

Inequality and Poverty in Latin America
ECON 4600-01/ECON 6600-01
Undergraduate and Graduate Course
Spring 2018
Time: MONDAY 3:00pm-5:30pm
Location: Tilton 307

Instructor

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Office Hours: Mondays 1:45 - 2:45 pm or by appointment; to request an appointment please send an email to the above address.

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I. Course Description

Latin America is the region with the highest levels of income inequality and where inequality has been most persistent. However, in the recent years inequality declined in most countries while it rose in other regions. Through comparative and in-depth country studies this course analyzes the dynamics of income inequality and poverty in the region focusing on the role of markets and the state. The course includes a review of quantitative methods to measure inequality and poverty and the theories and methods to analyze their determinants. Students will also learn to assess government efforts to reduce inequality and poverty through taxes and transfers using incidence analysis. The course is open to graduate and undergraduate students in the social sciences. Spanish is not required but students who read Spanish will find it helpful. **Pre-requisites:** Introductory Macro and Microeconomics or by permission of instructor.

II. Objective and Learning Outcomes

The purpose of this course is twofold: a. to develop a broad understanding of the dynamics of inequality and poverty in Latin America and how market forces and government policies affect those dynamics; b. to acquire skills to critically assess the consistency of data on inequality, poverty and social policy from a wide range of sources. By the end of the course, students should have learned: 1. existing methods to measure inequality and poverty, their properties and limitations; 2. the facts on inequality and poverty in Latin America; 3. how to find and assess the quality and consistency of data on inequality, poverty and social policies; 4. existing theories and methods to analyze the causes and consequences of inequality and poverty and apply them to the countries covered in the course; and, 5. the basics of tax and benefit incidence analysis.

III. Program Outcomes

This course contributes to the program outcomes for the BA and BS degrees in Economics and other disciplines by allowing students to develop and demonstrate competency in specialized fields (income distribution and poverty). It contributes to the program outcomes of Economics and LAS graduate degrees by allowing students to develop and demonstrate competency in specialized fields (income distribution and poverty) and also gain knowledge on specific geographic areas (Latin America).

IV. Organization

The course will be conducted as a seminar. Students are expected to actively participate in class and interact with the instructor and each other. Careful and critical reading of the materials is a key component of this course.

V. Readings

Most of the reading materials can be downloaded or will be posted in a shared Dropbox folder. Other readings are available through the library (stacks or online). Bibliographical references by country will

be available in the shared Dropbox folder.

VI. Technology

Students will need to search for data during class so please bring a laptop set up to use Tulane's network or use computers available in the classroom.

VII. Evaluation and Grading

Midterm exam*	40 %	
In-class presentations and participation**		30 %
Assignment***	30 %	

*The midterm exam is scheduled for **M February 26** and will be comprised of questions on the material and readings covered until then. Midterm exams can be rescheduled only for valid medical or family emergencies. Students must produce signed evidence by the proper authority verifying the reason why they missed the exam. Without such evidence, the grade will be an F.

** The class will be divided in teams. Each team will work on a particular country in Latin America chosen from the following list: Argentina, Bolivia, Brazil, Chile, Guatemala, Mexico, Peru, and Uruguay. If a student prefers to work on a different country, please consult with the instructor. The grade for the in-class presentations shall be the same for all members of the team.

*** Each team must submit the powerpoint slides and spreadsheet to instructor with a copy to the TA the day prior to the presentation. Failing to submit will result in a reduction of the grade at the rate of 25 percent per day. Students will be excused only for valid medical or family emergencies. Students must produce signed evidence by the proper authority verifying the reason why they missed the deadline. Without such evidence, the grade will be an F.

For students taking the course at the **graduate level:**

In addition to the above, students taking the course for Graduate-level credit must submit a final paper written individually. The paper must focus on the evolution of inequality and poverty, their determinants, and main characteristics of social programs in your pre-assigned country. The paper has to be 8-10 pages long **MAXIMUM** (font size 12 and double space) including tables, figures and references. Please make sure to put your name and date in the top right-hand corner on first page. Papers should include a section with bibliographical references. Tables and figures should have proper titles and include sources (including the page numbers of the source when applicable) and add as many explanatory notes as needed. The paper is due by **W May 9 at noon**. Please submit electronically with a copy to the TA. If a student does not deliver the paper by the due date, the grade for this assignment will be reduced at a rate of 25 percent per day. Students will be excused only for valid medical or family emergencies. Students must produce signed evidence by the proper authority verifying the reason why they missed the deadline. Without such evidence, the grade will be an F.

