Incomplete financial markets, suboptimal fiscal policy, and growth

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Table 1: Allocation of theoretical variables

Theoretical classification	GFS functional classification	Degetau
Budget surplus	Budget surplus (net operating balance)	Budget surplus (net operating balance)
Distortionary taxation	Taxation on income and profit	Taxation on income and profit
Distortionary taxation	Social security contributions	Social security contributions
Distortionary taxation	Taxation on payroll and manpower	
Distortionary taxation	Taxation on property	
Non-distortionary taxation	Taxation on domestic goods and services	Taxation on domestic goods and services
Other revenues	Taxation on international trade	Other tax revenues
Other revenues	Other tax revenues	
Other revenues	Non-tax revenues	
Productive expenditures	General public services expenditure (administrative services)	
Productive expenditures	Defense expenditures	
Productive expenditures	Educational expenditure	Educational expenditure
Productive expenditures	Health expenditure	Health expenditure

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Productive expenditures	Housing expenditure	
Productive expenditures	Transport and communication expenditure	
Unproductive expenditures	Social security and welfare expenditure	Other expenditure
Unproductive expenditures	Expenditure on recreation	
Unproductive expenditures	Expenditure on economic services (sector spending)	
Other expenditure	Unclassified	

Table 2: Countries available for each theoretical variable

Variable	Countries
GDP per capita growth (annual %)	214
Labor growth (annual %)	187
Other expenditure	144
Productive expenditure	181
Unproductive expenditure	156
Budget surplus	155
Distortionary taxation	108
Non-distortionary taxation	157
Other revenues	106

Table 3: Summary statistics (% of GDP unless noted)

Variable	Mean	SD	Min	Min Country	Max	Max Country
GDP per capita growth (annual %)	2.20	3.02	-12.71	Yemen, Rep.	24.66	Equatorial Guinea
Labor growth (annual %)	1.83	1.84	-5.02	Syrian Arab Republic	19.67	Qatar
Other expenditure	8.12	7.79	0.00	Australia	66.46	Nauru
Productive expenditure	7.69	3.56	1.83	Gambia, The	23.16	Kiribati
Unproductive expenditure	10.34	7.75	0.00	Somalia	36.26	Belgium
Budget surplus	0.08	10.82	-39.96	Marshall Islands	200.37	Timor-Leste
Distortionary taxation	12.53	7.09	0.52	Iraq	39.15	Malta
Non-distortionary taxation	8.21	4.54	0.00	Somalia	34.41	Macao SAR, China
Other revenues	6.24	4.63	0.00	Mexico	38.55	Iraq

