

PhD Defence: Mohamed Traore

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Location

Pôle Tertiaire - Site La Rotonde - 26 avenue Léon Blum - 63000 Clermont-Ferrand

Room Pascal - 313

Fiscal policy, income inequality and inclusive growth in developing countries

DIRECTEURS DE THÈSE

Jean-François Brun, Associate Professor HDR, Université Clermont-Auvergne

Zié Ballo, Professor, Université Félix Houphouët Boigny

JURY

Marc Raffinot Marc, Associate Professor HDR, Université Paris Dauphine

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Pascale Phelinas, Research Director, IRD, Université Clermont-Auvergne

Jean-Louis Combes, Professor, Université Clermont Auvergne

Abdoul Ganim Mijiyawa, Economist, World Bank, Burkina-Faso

SUMMARY

The issue of inclusive development in developing countries is at the heart of this thesis. The latter revolves around four chapters on fiscal policy issues and inclusive growth-related matters.

Chapter 1 explores how government tax policy affects the inclusiveness of growth in developing countries. Evidence is shown that tax policy affects significantly inclusive growth if and only if the countries have a strong institution quality like low corruption and a good bureaucratic policy. In addition, our result shows that there is an optimal tax beyond which, any increase in the personal income tax rate should have negative impact on inclusive growth.

The **Chapter 2** examines the effects of government expenditure components on both equity and growth in

sub-Saharan countries, especially whether it is possible to design public spending to promote a more equitable society without sacrificing economic growth. We find that investment in infrastructure contributed to more inclusive growth in Sub-Saharan African economies than others government spending. These results suggest that temporary and well-targeted programs should be implemented to help those being left out by the growth process.

The **Chapter 3** investigates whether income inequality matters in the periods of fiscal adjustments in Côte d'Ivoire over the period 1980- 2014. The results show an improvement in growth performance after fiscal consolidations episodes, but also income gap decreases in the periods ahead fiscal adjustments. Lastly,

Chapter 4 assesses the credibility of fiscal forecasts and their social effects in CEMAC and WAEMU countries. We obtain evidence that the inefficiency of fiscal forecast occurs in most time because the forecast deviation is proportional to the forecast itself, but also because the past errors are repeated in the present. Furthermore, a part of revenue forecast errors can be explained by random shocks to the economy. Therefore, these errors in revenue forecast considered as fiscal policy shocks has a detrimental effect on inclusive growth.

KEYWORDS

Tax policy, government spending, inclusive growth, income inequality, fiscal adjustment, fiscal forecast errors, GMM, Panel VAR, Bayesian method averaging (BMA), developing countries, sub-Saharan Africa, WAEMU, CEMAC, Côte d'Ivoire.

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