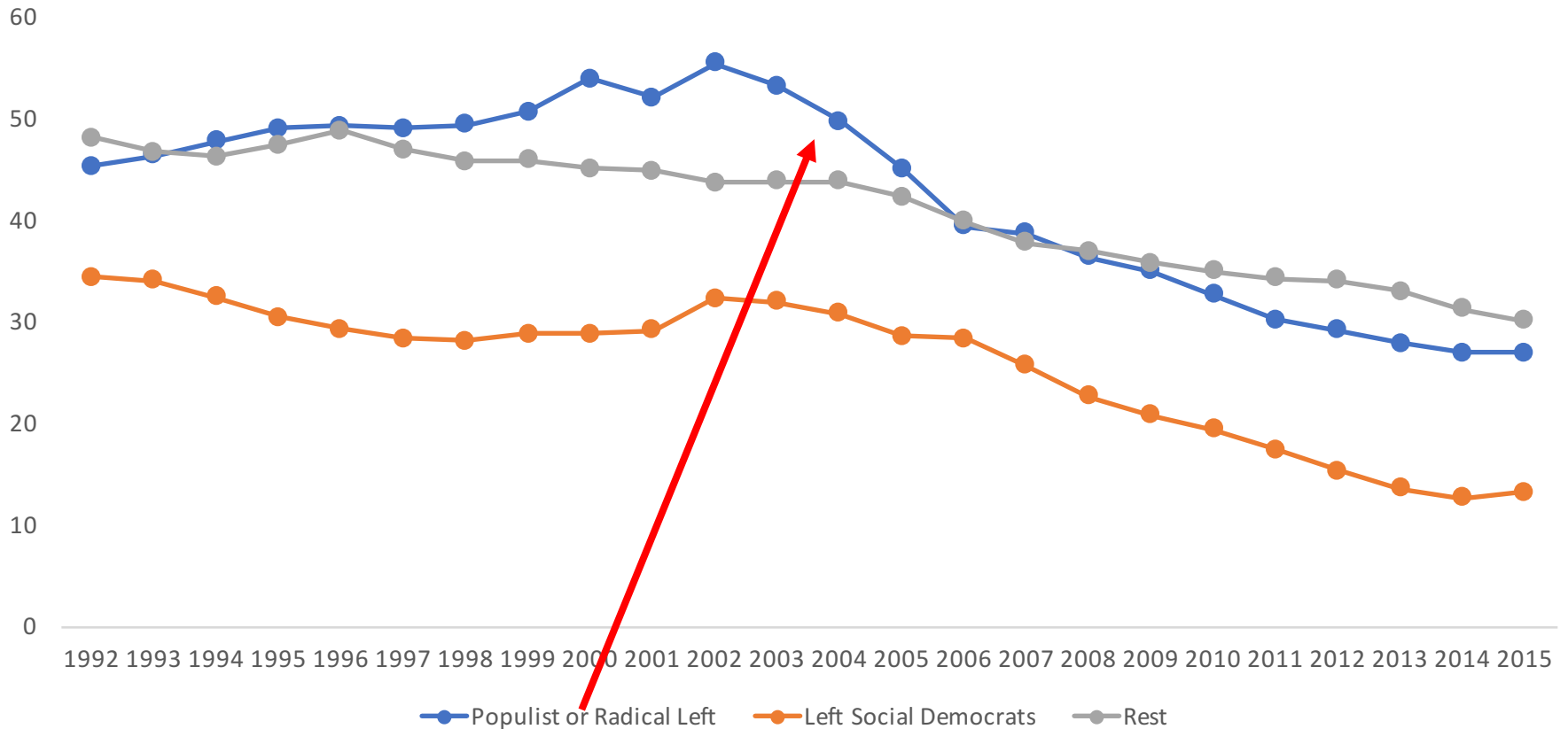
Inequality and Political Regime: 1992-2015

Evolution of the Gini coefficient, 1992-2015
(Simple averages)