Characteristic	**HIC**, N = 157	**LIC**, N = 9	**LMC**, N = 45	**UMC**, N = 91
GDP per capita growth (annual %)	2.21 (2.19)	2.82 (2.80)	3.25 (2.70)	3.32 (3.00)
Labor growth (annual %)	0.74 (1.12)	3.09 (0.83)	2.13 (1.67)	1.40 (1.29)
Budget surplus	-1.4 (4.0)	-9.5 (16.3)	-0.2 (4.9)	0.5 (4.8)
Distortionary taxation	18 (6)	5 (3)	7 (4)	9 (4)
Non-distortionary taxation	11.1 (4.0)	5.5 (2.7)	7.1 (3.3)	8.4 (3.2)
Other revenues	5.4 (3.2)	4.3 (1.5)	7.4 (4.1)	6.7 (5.0)
Productive expenditure	10.6 (2.5)	5.4 (1.4)	6.5 (2.5)	7.4 (2.4)
Unproductive expenditure	18 (7)	4 (2)	5 (3)	11 (6)
Other expenditure	7.9 (7.5)	15.2 (15.1)	9.3 (3.9)	5.4 (3.3)
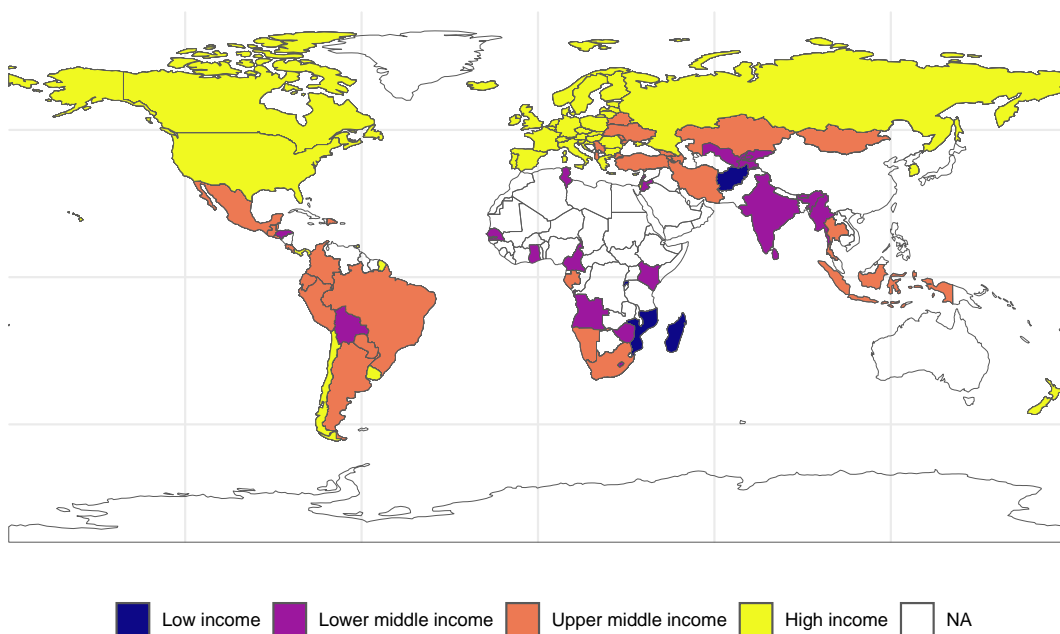
(a) By Income Level
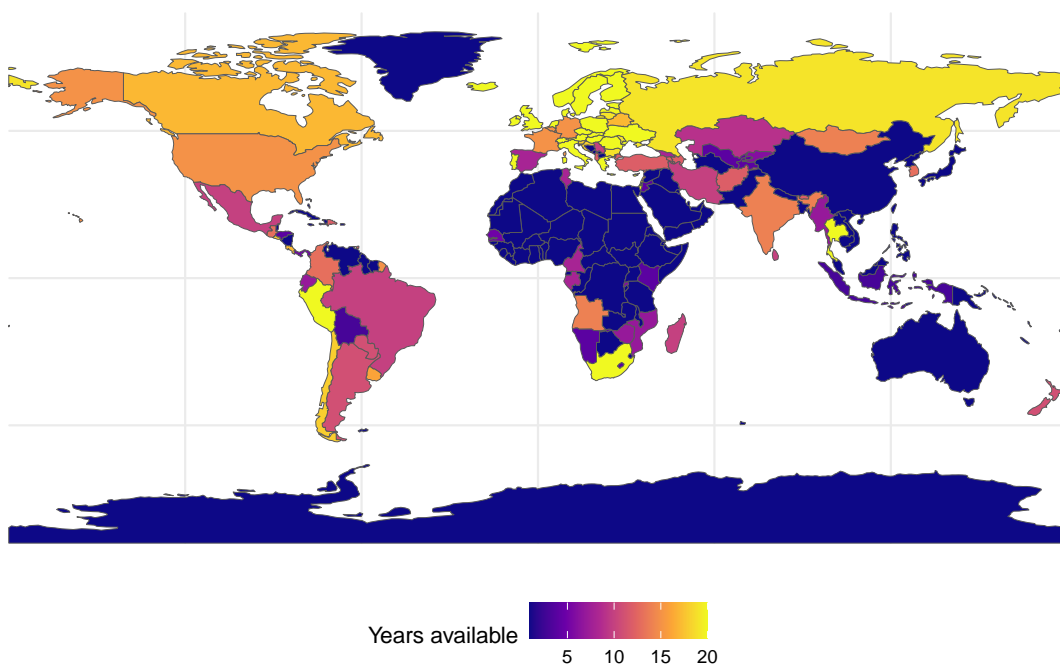
(b) Years available

Figure 1: Countries with some available data during 2000-2019