Inequality and Poverty in Latin America
ECON 4600-01/6600-01
Spring 2012
Time: Monday 3–5:15
Location: Tilton 307

Instructor
Nora Lustig
Samuel Z. Stone Professor of Latin American Economics
Department of Economics
204 Tilton Hall
nlustig@tulane.edu
Office Hours: M 1:30-2:30 or by appointment. To request an appointment please send an email to the above address.

Description
Latin America is the region with the highest levels of income inequality and where inequality has been most persistent. However, during the last decade 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 largely non-technical and open to graduate and undergraduate students in the social sciences.

Prerequisites: Introductory Macro and Microeconomics or by permission of instructor.
Credit: Undergraduate and graduate course.

Program Outcomes
This course contributes to the program outcomes for the BA and BS degrees in Economics 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).

Objective and Learning Outcomes
The purpose of this course is twofold: 1. 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; 2. 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.

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.

Readings
Most of the reading materials can be downloaded or will be posted on blackboard tulane.blackboard.com. Other readings are available through the library (stacks or online). There are quite a few references under each subject; students should exercise their judgment in choosing those to read in detail.

Technology
You will need to look for data during class so please bring a laptop set up to use Tulane’s network or use computers available in the classroom.
Evaluation and Grading
The evaluation is based on a midterm exam and an assignment.

The midterm consists of ten short questions on material covered during the first part of the course. The assignment consists of in-class workshops and a submission of an Excel spreadsheet at the end of the course. The class will be divided in teams. Each team will work on a particular country chosen from the following list: Argentina, Bolivia, Brazil, Mexico, Peru and Uruguay. The grade for the assignment shall be the same for all members of the team.

Graduate-level credit: In addition to taking the midterm exam and submitting the Excel spreadsheet, students taking the course for Graduate-level credit must submit a final paper. The paper has to be 10-15 pages long (font size 12 and double space, including tables, figures and references) based on the assignment (more details will be given in class at the proper time). Papers should be submitted electronically (via e-mail). Please make sure to put your name and date in the top right-hand corner.

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 due date for the Excel spreadsheet and final paper (for graduate-level students) is: December 10. If a student cannot deliver the spreadsheet or the paper by the due date, s/he must produce signed evidence of a medical or family emergency. Without such evidence, the grade for the spreadsheet/paper will equal F.

Grading: The midterm will count for 50 percent of the grade. Active participation in the in-class workshops and the final Excel spreadsheet will count for another 50 percent. For students taking the course at the graduate level, active participation in the in-class workshops and the final Excel spreadsheet will count for 20 percent and the final paper will count for 30 percent of the total grade.

Attendance, punctuality and 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, s/he will receive an incomplete for the course. You are not supposed to use cell phones or computers except as required by the course while in class.

Academic honesty
All students are responsible for knowing and adhering to Tulane University’s Honor Code, available at http://www.tulane.edu/~jruscher/dept/Honor.Code.html.

Assignment for in-class workshops, spreadsheet and final paper (the paper applies to students taking the course for graduate-level credit)

Assignment

Part 1: Assessing the availability and quality of data on inequality and poverty in LA.
Collect information on inequality and poverty from different sources for “your” country for as far back as you can. Typical sources include, for example, CEPAL, IADB, National Statistical Institutes, SEDLAC, World Bank’s POVCAL, World Bank’s Poverty Assessments, World Bank’s World Development Indicators, and MDG Monitoring (web-links are mentioned at the bottom of the syllabus). Using the existing information describe what happened to inequality and poverty in “your” country. Are there discrepancies among sources? Are there inconsistencies? What could be the causes? Do trends differ? How do the inconsistencies or discrepancies affect your analysis of the levels and trends in inequality and poverty during the period of analysis? Are results sensitive to the use of alternative inequality and poverty measures? This paper should be written as a memo to the agencies describing the problems and inconsistencies you encountered as well as the questions you want to pose to them.

Using the Commitment to Equity framework as guidance, assess the extent to which government fiscal policies in “your” country bring about a sustained reduction in poverty and inequality—and the extent to which they block such a reduction. What are the characteristics of “your” country’s
flagship program/s? Which are the most important policy changes that should be implemented to reduce inequality and poverty in the country or countries you assessed?

