

Lecture 8: Public finances and expenditures

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Q: How does effective tax burden can be measured?

A: Thank you for this question. For the corporate tax, a common approach is to relate the amounts of taxes paid to the firm's total revenue. One can then compare this to the statutory tax rate. For individuals, this is more challenging in low and middle income countries since data is more sparse. Still, one can compute taxes paid as a share of income. In both cases, you can adjust the tax based to only include the "tax base", that is, the income that is actually subject to taxes (for example, after taking out deductions). Hope this answers your question!

Q: How is the standard measure of revenue taxation structure? Is there a measure that includes the quality of the tax design? Or just the proportions of revenue? PIT CIT etc

A: Thank you for your question. The typical way to measure the tax structure is to look at the revenue share of different types of taxes. Typically, one breaks down the total revenue across different levels of aggregation. You can find examples of this in the reports using the UNU-WIDER Government Revenue Dataset or, for a more limited set of low and middle-income countries, in OECD Revenue Statistics reports.

Q: Is there a correlation between inequality at country level and the country's endowment of natural resources such as oil? If so is there an existing literature on this question?

A: There is of course a substantial literature on this -- some of it under the heading of 'resource curse'. It's a little bit beyond the scope of this lecture, but I think it's an interesting area of the literature.

Q: Public finance and development is one of topic that intrigue me alot. Why multinational corporations are allowed to loot natural resources from poor countries while it is acknowledged that without taxing these multinationals governments lack adequate finance for public services and infrastructures?

A: This is of course a huge issue. Today's lecture is focusing on the data side of things, rather than on policy prescriptions. But there are lots of interesting data questions here, too... e.g., about the effective rate of tax on multinationals, or how to measure the overall tax rates faced by these firms.

Q: I was curious to see a comparison of inequality pre-tax versus after tax/transfer (similar graphs to those shown on page 28, but for after tax/transfer)

A: Thank you for your question. This is very interesting indeed! There are some cross-country datasets that allow you to look at pre- vs. post-tax inequality. Anders mentioned the World Inequality Database (<https://wid.world>). Another interesting source might be the World

Income Inequality Database (<https://www.wider.unu.edu/project/world-income-inequality-database-wiid>).

Q: Regarding the informalities could you suggest in datasets to proxy the informal labourers / undocumented workers / irregular workers?

A: Thank you for the question. I will try to answer partly since I am unsure Anders will have time to cover it. For a starting point, you might find the research by Gabriel Ulyssea of interest (<https://sites.google.com/view/gabriel-ulysea>). For more cross country data, the IMF could be a starting point (for example: <https://www.imf.org/en/Publications/Policy-Papers/Issues/2021/02/02/Measuring-the-Informal-Economy-50057>).

Q: The tax revenue data are available in detailed tax code breakdown (e.g 2nd or 3rd degree codes)? Which methodology is used (eg. EU countries use ESA 2010)?

A: Thanks for your question, Thomas. I can try to answer it for now. My sense is it depends on the specific dataset. The most comprehensive dataset is the UNU-WIDER Government Revenue Dataset. They are trying to map countries' own tax classifications to the IMF and OECD classifications. You can find a detailed description of it here: <https://www.wider.unu.edu/sites/default/files/Publications/Technical-note/PDF/tn2021-11-GRD-variable-description.pdf>.