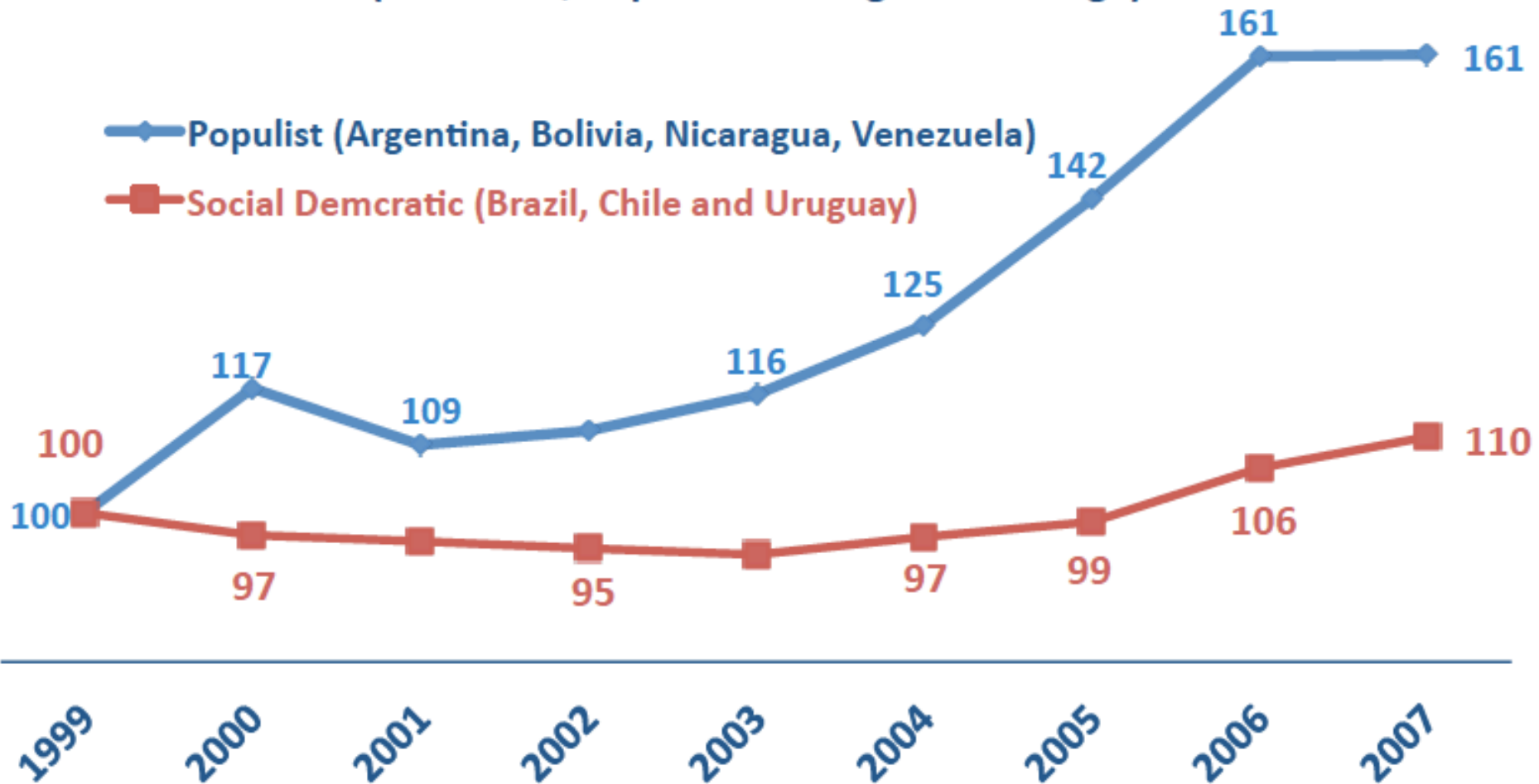


Poverty and Political Regime: 1992-2015

Evolution of the poverty headcount at \$4/day, 1992-2015
(% of population; simple averages)



