Redistribution and Poverty Reduction: Do Political Regimes Matter?
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• 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)

## Table 1: New Left Political Regimes in Latin America

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

Inequality and Political Regime: 1992-2015

(Simple averages)

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)

- **Populist (Argentina, Bolivia, Nicaragua, Venezuela)**
- **Social Democratic (Brazil, Chile and Uruguay)**

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)

\[ y = 0.0103x + 0.1049 \]

\( (0.04) \quad (0.90) \)

\( R^2 = 0.0001 \)

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!