UNIVERSITY OF SALERNO

RESEARCH DOCTORATE IN ECONOMICS AND
MARKET AND BUSINESS POLICIES

(ECONOMIA E POLITICHE DEI MERCATI E DELLE IMPRESE)

Curriculum: Statistical Methods

- XXX Cycle -

Equal Opportunities to Prosper:
A Statistical Analysis of Macro- and Microeconomic Factors

<u>ABSTRACT</u>

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December 2017

Abstract

Societies strive to achieve socio-economic systems that provide equal and broad-based opportunities to their people. The concept of "equal opportunities" is a very complex one, and encompasses many definitions and several different areas of life. 'Equal opportunities' does not only mean to be able to access basic services and ideally with the same quality standards; it may also mean to find a decent job and lead fulfilling professional lives, or also to thrive personally, without facing discriminations or – essentially – moving from the expectation that – if all people are indeed equal – conditions should be such that (while people cannot systematically have the same starting points in life) the resources available and the sociopolitical-economic principles that govern life may help level off the playing field, and provide a fair chance for success to all, without distinctions. Analyzing equality of opportunities has typically translated into the utilization of complex statistics, ranging from concentration indexes (e.g. the Gini coefficient) to sophisticated modeling of growth patterns, poverty outcomes, human behavior and social justice principles.

The three papers presented in this monograph intend to discuss this question from selected and very distinct perspectives: 1) how (and if) financial access benefits peoples' wellbeing; to do this we applied an econometric framework to a case-study based on Mauritania; 2) how natural resource endowment is correlated with economic growth and inequality indicators; in this case we adopted a global perspective and utilized a dataset covering over 40 countries; and 3) if tax incentives can be an effective tool in achieving economic growth in an way that does not distort competition among enterprises; also in this case we utilized a case-study approach, focusing on the experience of the Dominican Republic, to try and determine policy lessons.

More specifically, the first paper presented in this monograph evaluates the impact of access to credit from banks and other financial institutions on household welfare in Mauritania. Household level data were used to evaluate the relationship between credit access, a range of household characteristics, and welfare indicators. In order to address the risks of potential endogeneity, an index of household isolation was used to instrument access to credit. As we conducted the analysis, we also provided evidence on the validity of the exclusion restriction, by showing that household isolation is unrelated with households and area characteristics six years prior to the measurements on which this analysis is based. In a nutshell, results show that households with older and more educated heads are more likely to access financial services, as are households living in urban areas. In addition, the analysis shows that greater financial access is associated with a reduced dependence on household production and increased investment in human capital. The policy conclusions from our analysis appear to support public sector's strategies for expanding financial

infrastructures in underserved rural areas, as this is expected to translate into improved wellbeing for the local population.

In the second paper, the analysis examines the relationship between nonrenewable resource dependence, economic growth and income inequality. Using a dataset that includes information on 43 countries, going from 1980 to 2012, the paper estimates several model specifications in order to check the robustness of the results under many different assumptions. The analysis also accounts for income-group-related heterogeneity among countries, trying to understand whether structural characteristics of a nation (e.g. its institutional capacity, its development stage, etc., proxied in this case by the income level) can contribute to explain how growth, inequality, and resource endowment interact with each other. Innovating on a large strand of literature based on cross-sectional analysis, this second paper tackles the potential time invariant unobserved heterogeneity, thus exploiting the panel of the data. The findings show that the empirical relationships are associated with the level of economic development. Among higher-income countries, greater dependence is associated with lower income inequality, while no statistically significant correlation exists with GDP per capita. Among the lower-income group, greater dependence is associated with both higher levels of income inequality and lower per capita GDP.

Finally, the third paper evaluates the impact of fiscal incentives on firms' performance in the Dominican Republic. In recent years, the Dominican government has approved several new corporate tax benefits. While the literature on value-added tax incentives is extensive, the impact of corporate tax incentives is less well studied and is the subject of an ongoing debate. Using firm-level panel data from 2006 to 2015, this analysis uses a propensity score matching to investigate the relationship between tax incentives and firms' performance, considering the measure of Liquidity, GFSAL, ROS, ROA, STS and Turnover as proxies of firms' welfare. The results manage to single out the effect of tax expenditure and show – more specifically – that the Corporate Income Tax exemptions positively impacts the firms' welfare. This evidence is corroborated both by a Nearest Neighbor Matching and a Radius Matching methodology, as well as it is supported by the balancing test.