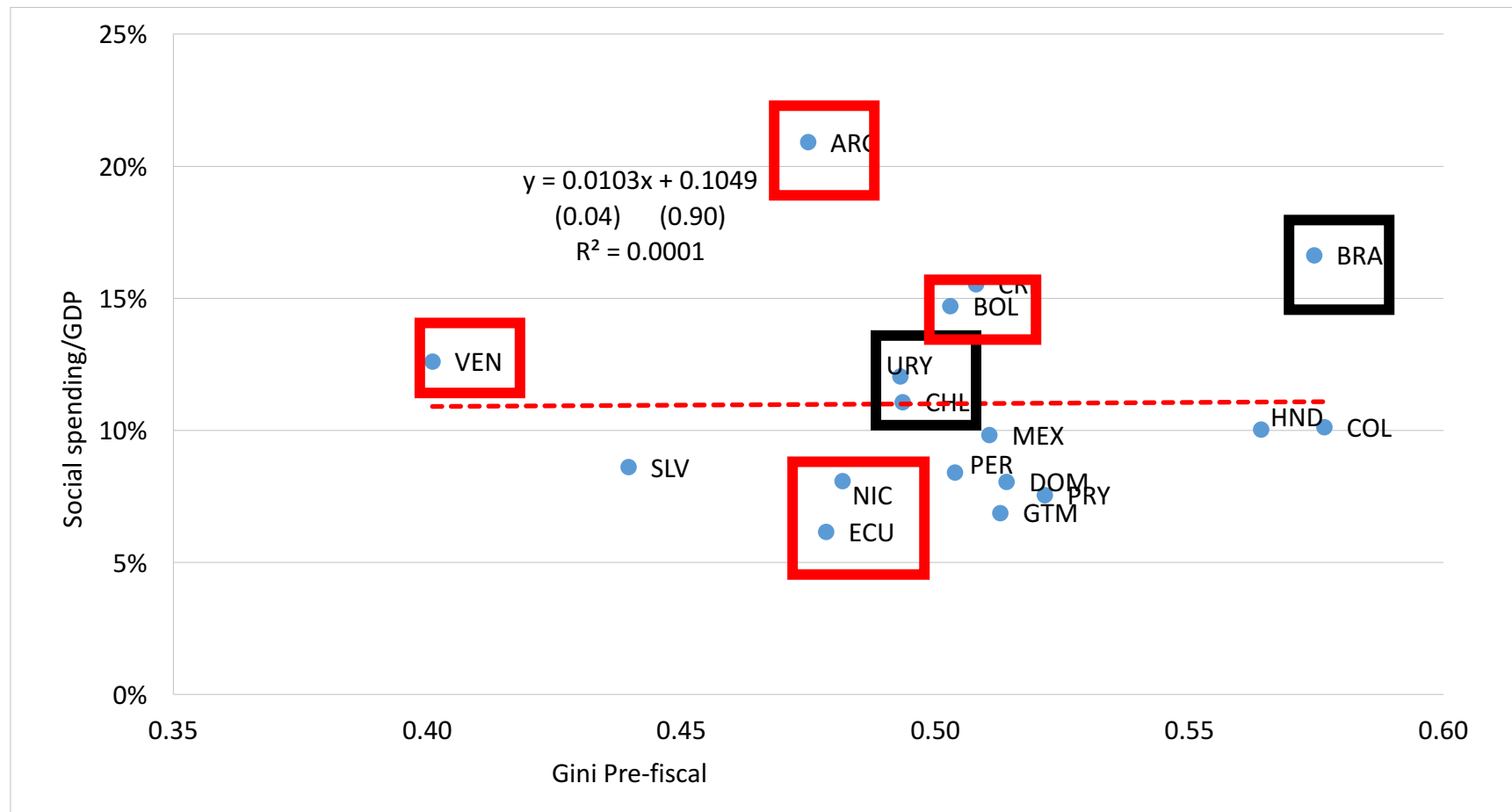
**Figure 5a: Net barter terms of trade
 (1999=100, Population Weighted Average)**



Source: World Bank, WDI online, author's calculation using population weights.

