

Inequality and the Covid-19 Crisis

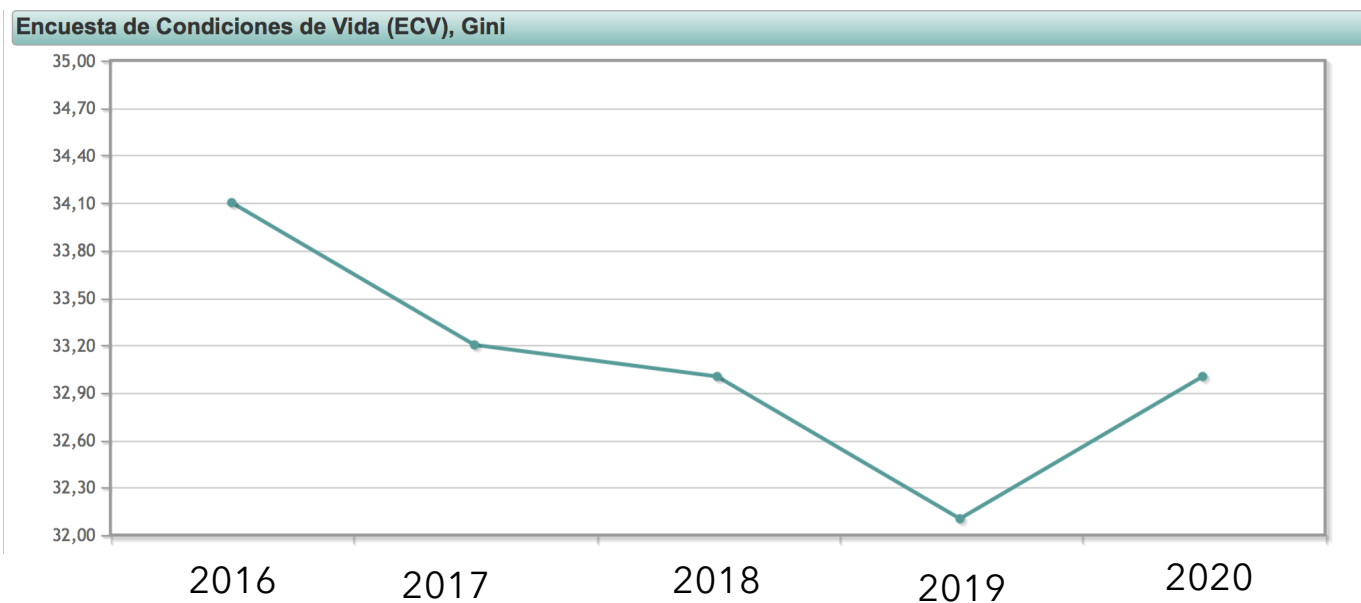
by Richard Blundell

**Discussion by
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Comment 1: No increase in Inequality?



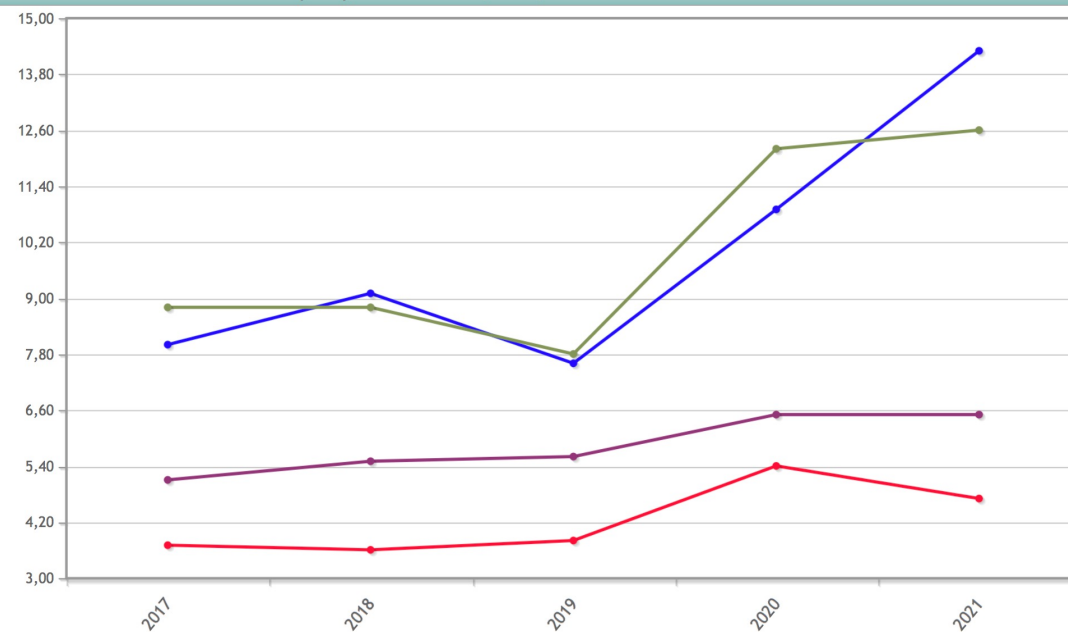
Comment 1: No Increase in Inequality?

