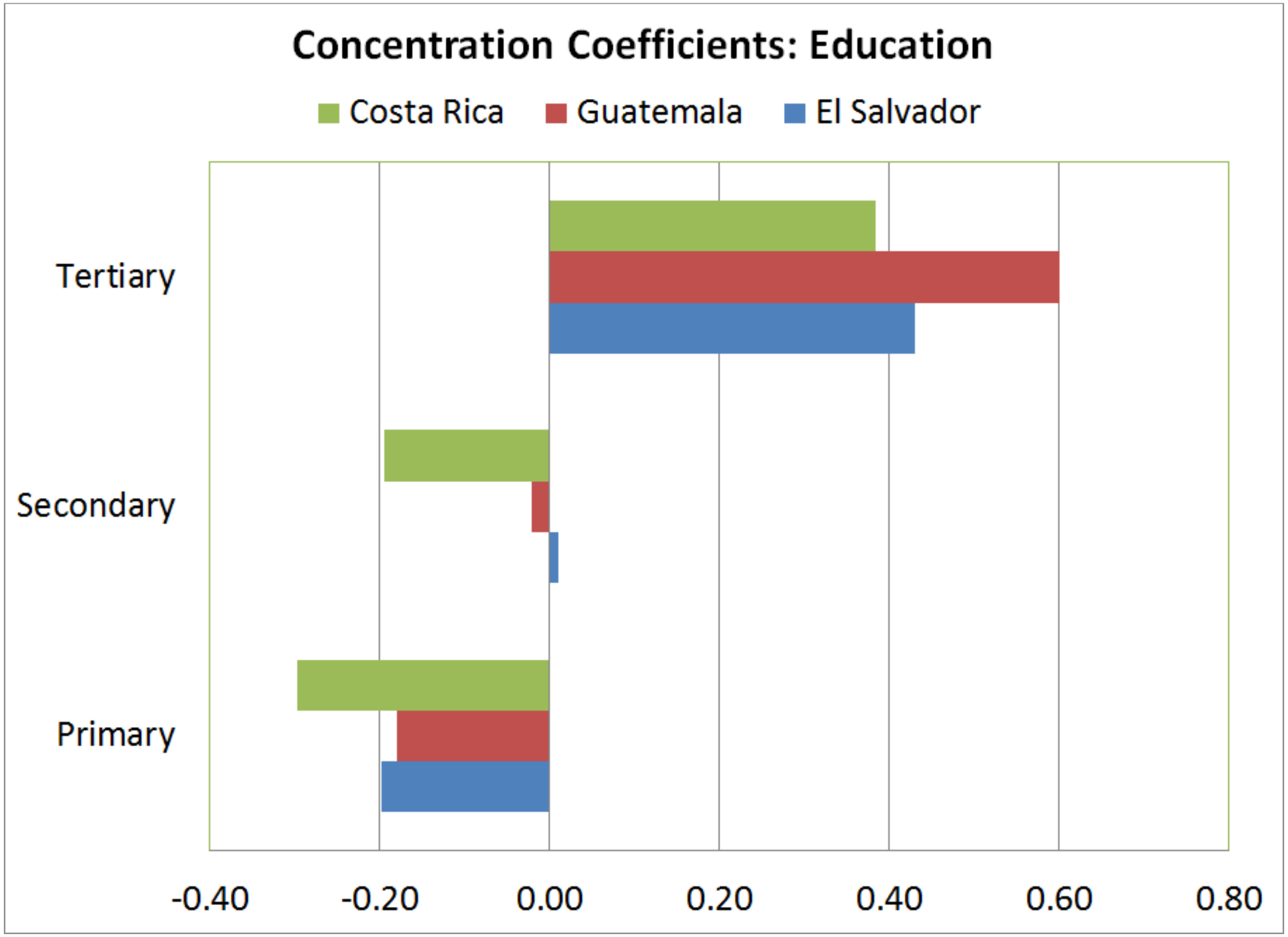
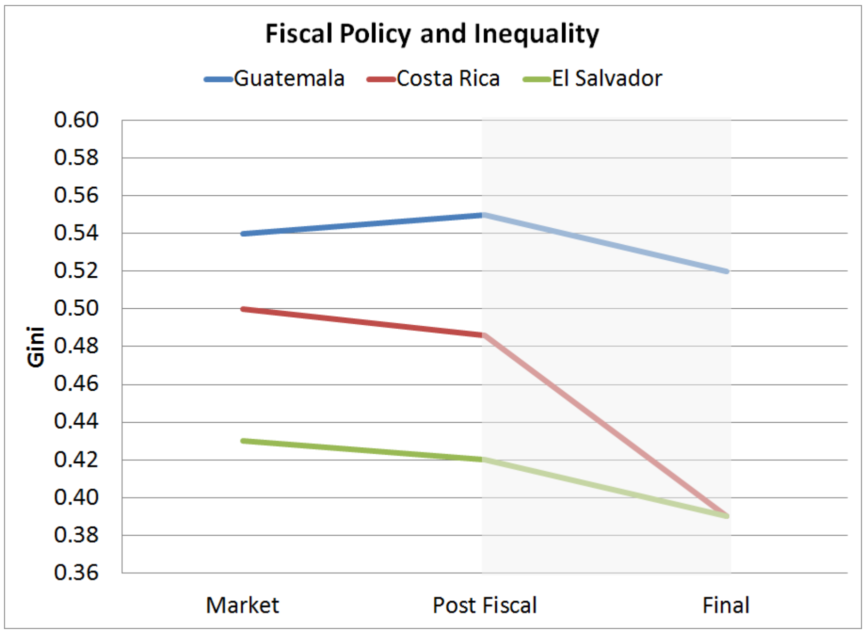
CEQ Costa Rica, El Salvador, and Guatemala

Some observations

Broad consistency
Example: Education



The redistributive impact of fiscal policy



Much of the action is between "post-fiscal" and final income

- Gini falls from 0.49 to 0.39 in the case of Costa Rica.
- Cross-country contrasts for far: Countries X and Y start at the same point, they end at very different points, thanks to fiscal policy. In the case of Costa Rica and El Salvador: They start out very differently (0.43 and 0.50 Gini), fiscal policy completely narrows the gap (0.39).

Similar change in inequality due to in-kind transfers: Guatemala and El Salvador.

- Question: Should we have similar conclusions regarding the redistributive impact of fiscal policy in Guatemala and El Salvador?

Other observations

1. “Fiscal policy reduces inequality but does not reduce poverty” (Costa Rica and El Salvador).
    - Note that we are talking about two definitions of “fiscal policy”: One with and one without in-kind transfers.
    - When you end at post-fiscal income, maybe there is more consistency in the interpretation: fiscal policy (from market to post-fiscal) has *modest* effects on both inequality and poverty.
    - Also, more generally: Inequality trends reported are based on post-fiscal income, not final income. Is there some disconnect between the aim of looking at the role of fiscal policy in reducing the level of inequality (in final income) and the measure of income (post-fiscal income) in broader conversations on inequality?
2. Missed opportunity, in the case of Costa Rica: probably the most progressive among countries to date? Almost all the transfer programs are absolutely progressive, but small.
    - A common result: Many progressive programs are small. (Is this a political economy story?)
3. What is the policy conclusion from in-kind transfers that are strongly progressive? Calling for an increase in coverage may make it *less* redistributive.
    - More generally, where are the policy opportunities in the ST? (Maybe not in-kind transfers?)