

Inequality and Poverty in Latin America
ECON 4600-01/ECON 6600-01
Undergraduate and Graduate Course
Spring 2019
Time: TUESDAY 3:00pm-5:30pm
Location: CIPR Conference Room | 205 Richardson Building

Instructor

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

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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 students will analyze the dynamics of income inequality and poverty in specific countries from 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, including the political dimensions. Students will also learn to assess government efforts to reduce inequality and poverty through taxes and transfers using incidence analysis. **NEW!** Tulane-in-DC “Bridges to Policy.” For the first time, this course includes a 3-day visit to Washington, DC during Spring Break. Students will have the unique opportunity to meet with and be taught by experts from multilateral organizations (e.g.: IMF, Inter-American Development Bank, Organization of American States, and World Bank) and think tanks (e.g.: Brookings Institution, Center for Global Development, and Inter-American Dialogue) to get policy perspectives on how inequality, poverty, and social exclusion are addressed by the international community. Students will also have the opportunity to discuss selected issues with experts who have on-the-ground experience in the countries of interest.

Pre-requisites: The course is open to juniors and seniors on the Dean’s List and to graduate students from any field with a cumulative GPA of 3.80 or above and a recommendation from their program’s director of graduate studies. Introductory Macro and Microeconomics with a grade of B+ or higher is required. Spanish is not required but students who read Spanish will find it helpful.

Objective and Learning Outcomes

This course will combine lectures, labs, and student presentations in a seminar format with guided discussions based on readings and country studies. 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. To optimize the interactive nature of this course, the number of students will be kept small.

The purpose of this course is threefold: 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; c. to have the opportunity of a first-hand engagement with professionals working in the field in Washington-based institutions. 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; 5. the basics of tax and benefit incidence analysis and other public policies designed to address inequality and poverty; and, 6. how leading multilateral organizations use knowledge (research, data) to implement policies to reduce inequality, poverty, and social exclusion in specific countries.

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) and be exposed to perspectives from staff in multilateral organizations and think tanks.

Organization

The course will be conducted as a seminar and there will be several in-class workshops and Stata tutorials. 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.

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.

Technology

Students will need to search for data during class **so please bring a laptop set up to use Tulane's network**. You will need a Dropbox account to access all the class materials. To open a Dropbox account, you can go to www.dropbox.com and open a free account.

Evaluation and Grading

Preparation of Assignment and In-class Presentations: 40 %

The class will be divided in teams and there will be two types of presentations:

1. Each team will work on a particular topic selected from the readings (e.g., historical roots of inequality; ethnic and gender inequality; etc.) and lead the discussion based on a series of questions that the own team shall prepare. The presentations must not be a literal restatement of the readings. Rather, they must demonstrate the student's internalization of, and engagement with, the main concepts in the readings.
2. In the last part of the course, students will present assessments (details below) on a particular country in Latin America chosen from the following list: Argentina, Bolivia, Brazil, Chile, El Salvador, Guatemala, Mexico, Peru, and Uruguay. (If a student prefers to work on a different country, please consult with the instructor.)

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, World Bank's POVCAL, Wid.world, and other sources. 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: Social Protection and Anti-poverty Programs Describe the main characteristics of the social protection system and transfer programs.

Section 4: 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 5: 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.

The grade for the in-class presentations shall be the same for all members of the team. Students will be excused from presenting 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.

Midterm exam February 26: 30%

The midterm will include 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.

Final Assignment: 30 %

Each team must submit the revised and final version of powerpoint slides to instructor by **Tu May 7 at 5pm (CST)**. **Please submit electronically with a copy to the TA.** If a team does not submit the final version of the slides 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.

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 follow the structure described above for the Assignment and should be 8-10 pages long (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 Tu May 7 at 5pm (CST)**. **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.

GRADE SCALE: A (96-100) | A- (91-95) | B+ (88-90) | B (84-87) | B- (81-83) | C+ (78-80) | C (74-77) | C- (71-73) | D+ (68-70) | D (64-67) | D- (60-63) | F (below 60)

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 15-minute break during each session. With the exception of the break, students are expected to remain in the room during the entire class unless exceptional circumstances require them to be excused.

Schedule and Readings

January 15 – Orientation session for Tulane-in-DC

January 15 – Concepts, Measurement, Trends, and Determinants

- Haughton, 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.
- Williamson, Jeffrey G. 2015. “Latin American Inequality: Colonial Origins, Commodity Booms or a Missed Twentieth-Century Leveling?,” *Journal of Human Development and Capabilities*, Vol. 16, No. 3, 324-341.