SESSIONS AND READINGS

August 27 – Introduction to the course


MONDAY AUGUST 4 NO CLASS – LABOR DAY

September 10 – Concepts and Measurement


September 17 – In-class workshop – Assignment Part 1

September 24 – In-class workshop – Assignment Part 1

October 1 and 8-- Why is Latin America so Unequal?

*Inequality and Poverty in Latin America in Comparative Perspective*


**Historical Roots**


**Ethnic Discrimination**


**October 15 - The Period of Rising Inequality in Latin America: 1980s and 1990s**


Washington-consensus Reforms


**Argentina**


**Brazil**


**Mexico**


**October 22 --The Period of Declining Inequality in Latin America: the 2000s**


**Skill Premium, Educational Upgrading and Technology**


**Political Economy**


**Argentina**


**Brazil**


**Mexico**


Esquivel, Gerardo, Nora Lustig, and John Scott. 2010. “A Decade of Falling Inequality in Mexico: Market Forces or State Action?” In Lopez-Calva, Luis F. and Nora Lustig (eds.) *Declining Inequality in Latin America: a Decade of Progress?* Brookings Institution Press and UNDP.

**October 29 – Social Policy in Latin America: Cash Transfers**


**November 5 -- Incidence of Taxes and Transfers in Latin America**


November 12 – MIDTERM

November 19 -- In-class workshop – Assignment Part 2

November 26 -- In-class workshop – Assignment Part 2

December 3 – In-class workshop – Assignment Parts 1 and 2

REMINDER: SPREADSHEET AND PAPER (Graduate-level) ARE DUE ON DECEMBER 10
ASSIGNMENT: DATABASES ON INEQUALITY AND POVERTY:
Note: Students are encouraged to make additional suggestions to this list

CEPALSTAT/ BADEINSO (Base de Datos de Estadísticas e Indicadores Sociales, Económicos y Medio Ambientales)
  http://websie.eclac.cl/sisgen/ConsultaIntegrada.asp?idAplicacion=1

CEPAL’S Poverty Lines Social Panorama of Latin America Page 246, Table A-5

CEPAL/ División de Desarrollo Social
  http://www.eclac.org/dds/

EUROSTAT. Income, Social Inclusion and Living Conditions
  Database. Luxembourg: European
  http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/data/database

GAPMINDER: http://www.gapminder.org/

IADB (Inter-American Development Bank)
  Research Department
  http://www.iadb.org/res/
  Sociometro
  http://www.iadb.org/sociometro/spanish/index.html
  http://www.iadb.org/sociometro/index.html

ILO Social Security Inquiry

IMF

LUXEMBOURG INCOME STUDY PROJECT
  http://www.lisproject.org/

SEDLAC (Socio Economic Database for Latin America and the Caribbean, CEDLAS and World Bank)


OECD—SOCIAL EXPENDITURES COMPRENDIUM
  http://www.oecd.org/document/9/0,3746,en_2649_34637_38141385_1_1_1_1,00.html#related_data
  http://g-mond.parisschoolofeconomics.eu/topincomes/

UNDP (United Nations Development Program)/ Human Development Reports

UNDP/ Millennium Development Goals Monitor


WORLD BANK

POVCAL

World Development Indicators http://databank.worldbank.org/ddp/home.do?CNO=2&Step=12&id=4
INTERNATIONAL HOUSEHOLD SURVEY NETWORK. WORLD BANK & PARIS 21
www.surveynetwork.org

WORLD BANK PUBLICATIONS

POVERTY ASSESSMENTS (Since 2000) (All TITLES are active links to assessment)

