

Subsidy reform Impact on Economic growth, Inequality and Poverty

Malak Khaled (Management Technology) and Prof. Hebatallah Ghonim (Economics Department)

The German university in Cairo

malak.eissa@student.guc.edu.eg

Subsidy is expressed as any policy that keeps consumer prices below market level or keeps producer prices above market level, or that reduces costs for consumers and producers by providing direct or indirect support, and Subsidies have numerous effects on economic growth, poverty & Inequality and it's a very important topic to tackle as without subsidy production and consumption will not be encouraged and the welfare of the society will not be boosted.

Literature Review

Subsidy have many definitions but Basar with the definition of Subsidies that they're state aid and one of the strategies that governments might use to attain many goals and numerous regulations.



Subsidies can be found in a wide range of government activities, and they can be found in different types that're divided into fuel, agriculture, Transportation, Export, Housing, Minin Education and Healthcare.

Subsidy and Economic growth

An industry is able to allow its producers to generate more goods and services when the government provides subsidies to the provider. This raises the total supply of that commodity or service, which raises the quantity required and decreases the overall price of that good or service.

Subsidy and Inequality

Direct housing subsidies for low-income families reduce income inequality, but it may increase it tools, between workers and capitalists. If profits increase as a result of the subsidy, and most capital owners are in the rich region, the subsidy meant for the poor region will massively benefit these capital owners, and then transfer from the poor to the rich region occurs.

Subsidy and Poverty

Subsidy alleviates poverty as food subsidy for example help to reduce hunger in many countries.

Methodology

- My Thesis question is What impact does subsidy reform have on MENA region's economic growth, inequality, and poverty?
- My expected hypothesis is that subsidy boost economic growth, reduce both Poverty and Inequality
- I have Three dependent variables which are GDP, Inequality (GNI) and Poverty, Three Independent variables which are Subsidy, Capital and labor.
- I did a regression test by gathering a cross sectional data from 24 countries in year 2019, All data on MENA region is provided by the World Bank data indicators
- My test contains three equations which are:

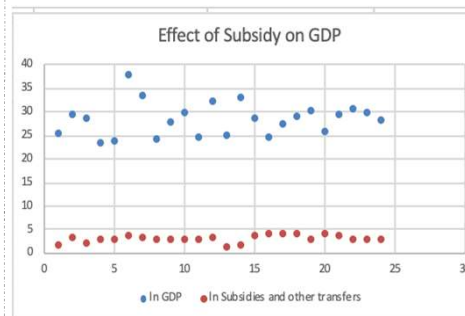
$$1. \text{LN GDP} = B_0 + B_1 \text{LN L} + B_2 \text{LN k} + B_3 \text{LN sub.}$$

$$2. \text{LN GNI} = B_0 + B_1 \text{LN L} + B_2 \text{LN k} + B_3 \text{LN sub.}$$

$$3. \text{LN Poverty} = B_0 + B_1 \text{LN L} + B_2 \text{LN k} + B_3 \text{LN sub.}$$

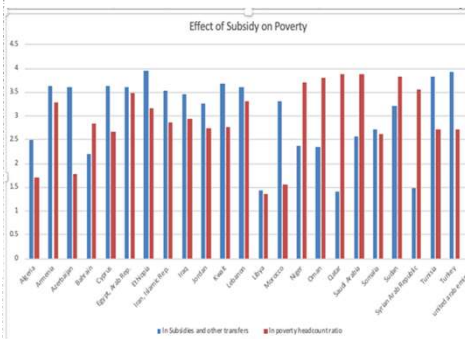
Results

(A)



$$\text{LN GDP} = B_0 + B_1 \text{LN L} + B_2 \text{LN k} + B_3 \text{LN sub.}$$

(B)



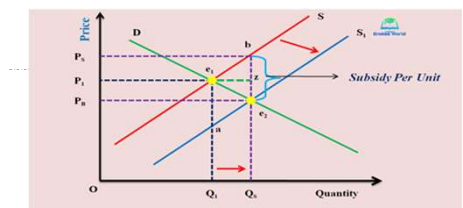
$$\text{LN Poverty} = B_0 + B_1 \text{LN L} + B_2 \text{LN k} + B_3 \text{LN sub}$$

Conclusion

My Thesis discusses the impact of subsidy reform on economic growth, Inequality & poverty which is important topic as it boosts the economic growth in an economy. My thesis starts off by providing an overview of economic growth, Poverty and inequality mentioning their definition and how they measured and their implications on the environment, then most importantly the definition of subsidy, its mechanism in an economy, its types then its effect on economic growth, Poverty and inequality.

The influence of subsidies on economic development, poverty, and inequality was investigated using cross-sectional data from the World Bank using regression analysis. Because the data for both poverty and inequality was insignificant, a Descriptive statistics were created for 24 different countries to examine if these factors had any association. The results concerning the influence of subsidies on GDP, on the other hand, gave me significant results with equation

$$\text{LN GDP} = B_0 + B_1 \text{LN L} + B_2 \text{LN k} + B_3 \text{LN sub.}$$



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