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>
- Nopo, Hugo. 2012. *New Century, Old Disparities: Gender and Ethnic Wage Gaps in Latin America*, Inter-American Development Bank. (available on IADB’s website)

⇒ Selection of questions to discuss with staff and researchers in Washington DC.

January 22 – Measuring Inequality and Poverty Lab (TA)

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

Jan 29 – Concepts, Measurement, Trends, and Determinants (continued)

February 5 – Concepts, Measurement, Trends, and Determinants (continued)

February 12 – Social Policy in Latin America: Social Protection and Cash Transfers (Lecture and In-class Presentations)

- 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.
- Lustig, Nora. 2014. “Scholars Who Became Practitioners: the Influence of Research on the Design, Evaluation and Political Survival of Mexico’s Anti-Poverty Program,” Chapter in Mariano E. Bertucci and Abraham F. Lowenthal, eds., *Building Bridges: Scholars, Policymakers and International Affairs*, Johns Hopkins University Press, Baltimore, Maryland.

⇒ Selection of questions to discuss with staff and researchers in Washington DC.

February 19 – Incidence of Taxes and Transfers in Latin America

- Lustig, Nora (editor). 2018. *Commitment to Equity Handbook. Estimating the Impact of Fiscal Policy on Inequality and Poverty*. Brookings Institution Press and CEQ Institute. 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.

⇒ Selection of questions to discuss with guest speakers in Washington DC.

February 26 – MIDTERM

March 6, 7, and 8 – Tulane-in-DC: “Bridges to Policy”

Through invited guests, students will learn how multilateral organizations and think tanks measure social progress, influence policy and evaluate results. They will also learn how multilateral organizations respond to natural disasters, epidemics, and financial crises. Schedule will be made available in class.

March 12 – Guest Lecture on Inequality and Democracy by Professor Ludovico Feoli

- Jeffrey Winters and Benjamin Page, “Oligarchy in the US?” APSA Task Force on Inequality, “American Democracy in an Age of Rising Inequality”
- Excerpt from Ganesh Sitaraman, *The Crisis of the Middle Class Constitution: Why Economic Inequality Threatens our Republic*, Introduction
- Excerpt from Richard V. Reeves, *Dream Hoarders*, Ch. 1 “Hoarding the Dream”
- Excerpt from Michael Albertus and Victor Menaldo, *Authoritarianism and the Elite Origins of Democracy*, Introduction
- Excerpt from Stephen Haggard and Robert R. Kaufman, *Dictators and Democrats: Masses, Elites, and Regime Change*, Ch. 1 “Inequality and Transitions to Democracy”
- Karl Polanyi, *The Great Transformation*, Ch. 12

March 19 – Guest Lecture on Inequality and Democracy by Professor Ludovico Feoli (continued)

March 26-April 2-April 9: NO Lectures-Preparation of in-class presentations by teams; teams will hold individual sessions with the instructor. The individual sessions will last up to one hour and will take place during the time allotted for this class.

April 16 – Assignment: In-class Presentations and Discussion

April 23 – Assignment: In-class Presentations and Discussion

April 30 – Assignment: In-class Presentations and Discussion

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.commitmentoequity.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

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Code of Conduct

Tulane University recognizes the inherent dignity of all individuals and promotes respect for all people. As such, Tulane is committed to providing an environment free of all forms of discrimination including sexual and gender-based discrimination, harassment, and violence like sexual assault, intimate partner violence, and stalking. If you (or someone you know) has experienced or is experiencing these types of behaviors, know that you are not alone. Resources and support are available: you can learn more at titleix.tulane.edu. Any and all of your communications on these matters will be treated as either “Confidential” or “Private” as explained in the chart below. Please know that if you choose to confide in me I am mandated by the university to report to the Title IX Coordinator, as Tulane and I want to be sure you are connected with all the support the university can offer. You do not need to respond to outreach from the university if you do not want. You can also make a report yourself, including an anonymous report, through the form at tulane.edu/concerns.

<i>Except in extreme circumstances, involving imminent danger to one's self or others, nothing will be shared without your explicit permission.</i>	<i>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.</i>
Counseling & Psychological Services (CAPS) (504) 314-2277 or The Line (24/7) (504) 264-6074	Case Management & Victim Support Services (504) 314-2160 orsrss@tulane.edu
Student Health Center (504) 865-5255	Tulane University Police (TUPD) Uptown - (504) 865-5911. Downtown – (504) 988-5531
Sexual Aggression Peer Hotline and Education (SAPHE) (504) 654-9543	Title IX Coordinator (504) 314-2160 or msmith76@tulane.edu

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."