

## **Redistributive effects of consumption and income from subsidies to passenger transportation in the Brazilian economy**

Topic: Input-Output Analysis: Income Distribution Policies - I

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Brazilian households already spend practically the same amount on transportation and food. Despite the importance of public transport, it has become increasingly expensive for users, with increases in fares and reduced quality. Thus, it is necessary to discuss the role of subsidies to public transport, as well as the evaluation of the impact of the subsidy policy on the redistribution of household income, taking into account the peculiarities of different groups by income level. These effects can be captured by a national Dynamic Computable General Equilibrium (CGE) model, with a Social Accounting Matrix (SAM) as a data structure, detailing the generation and appropriation of income by different sources and expenditure structures, as well as the breakdown of 5 representative households and 4 passenger transport services. To evaluate the potential of the built model, this research performs the application involved with the redistributive and economic effects of subsidies in selected activities of urban public transport of passengers in the Brazilian economy. The conclusive results indicate that policies related to subsidies contribute positively to the economy, in addition to generating positive effects for the internal market of the Brazilian economy by favoring typical households in the middle and lower positions of the composition of income and consumption. Regarding sectoral results, the increase in household income contributes to an increase in the production of those sectors that are more related to household consumption, mainly due to the consumption profile of households in lower income strata, contributing to the increase in production and investment sector. The reduction of the impact of transport on the income of individuals and households contributes to the redistribution of income in the consumption of other goods, mainly those related to food and services.

Keywords: Passengers transportation; subsidies; SAM; Dynamic CGE model; household income distribution.

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