Pre-fisc Inequality and Social Spending/GDP Circa 2010

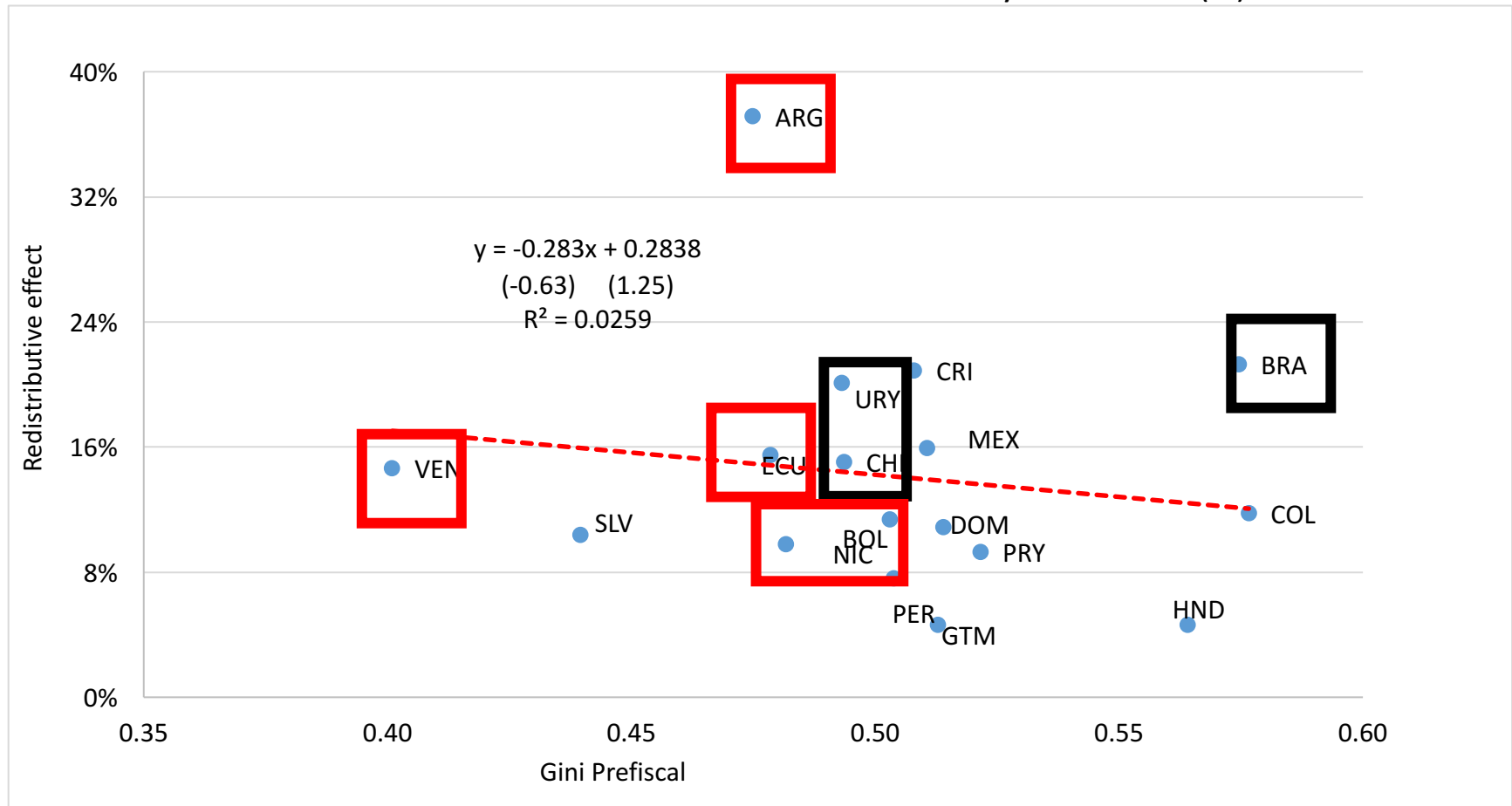
(Social spending does not include contributory pensions)



Source: Lustig (2018)