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>YEAR</th>
<th>TITLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>2003</td>
<td>Crisis and Poverty 2003: A Poverty Assessment</td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>Poor People in a Rich Country</td>
</tr>
<tr>
<td>Bolivia</td>
<td>2005</td>
<td>Poverty Assessment: Establishing the Basis for More Pro-Poor Growth</td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>Poverty Diagnostic 2000</td>
</tr>
<tr>
<td>Brazil</td>
<td>2006</td>
<td>Measuring Poverty Using Household Consumption</td>
</tr>
<tr>
<td></td>
<td>2003</td>
<td>Inequality and Economic Development in Brazil</td>
</tr>
<tr>
<td></td>
<td>2002</td>
<td>Strategies for Poverty Reduction in Ceara - The Challenge of Inclusive Modernization</td>
</tr>
<tr>
<td>Chile</td>
<td>2001</td>
<td>Poverty and Income Distribution in a High Growth Economy - The Case of Chile 1987-98</td>
</tr>
<tr>
<td>Colombia</td>
<td>2002</td>
<td>Poverty Report</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>2006</td>
<td>Poverty Assessment: Recapturing Momentum for Poverty Reduction</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>2006</td>
<td>Poverty Assessment: Achieving More Pro-Poor Growth</td>
</tr>
<tr>
<td>Country</td>
<td>Year</td>
<td>Title</td>
</tr>
<tr>
<td>-----------</td>
<td>--------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>Ecuador</td>
<td>2004</td>
<td>Poverty Assessment</td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>Ecuador - Crisis, poverty and social services, Vol I</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ecuador - Crisis, poverty and social services, Vol II</td>
</tr>
<tr>
<td>El Salvador</td>
<td>2005</td>
<td>Poverty Assessment: Strengthening Social Policy</td>
</tr>
<tr>
<td>Guatemala</td>
<td>2009</td>
<td>Poverty Assessment: Good Performance at Low Levels</td>
</tr>
<tr>
<td></td>
<td>2003</td>
<td>Poverty in Guatemala</td>
</tr>
<tr>
<td>Honduras</td>
<td>2006</td>
<td>Poverty Assessment: Attaining Poverty Reduction</td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>Poverty Diagnostic 2000</td>
</tr>
<tr>
<td>Mexico</td>
<td>2005</td>
<td>Income Generation and Social Protection for the Poor</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>2008</td>
<td>Poverty Assessment</td>
</tr>
<tr>
<td></td>
<td>2003</td>
<td>Poverty Assessment: Raising Welfare and Reducing Vulnerability</td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>Poverty Assessment: Challenges and Opportunities for Poverty Reduction</td>
</tr>
<tr>
<td>Peru</td>
<td>2005</td>
<td>Opportunities for All: Poverty Assessment</td>
</tr>
<tr>
<td>Uruguay</td>
<td>2001</td>
<td>Maintaining Social Equity in a Changing Economy</td>
</tr>
<tr>
<td>Venezuela</td>
<td>2000</td>
<td>Investing in Human Capital for Growth, Prosperity, and Poverty Reduction</td>
</tr>
</tbody>
</table>

Poverty Net


POVERTY REDUCTION STRATEGY PAPERS (All TITLES are active links to paper)

**Bolivia:**


**Dominica**

Poverty Reduction Strategy Paper, August 4, 2006

Poverty Reduction Strategy Paper - Preparation Status Report, October 21, 2005

**Haiti**


Poverty Reduction Strategy Paper, March 27, 2008

**Honduras**

Poverty Reduction Strategy Paper Progress Report, March 8, 2005


Poverty Reduction Strategy Paper, August 31, 2001

**Nicaragua**
Poverty Reduction Strategy Paper, May 4, 2010
Poverty Reduction Strategy Paper, July 31, 2001
A Strengthened Poverty Reduction Strategy Paper, August 15, 2000

WORLD BANK PUBLIC EXPENDITURE REVIEWS (All COUNTRY NAMES are also active links to review)

Honduras, 2000 http://go.worldbank.org/QT2JEADDY0
Bolivia, 1999 http://go.worldbank.org/DRJWSYUX60
Columbia, 1997 http://go.worldbank.org/0VFMV847W1
Guatemala, 1997 http://go.worldbank.org/88CX7749O0
Belize, 1996 http://go.worldbank.org/URNXQKUSF0
Argentina, 1996 http://go.worldbank.org/773CVLVUH0
Jamaica, 1996 http://go.worldbank.org/AHFUVRWQO0
Peru, 1994 http://go.worldbank.org/WX8NAAC7P0