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Well I think this a much interesting roll to play, to comment a couple of papers, rather than just sharing the session. And basically I'm going to refer to a "Report to Microeconomics and Health", which I enjoy a lot, I think was a great reading and I think is very powerful, it has very interesting and simple and clear suggestions about a number of things, so it was really a pleasure to read. And in commenting that paper, basically I want to present a number of facts that can be useful to present a number of facts that can be used for the discussion of the report. And the reason why I have selected these facts is basically because when I read the paper I didn't get a sense of urgency of health problems in Latin America. I think that you do a sense of urgency for Africa and for most of the poorest countries in the world but not for Latin America and I think this is due to some facts that I'm going to show and I don't want to imply in any way that health problems are not acute and are not urgent in Latin America. That is basically what I would try to show.

Well, first of all, I think it's important to remember that Latin America has made huge advances in health in the last decades. And what I'm showing here is life expectancy in the last five decades and as you see, by the red bars, which are the bar for Latin America, the increase has been tremendous and as a matter of fact, Latin America has cut up with respect to the most developed region in a very fast way. The same can be said for child mortality. A child mortality has decreased all over the world but the reductions in Latin America have been really very speeding. And if you look at the health gap with respect to the United States, you see that the Latin American countries basically reduce, shorten this gap between basically 1940 and 1980. This was the period of tremendous progress in health in Latin America and the whole world as well. But, for Latin America is important to keep in mind, because those were also the years of high growth in Latin America. We Latin Americans don't usually think of health as a main explanatory variable of why we did better in 40's and the 70's and I think it has do to a lot with it and of course that is something that hasn't been proved econometrically yet, as far as I understand, but I think that there is a lot to it and this is worth pursuing the remark.

Now something very interesting about and health outcome in Latin America is that for the income levels of the countries, health outcomes are really remarkable, are really high. For instance, you take child mortality, this bar is the world pattern, which is related of course to GDP per capita, and you see, most Latin American countries, practically all of them, except for Brazil and Mexico, are below that line which means that child mortality is lower than you could expect in the basis of just income levels. If you see, life expectancy, the picture is basically the same. Here you have the pattern, the international pattern and you have most Latin American countries or all Latin American countries in fact above that line, even Haiti. Of course Haiti is very similar to Africa, but given the income level of Haiti, even Haiti has a life expectancy that is higher that you could expect on the basis of income level.

However, this is the point that I want to stress. I think that because, if you take only the aggregate values and precisely the point that was also been made in the previous

presentation, if you take only averages, of course you are missing a lot of the story. I mean the story is not in the averages. The story is in the differences between groups and in that Latin America is a real concern, is a very serious concern. I have plotted, let me skip this one, I have plotted here, again the Latin American countries in red and what I'm showing here is the relationship that you find between life expectancies and an indicator of the equality of health outcomes, so the higher you move in this direction, if you move in this direction, then that means that health outcomes are more equal across income groups. And obviously as you go from low levels, from low expectancy, from low life expectancies to high life expectancies, then the equality of health outcomes improves. Ok, that's pretty obvious. And this is, again, in the international pattern.

Now what is interesting about Latin America is that in spite of the fact that it has much better average outcomes than the rest of the world, it does have very poor outcomes in term of equality of health. So you see, most of these red points out here, below this line, and this is I think the important feature for Latin America which of course is related to the fact that Latin America is the most unequal region in the world in terms of income and in many other terms. Well this is really interesting and this is why we should be concerned in Latin America about health issues and this open end is a sort of window to look at the different connections between macro, between physical issues and health and so on and so forth. So I'm going to mention just some of those, and sort of not to motivate for the discussion of these issues.

And, therefore what I have basically said is that the main challenge in Latin America is the close the gap, the health gaps between the rich and the poor. I think that this is where the difficult challenges. However, the different countries in the Region will have to face the challenges in a very different way because we have levels of expenditure and all types of indicators that are very very different across the countries. For instance, if you take health expenditure you see countries with health expenditures above 500 dollars, which are quite high, and the same time you see countries where the health expenditures are below 50 dollars. So, there is a tremendous diversity here, which means that a single recipe for all the countries won't do.

You could think, and you often hear this in Latin America, that probably the trick is just to increase the progressivity of health expenditures and this is something that is really remarkable. Health expenditures in Latin America, in spite of the inequality problem that Latin America has, health expenditures in Latin America in general but in not all countries, but in general are progressive. This is really remarkable and here I'm showing this, here I'm showing the quintals, this is the poorest quintals and this is the richest quintal and this is the distribution of health expenditure by quintals and as you see, basically what you have it downward lined, which means that the poorer quintals are receiving more in terms of expenditure than the richer quintals. So given this, and this is important, given this is very difficult to expect that you are going to resolve this health problem just by making the distribution of health expenditure more lobe sided. This is going to be very very difficult, because the political power lies here, not here basically and of course this is already too progressive in political terms if you will, and probably not in terms of efficacy of that expenditure, but in political terms is very difficult to have

something more progressive than this. And this is also combined with an additional problem, which is that, well, if we cannot redistribute expenditure, then that means we have to increase the level of expenditure, it's pretty obvious.

Now the problem is that increasing the level of any expenditure in Latin America is very difficult, because as we all know, public debts are already high in most countries in Latin America, but specially because Latin America is very poor at collecting taxes. Taxes in Latin America are more lower than you could expect on the basis, again, of the income levels of the countries. And problem basically lies with income taxes. You see here I'm comparing the international standard with the actual red news for the Latin America and the rest of the world and there differences as in the other taxes, but basically the huge gap comes from income tax red news, which are basically half what they should be for international standards. And this is where the real challenge is, because again, this is a reflexion of the inequality problem. If you have an economy or a country that is very unequal, is very hard to collect income taxes. People tent to think the other way around, I mean people tent to think, well if you have an economy that is very, where income is very concentrated and then it will be very easy to tax just those that have the incomes, but you have to think in political economy terms. In political economy terms that is not possible, it's pretty hard and the cost will be terrible for the economy and the economy finally move to a sort an equilibrium in which they tax relatively little those few who could pay. Therefore the problem of the inequality and the conexion that's a main point I want to make, the conexions between inequality in health outcomes, in incomes and in also in red news is what I think is the core of the problem in Latin America. Thank you very much.