The **Assignment** for in-class presentation, spreadsheet, powerpoint slides, and final paper (the paper applies to students taking the course for graduate-level credit only) should include the following sections:

- Section 1: Introduction
- Section 2: Evolution and main determinants of inequality and poverty in selected country.
Collect information on inequality and poverty from the following three sources for "your" country for as far back as you can: CEPAL, SEDLAC, and World Bank's POVCAL. Using the existing information and readings describe what happened to

inequality and poverty in your country. In particular, please address the following questions: Are there discrepancies in levels or trends among the three sources? If there are, what could be the causes? Which source did you decide to use and why? Based on the source that you chose, what is the evolution of inequality and poverty? Are results sensitive to the use of alternative inequality and poverty measures? Based on your bibliographical research, which factors explain the observed trends in inequality and poverty?

- Section 3: Assessing fiscal policy's impact on poverty and inequality. Using the Commitment to Equity framework as guidance, assess the extent to which government fiscal policies (taxes and transfers) in your country bring about a significant reduction in poverty and inequality. How progressive are taxes and transfers? How equitable is the access to public education and health? What are the main social programs and their characteristics? How significant is their contribution to reducing inequality and poverty?
- Section 4: Conclusions
- References

NOTE: Please make sure to put your name and date in the top right-hand corner on first page of every document. Powerpoint slides and papers should include a section with bibliographical references. Tables and figures should have proper titles and include sources (including the page numbers of the source when applicable) and add as many explanatory notes as needed.

VIII. Attendance, punctuality and active participation in class are required

Students are allowed to miss only one class without excuse. If more than one class is missed (fully or partially), students will be excused only for valid medical or family emergencies. Students must produce signed evidence by the proper authority verifying the reason why they missed or were late to a class. Without the signed evidence, 5 percent will be subtracted from final grade for each missed class. If a student misses 4 classes or more, the student will receive an incomplete for the course.

Students are expected to be punctual and stay for the duration of the entire class. If a student must be late to a class or leave early, please request the instructor's permission in writing.

Students must turn cell phones off during class. Social media or internet should not be consulted during during class except as required by the course. The use of cell phones, social media, or internet for unauthorized purposes will result in a deduction of 5 percent from the final grade for each violation.

There will be a 10-minute break during each session. Students are expected to remain in the room during the entire class unless exceptional circumstances require them to be excused.

IX. Code of Conduct

Tulane University recognizes the inherent dignity of all individuals and promotes respect for all people. As "One Wave," Tulane is committed to providing an environment free of all forms of discrimination based on race, ethnicity, creed, religion, gender, gender identity and sexual orientation, as well as all forms of sexual harassment, including sexual assault, domestic and dating violence, and stalking. If you (or someone you know) has experienced or experiences discrimination, domestic violence, sexual assault or sexual harassment, know that you are not alone. Resources and support are available. Learn more at onewave.tulane.edu. Any and all of your communications on these matters will be treated as either "Strictly Confidential" or "Mostly Confidential" as explained in the chart below."



Except in extreme circumstances, involving imminent danger to one's self or others, nothing will be shared without your explicit permission.	Conversations are kept as confidential as possible, but information is shared with key staff members so the University can offer resources and accommodations and take action if necessary for safety reasons.
Counseling & Psychological Services (CAPS) (504) 314-2277	Coordinator of Violence Prevention (504) 314-2161
Student Health Center (504) 865-5255	Tulane University Police (TUPD) (504) 865-5911
Sexual Aggression Peer Hotline and Education (504) 654-9543	Office of Institutional Equity (504) 862-8083

X. Academic honesty

All students must be familiar with and abide by Tulane's Code of Academic Conduct, which is available online at <http://tulane.edu/college/code.cfm>

Note in particular: "Unless explicitly allowed by the instructor, electronic devices (such as cell phones, notebooks, calculators, etc.) are not allowed to be out of backpacks or purses during quizzes and exams. These electronic devices must be packed away and turned off. Any student who is caught with one of these devices out will have his/her test taken and will be charged with the Honor Code violation of cheating."

XI. Schedule and Readings

January 22 and 29 – Concepts, Measurement, Trends, and Determinants

- Houghton, Jonathan and Shahidur R. Khandker. 2009. Handbook on Poverty and Inequality, World Bank; chapters 1-6. <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,,contentMDK:22405907~menuPK:6626650~pagePK:148956~piPK:216618~theSitePK:430367,00.html>
- Szekely, Miguel et al. 2004. "Do We Know How Much Poverty There Is?" Oxford Development Studies 32, no. 4: 523-558.
- Lustig, Nora. 2013. "Latin America's Inequality Success Story" Current History, February, pp. 64-69.