Pre-fiscal Inequality and Fiscal Redistribution Circa 2010

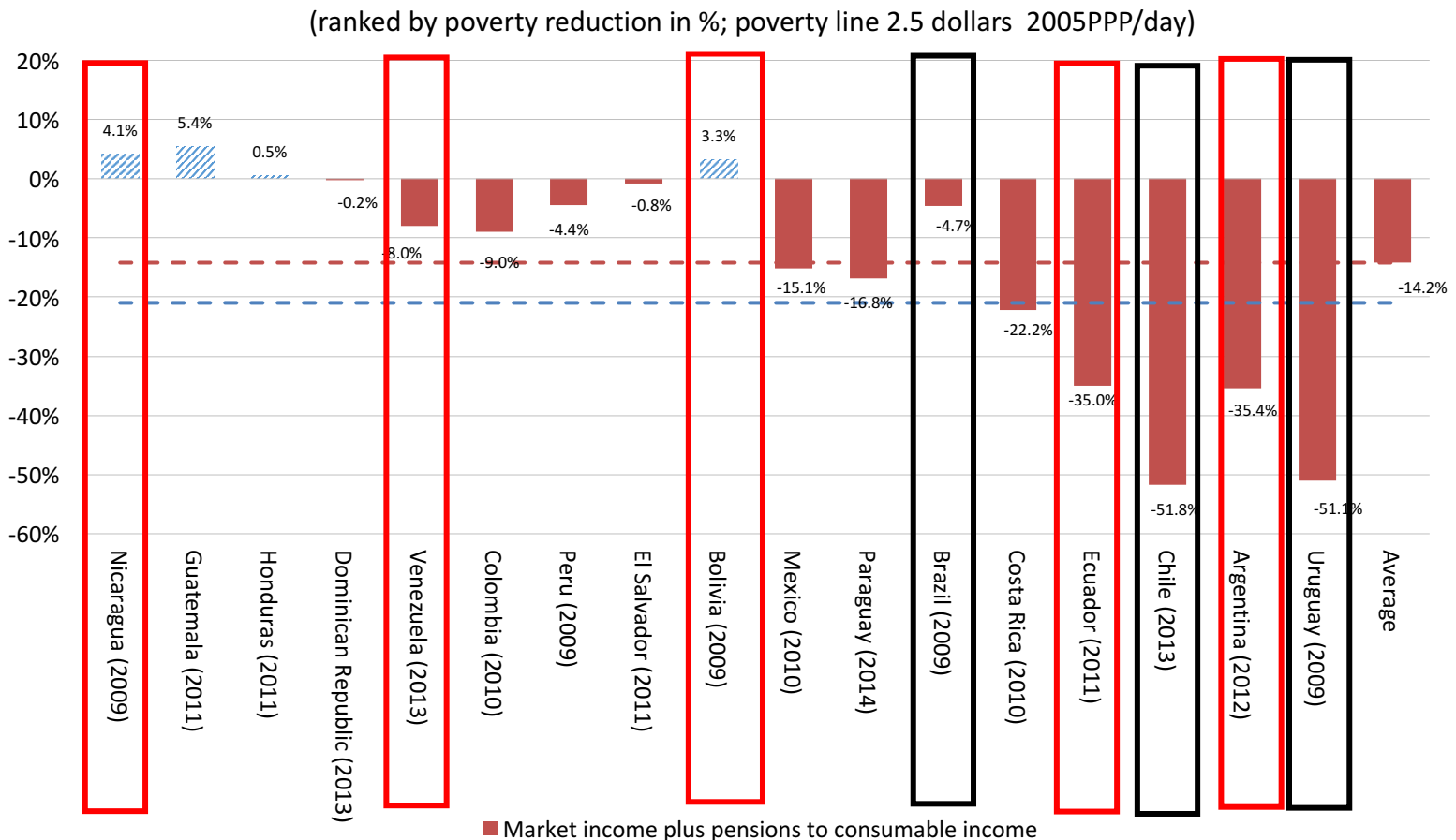
Redistributive effect = Gini Prefiscal less Gini final income divided by the former (%)



Source: Lustig (2018)

