

Comments on “Economic Mobility and the Rise of the Latin American Middle Class”

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General Comments

- Past mobility results may not be a good predictor of future mobility because educational upgrading sped up
- More progressiveness in the distribution of government services is not only due to the fact that middle-class and rich opted out
- Median voter in LA tends to be in the 'vulnerable' group and not the middle-class (Arg, Bol, Bra, Gua, Mx and Per; in Uru, in the middle-class); is new social contract reflecting its needs?

How do governments' tax collection and social spending treat the middle-class?

- Does the middle-class get a 'fair share' of government benefits?
- Is the middle class a net receiver from or a net payer to the fiscal system?
- What proportion of the population in the middle class experiences upward and downward fiscal mobility?
- Results from Commitment to Equity Project (CEQ):
Lustig et al. 2012. Fiscal incidence analysis for Argentina, Bolivia, Brazil, Guatemala, Mexico, Peru and Uruguay

Does the middle-class get a fair share of government benefits? Tertiary Education

- Spending on tertiary progressive in relative terms (equalizing) everywhere except in Guatemala
- Everywhere except for Uruguay, the share of spending on tertiary education for middle class is larger than its population share: it is getting more than its fair share. Those who opted out appear to be in the class called 'rich' (more than US\$50 ppp/day)
- In Argentina, Bolivia, Peru and Uruguay, the vulnerable group (US\$4 to \$10ppp/day) is getting its fair share or more; in Brazil, Guatemala and Mexico, it is not; spending in the latter is heavily concentrated in the middle class and on the rich as well in the case of Brazil.

DISTRIBUTION

	% BENEFITS GOING TO EACH INCOME GROUP					
	y < 2.5	2.5 < y < 4	4 < y < 10	10 < y < 50	y > 50	Total
ARGENTINA (2009)						
Education: Tertiary	5.0%	4.8%	41.2%	48.3%	0.6%	100.0%
Income shares	1.2%	2.3%	25.7%	62.2%	8.6%	100.0%
Population shares	13.0%	8.9%	42.6%	34.4%	1.1%	100.0%
BOLIVIA (2009)						
Education: tertiary	3.6%	8.5%	42.5%	43.6%	1.8%	100.0%
Income shares	2.4%	4.9%	29.2%	53.5%	9.9%	100.0%
Population shares	15.1%	14.2%	41.3%	28.4%	1.0%	100.0%
BRAZIL (2009)						
Education: tertiary	3.3%	3.0%	20.3%	57.5%	15.9%	100.0%
Income shares	1.6%	2.6%	15.8%	49.7%	30.4%	100.0%
Population shares	15.3%	11.3%	33.6%	35.3%	4.5%	100.0%
GUATEMALA (2010)						
Education: tertiary	2.5%	4.7%	26.0%	66.4%	0.3%	100.0%
Income shares	7.8%	11.5%	34.7%	39.9%	6.0%	100.0%
Population shares	29.3%	22.2%	34.0%	14.1%	0.4%	100.0%
MEXICO (2008)						
Education: tertiary	2.0%	4.7%	29.9%	59.7%	3.7%	100.0%
Income shares	1.5%	2.9%	20.3%	54.9%	20.3%	100.0%
Population shares	12.4%	11.4%	38.3%	35.3%	2.6%	100.0%
PERU (2009)						
Education: tertiary	3.6%	8.1%	37.2%	49.1%	2.1%	100.0%
Income shares	2.3%	4.1%	23.5%	55.1%	15.1%	100.0%
Population shares	15.1%	13.4%	37.5%	32.0%	1.9%	100.0%
URUGUAY (2009)						
Education: tertiary	9.8%	11.1%	38.5%	39.5%	1.1%	100.0%
Income shares	0.4%	1.1%	10.0%	59.3%	29.2%	100.0%
Population shares	5.1%	6.5%	27.8%	53.8%	6.8%	100.0%

Middle Class: Net Payer or Net Receiver?

- Disposable Income (after direct taxes and transfers)
 - Net Payer: Guatemala, Mexico, Peru, Uruguay
 - Net Receiver: Bolivia, Brazil
- Disposable Income MINUS net indirect taxes
 - Net Payer: Bolivia, Brazil, Guatemala, Peru and Uru
 - Net Receiver: Mexico (energy subsidies 2008)
- And PLUS transfers in kind in education & health
 - Net Payer: Brazil, Peru
 - Net Receiver: Bolivia, Guatemala, Mexico, Uruguay

What proportion of the population in the middle class experiences upward and downward fiscal mobility (including effect of indirect taxes)?

- Bolivia: 5% down and 0% up
- Brazil: 15% down and 0.3% up
- Guatemala: 6% down and 0% up
- Mexico: 3% down and 0% up
- Peru: 2% down and 0% up
- Uruguay: 6% down and 0% up

Fiscal Mobility Matrix for Brazil (Lustig and Higgins, 2012)

BRAZIL (2009)								
Market Income groups	$y < 1.25$	$1.25 \leq y < 2.50$	$2.50 \leq y < 4.00$	$4.00 \leq y < 10.00$	$10.00 \leq y < 50.00$	$50.00 \leq y$	Horizontal sum	% of population
$y < 1.25$	69.4%	21.3%	5.9%	3.0%	0.4%	0.0%	100.0%	5.7%
$1.25 \leq y < 2.50$	4.1%	81.4%	9.9%	4.2%	0.5%	0.0%	100.0%	9.6%
$2.50 \leq y < 4.00$	0.0%	14.8%	74.9%	9.5%	0.8%	0.0%	100.0%	11.3%
$4.00 \leq y < 10.00$	0.0%	0.0%	11.1%	85.7%	3.1%	0.0%	100.0%	33.6%
$10.00 \leq y < 50.00$	0.0%	0.0%	0.0%	15.2%	84.5%	0.3%	100.0%	35.3%
$50.00 \leq y$	0.0%	0.0%	0.0%	0.0%	31.5%	68.5%	100.0%	4.5%
% of population	4.3%	10.7%	13.5%	35.8%	32.5%	3.2%	100.0%	100.0%