Inequality and Poverty in Latin America in Comparative Perspective

- Ferreira, F. H. G. 2016. "Measuring Global Poverty. Past, Present and Future," Powerpoint Presentation, 7th Bolivian Conference on Development Economics La Paz, December 9.
- World Bank (2016), Poverty and Shared Prosperity 2016: Taking on Inequality, Washington, DC: World Bank, <https://openknowledge.worldbank.org/handle/10986/25078>
- OECD. 2010. Tackling inequalities in Brazil, China, India and South Africa: The role of labour market and social policies. OECD Publishing, doi: 10.1787/9789264088368-en.

The Rise and Fall of Income Inequality in Latin America

- Lustig, Nora and Leonardo Gasparini. 2011. "The Rise and Fall of Income Inequality in Latin America," Chapter 28 in Jose Antonio Ocampo and Jaime Ros, eds., Oxford Handbook of Latin American Economics, Oxford University Press, August.
- Gasparini, Leonardo, Guillermo Cruces and Leopoldo Tornarolli. 2011. "Recent Trends in Income Inequality in Latin America." *Economia. The Journal of the Latin American and Caribbean Economic Association*. Spring: 147-201.

- Lustig, Nora, Luis F. Lopez-Calva and Eduardo Ortiz-Juarez. 2016. “Deconstructing the Decline in Inequality in Latin America,” “Deconstructing the Decline in Inequality in Latin America.” Basu, Kaushik and Joseph Stiglitz. *Inequality and Growth: Patterns and Policy: Volume II: Regions and Regularities*. Chapter 7.
- Birdsall, Nancy, Christian Meyer, and Nora Lustig. 2014. “The Strugglers: The New Poor in Latin America?” *World Development*, August 2014, Volume 60, pp132-146.
- Alvaredo, Facundo and Thomas Piketty. 2010. “The Dynamics of Income Concentration in Developed and Developing Countries: A View from the Top.” In Lopez-Calva, Luis F. and Nora Lustig (eds.) *Declining Inequality in Latin America: a Decade of Progress?* Brookings Institution Press and UNDP.

Historical Roots

- Sokoloff, Kenneth, and Joyce Robinson. 2004. “Historical Roots of Inequality in Latin America”. In *Inequality in Latin America and the Caribbean. Breaking with History?* coordinated by David De Ferranti, Guillermo Perry, Francisco H. G. Ferreira, and Michael Walton. Chapter 4. Washington, D. C: World Bank.
http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2004/06/22/000160016_20040622141728/Rendered/PDF/28989.pdf
- Frankema, Ewout. 2009. “The Colonial Origins of Inequality: Exploring the Causes and Consequences of Land Distribution,” in Klasen, Stephan and Felicitas Nowak Lehmann *Poverty, Inequality, and Policy in Latin America*, MIT Press. (not available online)
- Prados de la Escosura, Leonardo. 2005. “Growth, Inequality and Poverty in Latin America: Historical Evidence, Controlled Conjectures,” Working Paper 05-41, Economic History and Institutions Series, Universidad Carlos III de Madrid, Spain, June.

Ethnic Discrimination

- Cunningham, Wendy, and Joyce Jacobsen. 2004. “Group-Based Inequalities: The Roles of Race, Ethnicity, and Gender.” In *Inequality in Latin America and the Caribbean. Breaking with History?*, coordinated by David De Ferranti, Guillermo Perry, Francisco H. G. Ferreira, and Michael Walton. Washington, D.C: World Bank. Chapter 3.
http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2004/06/22/000160016_20040622141728/Rendered/PDF/28989.pdf.
- Marquez, Gustavo, Alberto Chong, Suzanne Duryea, Jacqueline Mazza, and Hugo Nopo, coordinators. 2007. *Outsiders? The Changing Patterns of Exclusion in Latin America and the Caribbean*. Washington, D.C: IADB.
<http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=1154386>
- Ñopo, Hugo. 2012. *New Century, Old Disparities: Gender and Ethnic Wage Gaps in Latin America*, Inter-American Development Bank. (available on IADB’s website)

February 5 – Measuring Inequality and Poverty Lab (Rodrigo Aranda)

- Review of concepts. Introduction to Data Sources and How to Use Them. (See links at the bottom of syllabus)

February 12 – MARDI GRAS BREAK: NO CLASS

February 19 – Guest Lecture on Inequality and Democracy by Professor Ludovico Feoli (Tulane University)

February 26 – MIDTERM

March 5 – Social Policy in Latin America: Social Protection and Cash Transfers (Lecture and Workshop)

- Fiszbein, Ariel and Norbert Schady with Francisco H.G. Ferreira, Margaret Grosh, Nial Kelleher, Pedro Olinto, and Emmanuel Skoufias. 2009. Conditional Cash Transfers. Reducing Present And Future Poverty, World Bank, Chapter 1.
- Ferreira, Francisco and David Robalino. 2010. “Social Protection in Latin America. Achievements and Limitations.” Policy Research Working Paper 5305. World Bank, Washington, DC, May.
- Barrientos, Armando. 2011. “On the Distributional Implications of Social Protection Reforms in Latin America,” Working Paper No. 2011/69, UNU-WIDER, Helsinki.