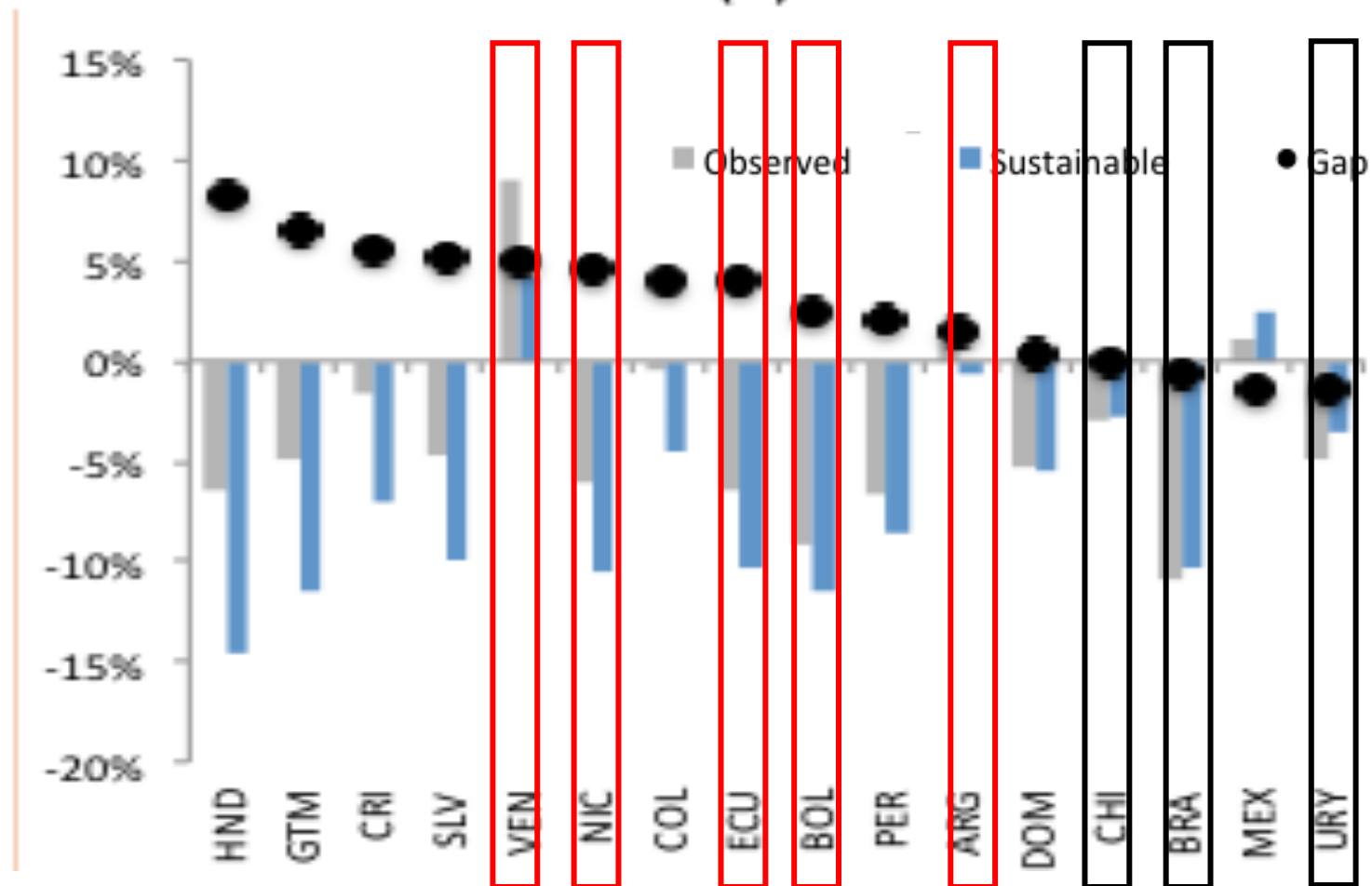
Fiscal Policy and Poverty Reduction

Poverty line 2.50 dollars 2005 PPP/day; in % and for the scenario of contributory pensions as deferred income



Source: Lustig (2018)

Sustainable fiscal redistribution, c. 2010 (% GDP)



Albrieu and Fanelli (2017) "Fiscal Sustainability, Demography, and Redistribution in Latin America," paper prepared for the CEQ Institute, October. Figure 9

Thank you!