Citation Countries	Method	Without policy response	With policy response (Overall effect)
Almeida et al. (2020) EU (27)	Simulating effect of policies	+3.6%	-0.7%
Brunori et al. (2020) Italy	Simulating effect of policies	+0.67% (0.3396)	-0.67% (0.3396)
Clark et al. (2020) DE, ES, FR, IT, SE	Evolution over time	+2.17% (0.322)	-2.48% (0.322)
Li et al. (2020) Australia	Comparison market and post-tax and transfers income	+3.33% (0.539)	- 7.57% (0.330)
O'Donoghue et al. (2020) Ireland	Comparison market and post-tax and transfers income	+20.64% (0.499)	- 6.62% (0.317)
Palomino et al. (2020) EU (29)	Simulating effect of policies	+3.5% to +7.3%	NA

Source: Stancheva (Economic Policy, 2021).

2: Should we focus on Poverty or Inequality?

Encuesta de Condiciones de Vida (ECV), Ambos sexos, Total, Carencia material



Can't heat home

Late payments

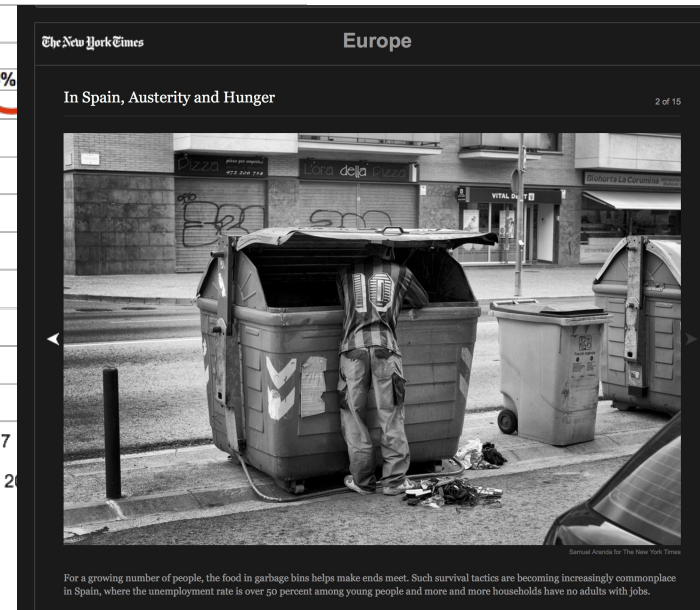
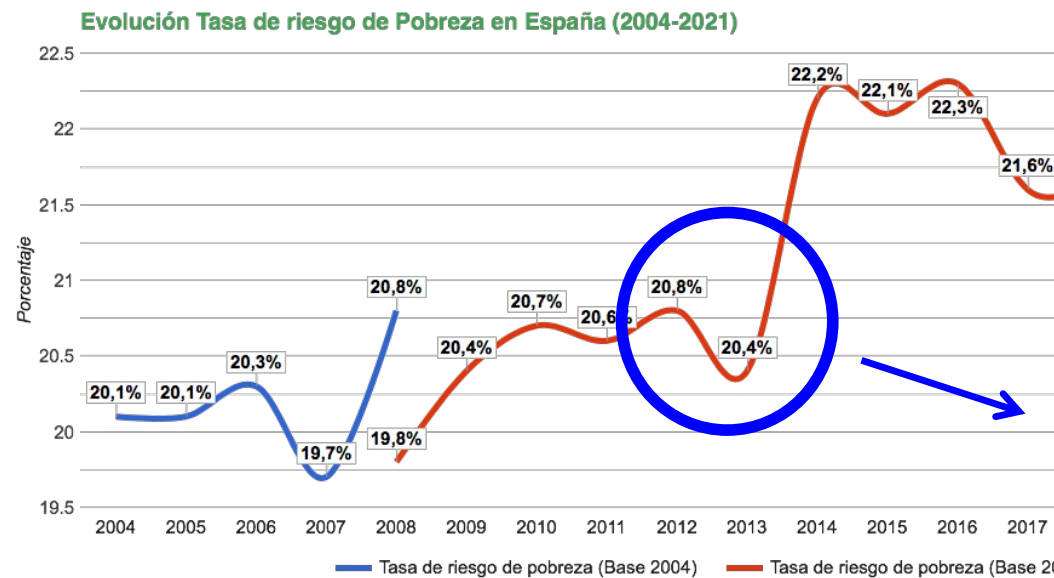
Can't afford a computer

Can't afford meat/fish every other day

2: Should we focus on Poverty or Inequality?

- Old debate: absolute or relative definition of poverty
- Until recently: EU favored a **relative** measure of poverty
 - At poverty: disposable income <60% of the median

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- Recent measures combine absolute and relative measures
 - **AROPE indicator** “At Risk Of Poverty” combines:
 1. <60% median income
 2. Materially deprived: can’t afford 4+ out of 9 essential items
 3. Households with low work intensity
- Unclear we have good measures and data to trace “necessities”
 - What is the stance of the IFS Deaton Review?

3: How much policy contributed to shelter the Covid-19 shock?

- Micro-simulations oftentimes assume ideal policy implementation:
 - Spain: Minimum Income Scheme, 57% Non Take-Up rate, 3 months delay in processing, large rate of rejections
 - Define benefit using income +6 months ago. But huge income risk inequality in Spain (Arellano, Bonhomme, DeVera, Hospido, Wei 2022)
- Are policies optimal given the particular reality of vulnerable populations?

4: Future Challenges

1. Effects of energy transition and compensating policies
2. Effects on political attitudes
 - Martinez-Bravo & Sanz (2022)