March 12 – Incidence of Taxes and Transfers in Latin America

- Lustig, Nora (editor). Forthcoming. *Commitment to Equity Handbook. Estimating the Impact of Fiscal Policy on Inequality and Poverty*. Brookings Institution Press and CEQ Institute. (advanced on-line edition available by clicking <http://www.commitmenttoequity.org/publications-ceq-handbook/>). Introduction and Chapters 1 and 10.
- Higgins, Sean, Nora Lustig, Whitney Ruble, and Tim Smeeding. 2016. “Comparing the Incidence of Taxes and Social Spending in Brazil and the United States.” *Review of Income and Wealth*, 62, S22-46, 2016.
- For Spanish readers: Lustig, Nora. 2017. “El impacto del sistema tributario y el gasto social en la distribución del ingreso y la pobreza en América Latina.” *El Trimestre Económico*. Number 335, July-September 2017
- Lustig, Nora. 2017. *“Fiscal Redistribution and Ethno-racial Inequality in Bolivia, Brazil and Guatemala,” *Latin American Research Review*. *Special Issue: Enduring and/or New Forms of Inequality in a Globalizing World*, Philip Oxhorn and José R. Jouve-Martin, editors, 2017, 52(2): X.
- Cabrera, Maynor, Nora Lustig, and Estuardo Moran. 2015. “Fiscal Policy, Inequality and the Ethnic Divide in Guatemala.” *World Development*, Vol. 76, pp. 263–279, 2015.
- Lindert, Kathy, Emmanuel Skoufias and Joseph Shapiro (2006). “Redistributing Income to the Poor and the Rich: Public Transfers in Latin America and the Caribbean,” Discussion Paper 0605. World Bank.

March 19 – Guest Lecture on Social Exclusion in Argentina by Rafael Rofman (World Bank) and Mariano Tommasi (Universidad de San Andres)- **LECTURE WILL TAKE PLACE AT ROGERS CHAPEL**

March 26 and April 2 – SPRING BREAK: NO CLASS

April 9 – Incidence of Taxes and Transfers in Latin America Lab (Rodrigo Aranda)

April 16 – In-class Presentations by Teams

April 23 – In-class Presentations by Teams

April 30 – In-class Presentations by Teams

XII. Data sources for Assignment

CEPAL (UN Economic Commission for Latin America and the Caribbean)

CEPALSTAT is the gateway to all the statistical information of Latin America and the Caribbean countries collected, systematized and published by ECLAC. The availability of timely statistical information is essential for socio-economic and environmental analysis and for various decision-making processes. ECLAC has been contributing in the dissemination of relevant data in the economic, social and environmental fields for Latin America and the Caribbean through various means. While most of the information disseminated is produced by official agencies of countries and international agencies, its systematization and documentation constitutes a contribution for users of regional data.

http://estadisticas.cepal.org/cepalstat/WEB_CEPALSTAT/Portada.asp?idioma=i

Commitment to Equity Institute: Data Center on Fiscal Redistribution

<http://www.commitmenttoequity.org/datacenter>

PovcalNet (World Development Indicators)

<http://data.worldbank.org/data-catalog/world-development-indicators>

<http://iresearch.worldbank.org/PovcalNet/index.htm>

Methodology: <http://iresearch.worldbank.org/PovcalNet/index.htm?0,2>

SEDLAC (Socio-Economic Database for Latin America and the Caribbean)

SEDLAC includes statistics on poverty and other distributional and social variables from 25 Latin American and Caribbean (LAC) countries. All statistics are computed from microdata of the main household surveys carried out in these countries using a homogenous methodology (data permitting). Statistics are updated periodically. SEDLAC allows users to monitor the trends in poverty and other distributional and social indicators in the region. The dataset is available in the form of brief reports, charts and electronic Excel tables with information for each country/year. In addition, the website visitor can carry out dynamic searches online.

<http://sedlac.econo.unlp.edu.ar/eng/>

Methodology: <http://sedlac.econo.unlp.edu.ar/eng/methodology.php> - guide dl

WID.world (The World Wealth and Income Database)

<http://wid.world/>

Social Spending by Country (CEPAL)

http://dds.cepal.org/gasto/indicadores/ficha/?indicador_id=1