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The Distributional Impact of Taxes and Benefits in the Post-Soviet Countries

This study will compare the distributional impact of the main tax and social spending programmes in several countries of the former Soviet Union (Armenia, Belarus, Georgia, Kyrgyz republic, Russia and Ukraine) by applying a state-of-the-art fiscal incidence analysis based on the Commitment to Equity methodology (Lustig, 2018). Before the collapse of the Soviet Union in 1991 these countries used to be part of the same developmental model based on state planning and welfare statism (Cook, 2007). Since then their political economies and welfare systems have undergone enormous changes, including elements of radical retrenchment, retraditionalization, and, in Russia, a shift towards a more expansive statist welfare state since mid-2000s (Cerami, 2009; Cook, 2010).

Most research on the redistributive impacts of public policies has been conducted on the established welfare states – the members of the European Union (EU) or high-income members of the Organisation for Economic Co-operation and Development (OECD). Welfare systems of the former Soviet Union, apart from the Baltic countries, are studied rarely (most recent studies include World_Bank (2005); Weigand and Grosh (2008)). The region, however, is highly interesting due to a unique combination of strong elements of path dependency (socialist legacies) with radical liberalization and welfare state retrenchment.

This study will examine the actual outcomes in terms of inequality and poverty and assess the extent to which these outcomes can be attributed to various welfare state policies in these countries. We also examine the extent to which taxes and social spending are progressive (i.e., whether the average transfer declines with income) and equalizing (whether they reduce inequality). In contrast to the majority of fiscal incidence studies that are typically limited to the assessment of the impact of direct taxes and transfers, we will estimate the cumulative impact of the whole tax-benefit system, including direct and indirect taxes, cash transfers and transfers in kind such as public education and healthcare. The application of the common methodological approach to measuring the distributional impacts of tax-benefit systems across all the countries will enable us to analyze the degree of similarity of their welfare systems and to compare their performance with more comprehensive and generous European welfare states. A special attention will be given to gender and generational dimensions of equity provided by the tax-benefit systems of the six countries.